

Annual Report 2017





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Juan Pablo Córdoba Garcés
bvc CEO

Letter to shareholders

GRI 102-14, 103-1, 103-2, 205-2

Dear Shareholders,

It is my pleasure to present the 2017 Report. This is a year that will go down in the history of the Colombian Securities Exchange and the capital market industry as one of the most important in terms of strategy. We progressed with one of the main objectives that we had set ourselves in the MEGA 2025, which was to start to integrate the infrastructure of the capital market's value chain. Through the corporate integration with deceval, we took an important step in that direction and ensured the full strategic alignment of the two companies, achieving a larger, more liquid and deeper market, which has a better cost-benefit ratio for its users.

Through this operation, and after the creation of INFOVALMER (Precia) and the acquisition of control of Sophos, bvc became a company with a consolidated revenue that exceeds COP 245,000 million. Consequently, the Exchange obtains the size and diversification of sufficient business lines, allowing us to undertake ambitious investment and technology upgrade projects to strengthen ties with our clients, provide automated access to the markets we administer, make risk and portfolio management more sophisticated, provide digital solutions for the futures market and ensure the efficient access of more companies and investors to our market.

Thanks to the preparative work that we carried out with an international consultant (Bain & Co.), deceval and bvc were adequately prepared to start the integration last December, after obtaining the authorization of the Financial Superintendence of Colombia. This entity has been closely monitoring the activities of the process. This has enabled us to move quickly to start the company's internal transformation, committed to maintaining the best governance, security and risk management standards, but with greater focus on being an organization dedicated to responding to our clients' needs and promoting the development of the capital market.





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The challenge of 2018 is to effectively integrate the two companies, creating a new organizational culture that makes its teams work for a single company, strengthening the client focused business model, and transforming and renovating the industry in terms of efficiency and costs to make the capital market a permanent source of access to funding, investment opportunities and growth of wealth for Colombians.

In 2017, we also progressed in bvc's technology upgrade process, a very ambitious initiative that aims to incorporate the fixed income market and MILA (Market Integrated of Latin America) into the X-STREAM platform, which currently attends to the equity and derivatives markets: All the markets under the same roof! This process allows us to accelerate the client enrollment process and standardize the automated access protocols to the markets, reducing the connection and monitoring costs for clients, while boosting the adoption of multi-market strategies. The benefit is for brokers as well as institutional and professional investors. We consider that this is an essential step to promote greater professionalization of the participants and give a new boost to the market's liquidity. To achieve this, in 2018, we will start the new version of the core platform provided by NASDAQ, X-STREAM INET.

The year 2017 was marked by moderate transaction activity, which was in response to the panorama of the slowdown of the Colombian economy, the impact of the new tax burden on consumption and the effect on expectations, as well as the corruption scandals, which affected trust in the country and in the region. These developments have generated uncertainty about the health of public finance and its sustainability over time, and ended up affecting the country's credit rating.

However, for the second year in a row, the purchase dynamics of institutional investors, foreign investment funds and brokerage firms practically maintained the same level of trading on the markets. The volumes of the equity, fixed income and derivatives markets remained in the same range with slight variations.

Particularly, the equity market reported a 12% increase in the COLCAP index, making

this the most profitable asset in the last two years. Market capitalization increased 17% and the size of the index's ETF had a new record with a volume of more than COP 3.6 trillion. The volume of the spot market decreased 5% from 2016, while the volume of repos and ETFs increased by 14% and 19%, respectively.

We had a very good year in the fixed income market for placements and listing services thanks to the abundant liquidity and reduction of the interest rates, which attracted issuers to the market. More than COP 12 trillion were mobilized in 35 issuances, with 30-year (2) and 25 year (2) placements. Furthermore, this is 26% higher than the amount issued in 2016.

In derivatives, once again, more than one million futures contracts were traded and the total amount was COP 131.5 trillion. However, the volume reported a 1% and 20% reduction in contracts from 2016. The number of transactions reported an annual reduction of 20.5%, but the daily average maintained the same level as in 2016 at COP 543 billion.

Regarding subsidiaries, Sophos Solutions and INFOVALMER (now Precia) kept expanding their regional presence in Mexico, Panama and El Salvador. Particularly in the case of Sophos, this has meant greater investment to start its projects and activities in these countries.

Regarding progress in structuring products and improving risk management in the market, from 2017, repo transactions on stocks started to be cleared and settled through the Central Counterparty Risk Clearing House (CRCC, for the Spanish original). In 2018, we will work on the migration of clearing and settling cash and ETF transactions of the equity market through the CRCC. Likewise, we completed the future offering for the whole COLCAP index and opened the options market. Additionally, this year, we encouraged regulation for the trading of real-estate funds in the equity market and we hope to have this running in the first half of 2018, after tax adjustments.





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In terms of international promotion, we carried out the sixth COLOMBIA INSIDE OUT event in New York and London. More than 25 issuers and 14 CEOs of companies attended 305 individual meetings with investors and two forums with more than 400 investors. We also promoted financial technology incorporation initiatives for emerging markets through the WFE directory, as well as regulatory standardization for the region in the FIAB (Ibero-American Federation of Stock Exchanges).

In 2017, we took important steps toward achieving our commitment to offer alternatives on the capital market for funding SMEs in the country. Therefore, we completed the first phase of creating a funding platform for these companies through the issuance of bonds of a low amount, with the design of the platform's prototype and securing a contribution of USD 1 million from the IDB for this initiative.

Likewise, together with our partners, deceval and Comfecámaras, we worked to ensure that the regulatory framework for trading electronic invoices not only enables our participation, but also has a design consistent with the best capital market standards to ensure more participants, transparency and adequate pricing. Therefore, we are ready to participate in the tender that the Ministry of Commerce, Industry and Tourism has to carry out this year for the management of electronic invoicing registration. With these two initiatives, we will open up areas to improve access and increase sources of funding for SMEs.

Regarding responsible and sustainable policy, bvc became the first exchange to adopt the new Global Reporting Initiative (GRI) Standard. This is a valuable example to encourage Colombian companies to keep generating long-term value through corporate sustainability. We also supported the launch of the Dow Jones Sustainability MILA Pacific Alliance Index, where there are 11 bvc issuers among the 40 companies with the highest sustainability ratings in the countries of the Pacific Alliance.

We confirmed our commitment to the Ten Principles of the UN Global Compact on human rights, labor, the environment and anti-corruption. In 2017, together with the UN Global Compact and the IFC, we joined the global initiative to promote gender equality.

As you can see, we also ended the year with magnificent financial results of a net profit in bvc of COP 109,930 million, which was partly due to the extraordinary profit generated in the transaction with deceval, and a consolidated EBITDA of COP 43,701 million.

These results and the achievements made in 2017 are the fruit of the very professional teamwork of our employees and executives, who are strongly committed to excellence and to ensuring that our dreams for bvc, the capital market and the country come true. I thank them for their determination, persistence and commitment every day to make the Exchange a better place.

Finally, I would like to make a very special acknowledgement of our Board of Directors. This year in particular, the Board, its Committees and the delegates in the deceval Transaction Committee dedicated a lot of time and their best efforts to ensuring the achievement of the objective, with their meticulous monitoring of the numerous activities related to the transaction. We are grateful for their contributions, enthusiasm and support of all the initiatives aimed at ensuring an even more promising future for the Organization.

Thank you to our shareholders and clients for your trust in our work, where we are always striving to improve the operation and quality of our capital market for the benefit of the country and of all Colombians.

Best regards,

Juan Pablo Córdoba Garcés
CEO





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The strategy

New consolidated strategic vision

Being the market infrastructure that serves the country in the most effective and efficient way, focused on our clients' needs and the **construction of trust**, leading the **Colombian capital market development** and the regional integration, creating value for our shareholders and stakeholders.



How to win?



Developing 4 strategic enablers



Operational **efficiency**



Total transformation toward a client focused organization
"Customer Centricity"



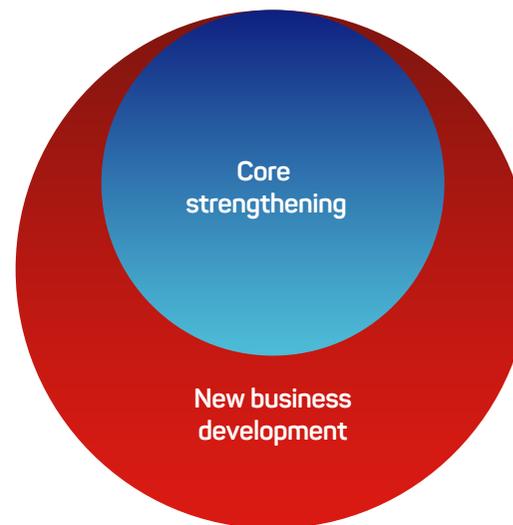
Promote liquidity and foster development of our capital market



Innovation, digital transformation and diversification



Where to play?



Priorities

1. Operate as a single entity
2. Redesign industry processes
3. Implement a new commercial management and segmentation model
4. Implement strategic projects



The value of working together

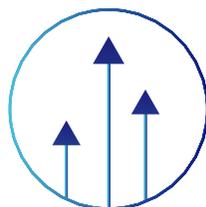


- The **two most important** capital market companies come together
- One of the most important milestones in **88-years** history of the Colombian capital markets

Integration purpose



Optimize, develop and strengthen the capital market for the benefit of the country, our clients and shareholders



Foster our local and international **recognition** and **competitiveness**



Drive a **new era for the Colombian capital market** in a global context



Deliver more **efficient, modern and reliable business solutions** for the growth of companies, investors and market participants



Increase business solutions offering through innovation and **diversification** creating value constantly





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Bolsa de Valores de Colombia

We are the strategic partner of the financial and capital market sectors in trading, post-trading, information and technology services



Capital Markets & Issuer Services	Post-Trading Services	Information Services	Technology Solutions & Innovation
<ul style="list-style-type: none"> Equities Fixed Income Derivatives Issuer Services FX OTC 	<ul style="list-style-type: none"> Clearing Settlement Custody 	<ul style="list-style-type: none"> Market Data Assets Valuation Risk Management Tools 	<ul style="list-style-type: none"> Trading Systems Electronic Access Consultancy: <ul style="list-style-type: none"> Core Banking Treasury Capital Markets
<p>50% SET ICAP</p>	<p>94% deceval una compañía bvc</p> <p>47% CÁMARA DE RIESGO CENTRAL DE CONTRAPARTE DE COLOMBIA</p> <p>31% Cámara de Compensación de Divisas de Colombia S.A.</p>	<p>100% precia</p>	<p>54% SOPHOS SOLUTIONS</p>

Value proposition

Regional presence



Memberships





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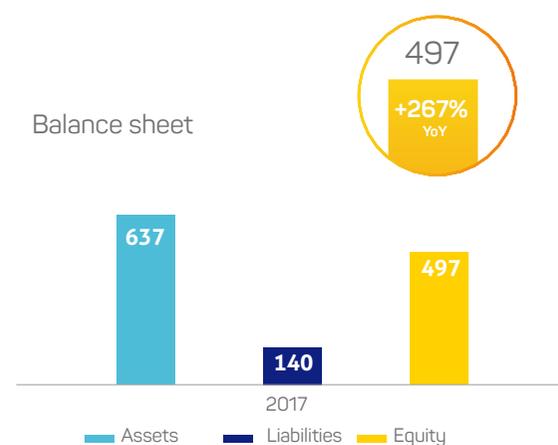
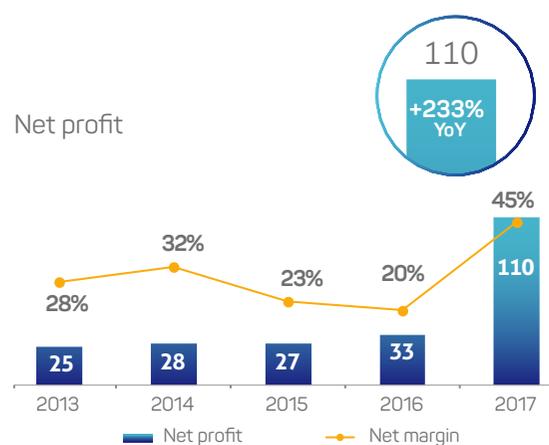
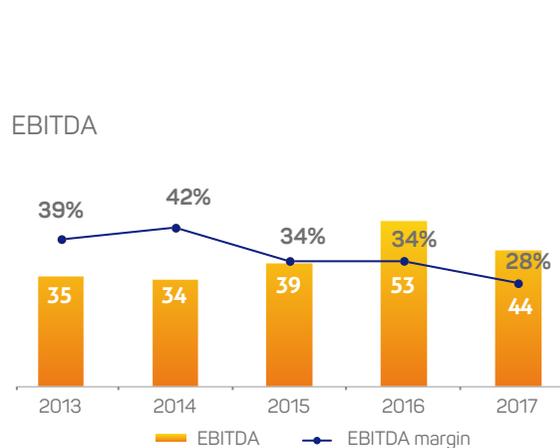
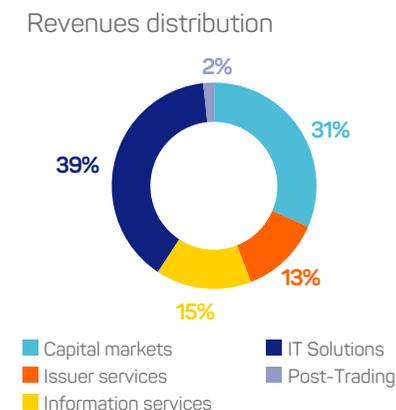
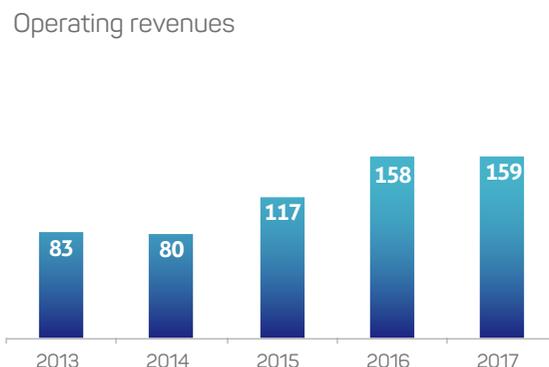
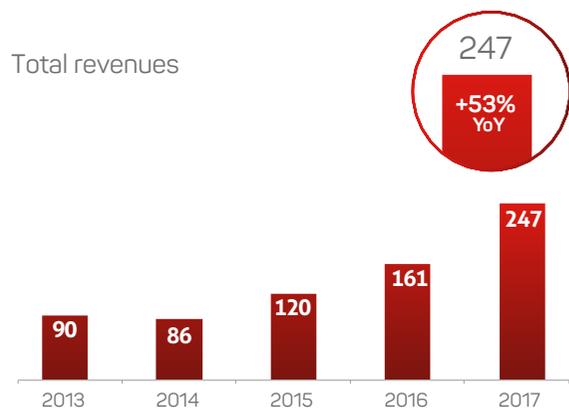
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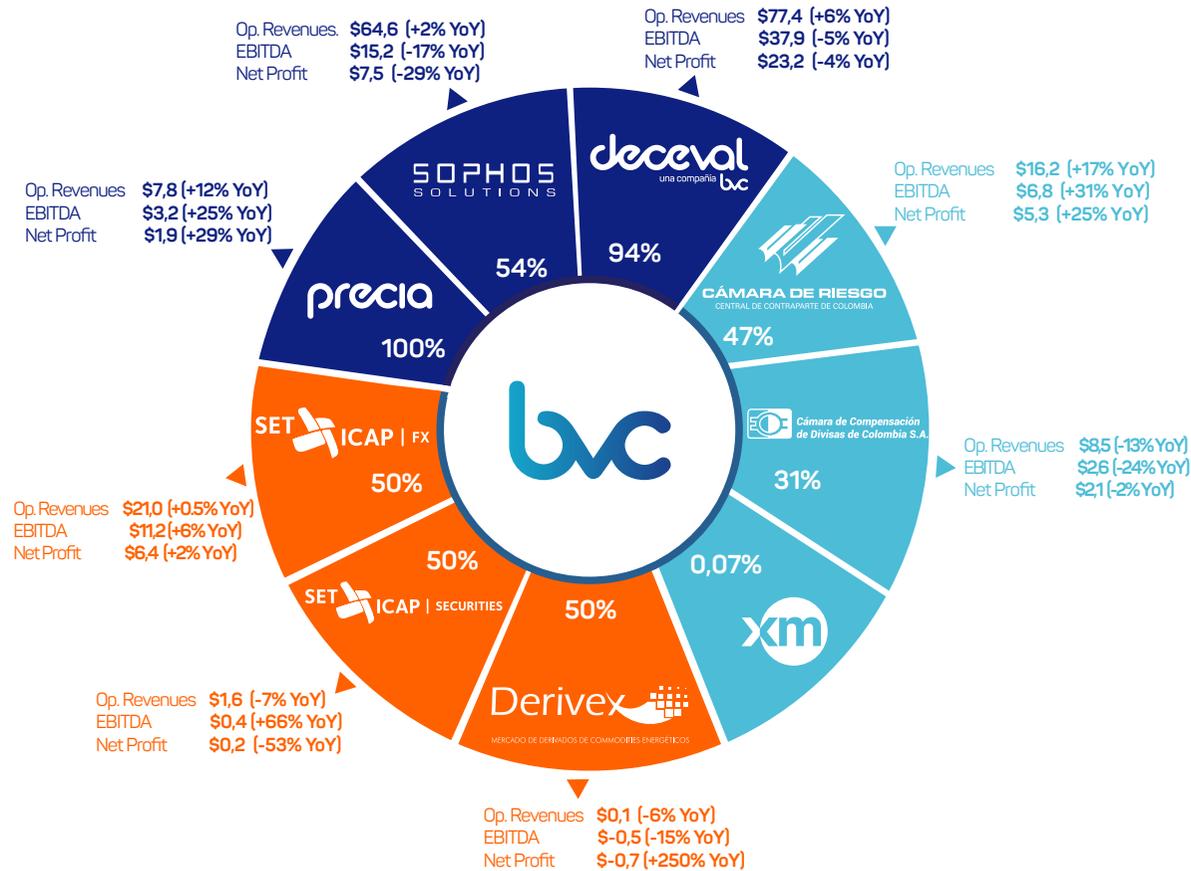


*Figures in COP billions





Subsidiaries and Long Term Investments - 2017



■ Subsidiaries
■ Long term investments
■ Joint ventures

*Figures in COP billions

Consolidated results



Individual results



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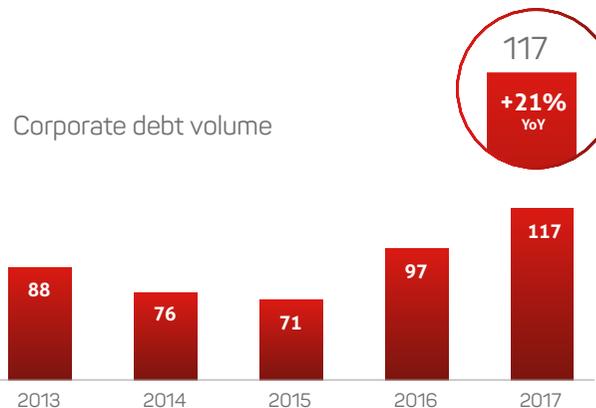
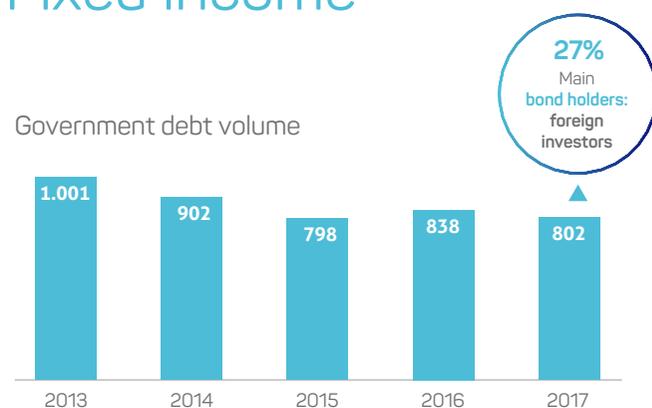


Markets performance

Equity market



Fixed income



* Figures in COP trillions

Main initiatives:

- Clearing and settlement through:



CÁMARA DE RIESGO
CENTRAL DE CONTRAPARTE DE COLOMBIA

- IT implementation progress:



- Derivatives market: bring to the standardized one all products that have been successful in the OTC and standardized options





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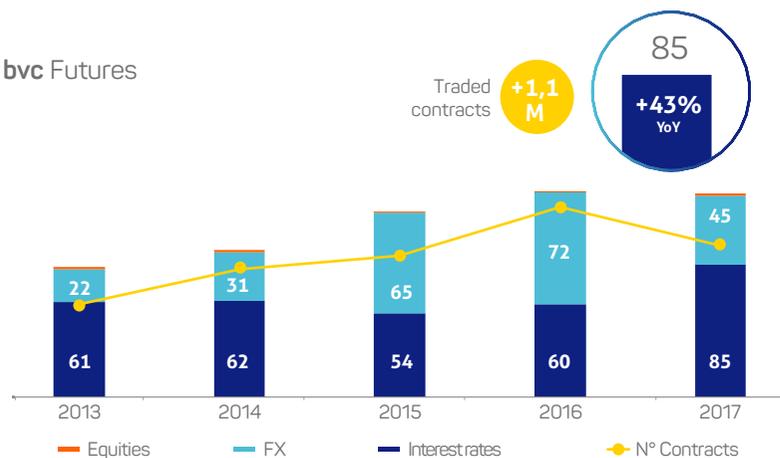
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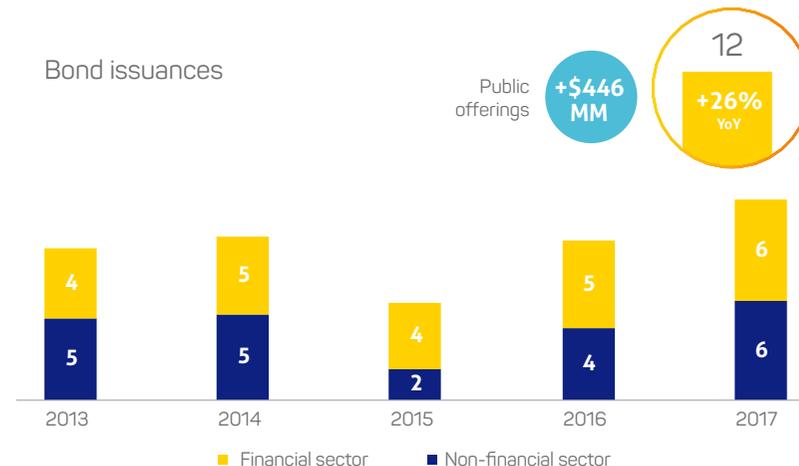
Derivatives market

bvc Futures



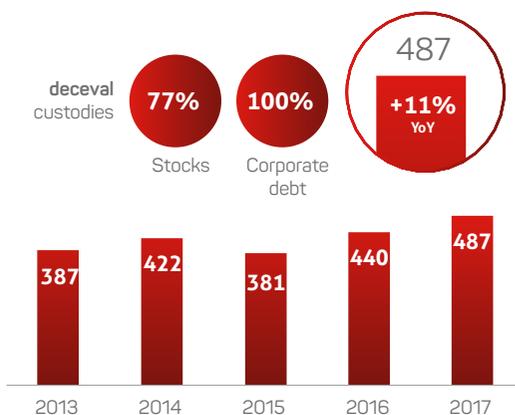
Issuers

Bond issuances

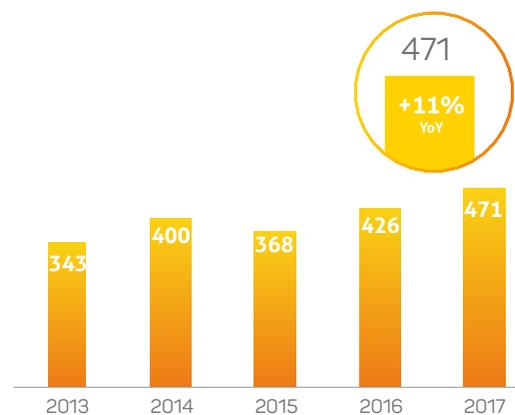


Custody

Amount under custody



Dematerialized issuances



Securities administration



* Figures in COP trillions





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New Board of Directors

Period 2018-2019

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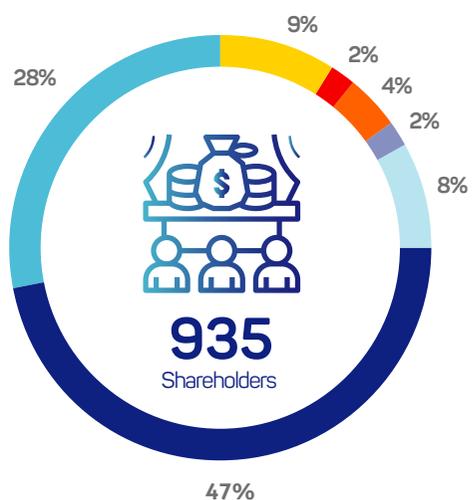
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bvc shareholders



- Foreign investors
- Pension funds
- Real sector
- Universities
- Retail investors
- Brokerage firms
- Banks

Members

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Independents

Roberto Junguito Bonnet
Independent

Santiago Montenegro Trujillo
Asofondos

Javier Jaramillo Velásquez
Independent

Rafael Aparicio Escallón
Acciones y Valores

Sergio Clavijo Vergara
ANIF

Diego Jiménez Posada
Credicorp Capital

Juan Camilo Vallejo Arango
Independent



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Non-independents

Mauricio Rosillo Rojas
Bancolombia

Germán Salazar Castro
Banco de Bogotá

David Rey Borda
Banco BBVA

Jaime Castañeda Roldán
Banco Davivienda

Derek Charles Sassoon
Banco Itau

Aura Marleny Arcila Giraldo
Universidad de Medellín

Committees:

Regulation

Corporate Governance

Administration and Finance

Audit

Risks

Technology





Sustainability

Approach and vision

bvc promotes better practices in corporate governance and information disclosure, and it is committed to the strengthen of the sustainable and inclusive economic development of the country



Market training in sustainability

- Green bonds
- Gender equality
- ESG communication
- Corporate governance
- Responsible and sustainable investment



Green bonds

Issued in 2017
(Bancoldex y Davivienda)



COLIR



Dow Jones Sustainability
MILA Pacific Alliance Index.

Sustainability indices profitability in 2017



First stock exchange in the world reporting under GRI new standard

Initiatives:



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Impact investment



Size of the private equity fund:



Donations



Donations in 2017



FUNDACIÓN SIMMON



Environmental management



bvc carbon footprint



Trees planted



Purchases in plastic disposables



Video conference usage

Financial education



Participants on bvc financial education programs



Academic line



Millionaire bourse contest participants





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Demography

Employees

Total Employees



1.117

bvc with Subsidiaries

Type of contract



93%

Indefinited term

7%

Fixed term

Personnel attrition rate



20% to ▼14%

in 2017

Gender



66% 34%

men and women

Benefits



"Our commitment is take care of you"

GPTW



69

Satisfactory level bvc work environment index

- 81%** Credibility
- 74%** Respect
- 70%** Impartiality
- 82%** Camaraderie
- 88%** Pride





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1.1 Strategic guidance

GRI 102-15, 103-1, 103-2, 103-3

The two most important capital market companies come together

In 2017, the **bvc** achieved some of its greatest strategic objectives of the 2025 MEGA by successfully completing the corporate integration with **deceval**. This is one of the most important events in the 88 years of the Colombian capital market's history, by joining two of the main companies of the country's securities industry. The main purposes of the integration are:

Corporate integration purpose



Optimize, develop and strengthen the capital market for the benefit of the country, our clients and shareholders



Foster our local and international **recognition** and **competitiveness**



Drive a **new era for the Colombian capital market** in a global context



Deliver more **efficient, modern and reliable business solutions** for the growth of companies, investors and market participants



Increase business solutions offering through innovation and **diversification** creating value constantly





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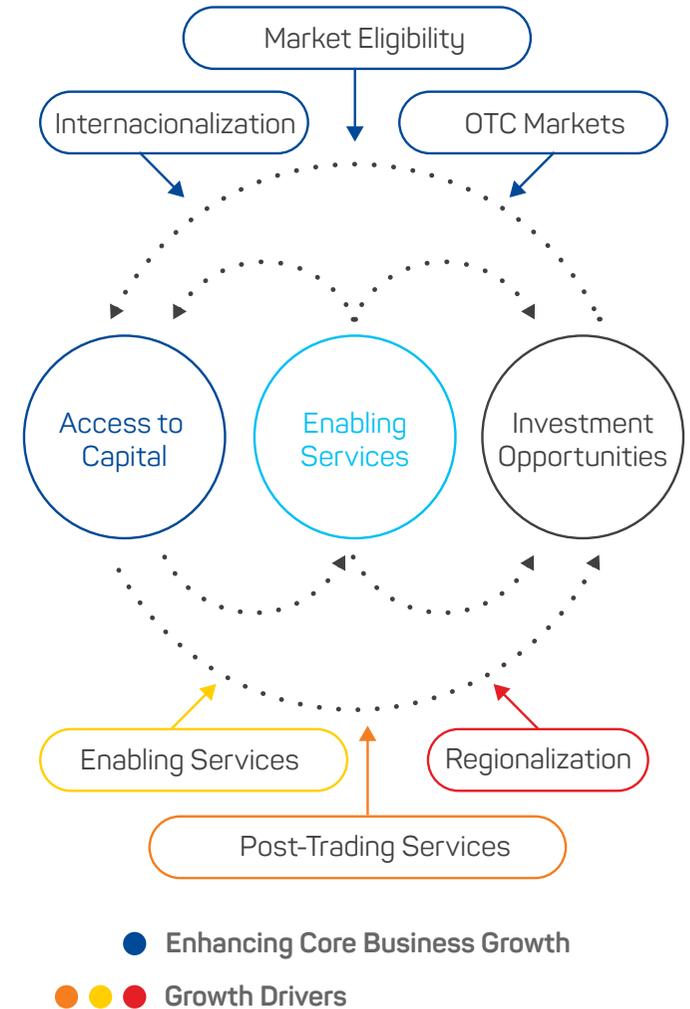
Strategic pillars

Corporate integration pursues all the strategic pillars of strengthening the core business and the growth levers of post-trading services, enabling services and regionalization.

Post-Trading Services: The successful completion of the trading and exchange of shares with **deceval** was finished in December 2017, which became the first subsidiary of Grupo Bolsa de Valores de Colombia, an organization that comprehensively manages all the post-trading, clearing, settlement and custody solutions of the Colombian capital market. The aim of the integration is to optimize, transform and develop the capital market with a unified client-based strategy, as well as strengthening the value chain. With the integration, we increased our shareholding in the Central Counterparty Risk Clearing House (CRCC, for the Spanish original) from 32.5% to 47.1%, when adding the 14.5% property of the depository company.

Market Eligibility: With the aim to increase and strengthen its liquidity, the INET Master Trader technology implementation project was started, which integrates the public debt, equity and derivatives markets and the Integrated Latin American Market (MILA, for the Spanish original) in a single trading platform. The new platform will bring modern and innovative functions that will permit the realization of multi-market trading strategies, giving greater depth to the market. NASDAQ provides the technology support. In turn, we started the project to change the depository's core technology, supported with technology from TCS, which will enable **deceval** to operate at global standards.

In the equity market in 2017, we started to clear and settle repo transactions through the CRCC, providing investors with greater security, while mitigating and efficiently managing the risks and guarantees.





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Furthermore, the sixth “COLOMBIA INSIDE OUT” event was held in London and New York as part of the market’s promotion strategy, with the participation of its main listed companies, their CEOs, and government representatives, more than 300 meetings with global investors and more than 400 attendees at the conferences.

Entry into the OTC Market: The **bvc** continued to raise awareness of and train on the Overnight Index Swap as an ideal product to combat the changes in the Central Bank’s monetary policy. The plan is aimed at asset managers, aligning the strategy of bringing OTC products to the standardized market.

SET ICAP Securities recorded 1.1% growth in volume, which keeps strengthening the distribution of products of the **bvc** and its subsidiaries in the OTC market network.

Enabling Services: Through our Sophos Solutions subsidiary, we progressed in the expansion of specialized technology, core banking, capital market and digital channel solutions in Mexico and Argentina. The **bvc** worked on A2CENSO, formerly MARKETPLACE PYME, which is in the design and development phase of this project and is aimed at facilitating SMEs’ access to funding through the capital market. The electronic invoicing project was started, which aims to provide a trading and listing system for these securities. In 2018, the Ministry of Commerce, Industry and Tourism has to grant the tender, where we will submit a proposal with Confecámaras (Colombian Confederation of Chambers of Commerce), as partners.

Regionalization: The **bvc** has regional presence through its subsidiaries Sophos Solutions and Precia. The former operates in Chile, Colombia, Mexico and Panama. Precia offers supply services to the Salvadoran Stock Exchange, expanding its lines of business to Central America.

Regarding fixed income, the project to migrate public debt to the INET Master Trader platform was started. This consists of simplification of trading and distribution of positions in the secondary market. It will start operating in 2018.

For the derivatives market, efforts focused on bringing OTC products to the standardized market. With the Overnight Index Swap, an exclusive module was offered for the market makers. The range of products was also increased, listing four standardized options on the most liquid stock on the market, and the standardized futures portfolio was complemented, listing the ten futures of stocks that were part of the COLCAP index in order to cover them all.

With respect to issuances and listing services in 2017, through the **bvc**, COP 12.2 trillion were issued in bonds and more than COP 1.6 trillion in transfers and equity securities. Bancoldex also carried out the first issuance of green bonds in Colombia, which was for the primary market and amounted to COP 200,000 million.

Internationalization: Foreigners are one of the most important partners in the Colombian securities market. In the public fixed income market, they consolidated themselves as the main holders of treasury securities (TES, for the Spanish original) with 26.6% of these government debt securities and a balance of COP 67.7 trillion by the end of 2017. They were the main net purchasers in the equity market with a 28% share and a traded volume of more than COP 9 trillion (+17% YoY).

Additionally, the MILA Pacific Alliance comprised of 40 companies in the countries of the Pacific Alliance launched the first Dow Jones Sustainability Index.





1.2 Future perspectives and vision

GRI 102-15, 103-2

The new strategic vision of the integrated company prioritize its focus on core businesses

The transformation of Grupo **bvc** thanks to the corporate integration of **deceval** will enable the optimization, transformation and development of the Colombian capital market under a single client-based strategic vision in the framework of global competitiveness to become the main partner of all its participants.

Therefore, the **bvc** will focus its efforts on products and services that add to the funding options for small, medium and large companies, and it will generate new investment opportunities for everyone and a permanent value proposal for the financial and securities industry.

It will be the market infrastructure that will effectively respond to the country's needs with more affordable, modern and reliable business solutions. It will be leveraged on innovation and diversification to constantly generate value, which will allow it to comprehensively expand the range of solutions to capital markets.

Consolidated strategic vision:

As a result of the corporate integration, the new strategic vision of the integrated entity prioritizes its approach in its core businesses:



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Strategic enablers:

Grupo **bvc** has transformed itself and adapted to the changing reality of the global securities industry. In its vision to keep growing profitably and sustainably, the organization will develop four strategic enablers that help to build relationships of trust:



Operational efficiency	Tota transformation toward a client focused organization "Customer Centricity"	Promote liquidity and foster development of our capital market	Innovation , digital transformation and diversification
<p>Consolidation of the value chain</p> <p>Optimization of industry processes</p> <p>Improvement of the cost-benefit ratio</p>	<p>Internal alignment of the new company</p> <p>Identification of clients' needs</p> <p>Quality service</p> <p>Differentiation in leves of service</p>	<p>Being a competitive and important financing source for companies</p> <p>Attract local and international liquidity</p>	<p>Innovation culture</p> <p>Technological capabilities</p> <p>New businesses and transformation</p>
We maximize operational efficiency throughout the value chain	We do what the client needs to be successful	We drive market growth	Innovation culture as an transformation engine



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1.3 Monitoring of the strategy in 2017:

GRI 102-15,103-3

To monitor its effectiveness in achieving its strategic objectives, the Exchange continued to focus on the four management perspectives of the Balanced Scorecard: financial, clients, internal business processes, and strategic capital. In said tool, it obtained an overall score of 77 points.

The **bvc** proposed 11 objectives in these four perspectives, and widely exceeded the proposed targets for three objectives and satisfactorily achieved one. For three objectives, it achieved the minimum acceptable score and for four objectives it did not achieve the minimum acceptable score.

In the financial perspective, the consolidated revenue measure obtained 91.4 points and ended at COP 161,963 million. The consolidated EBITDA measure ended at COP 44,244 million, while the individual EBITDA was COP 13,911 million. Finally, in the total EVA measure, the **bvc** closed at COP 8,215 million.

In the clients' perspective, two of the three measures exceeded expectations with the maximum score of 140 points for each one. The measure of the number of equity listing services exceeded the target with eight listing services, of which the issuance amount was COP 1.66 trillion. In turn, the cross-selling with subsidiaries and long-term investments measure completed the proposed initiatives: The sale of IT services to Invex in Mexico; positioning of the OIS for MFs, where a trust fund operated the product; incorporation of Fundación Social and Blackrock as new clients for Infovalmer; holding events to present e-**bvc**, especially with clients of the real estate and insurance sectors; and price provision by Infovalmer for private equity funds. Finally, the third customer experience measure, which assesses the degree of user satisfaction with the Exchange's services, ended with a score of 66.3, below the acceptable minimum.

In the internal business processes perspective, we worked on two measures: project management, which achieved the proposed target of 103.4 points and the operational risk measure, which achieved the minimum score with 72.4 points.

In the last perspective, strategic capital, we worked on two measures. The first was the number of new businesses materialized, which recorded 80 points, ending with a minimum acceptable score, achieving the marketplace lending measure and integration with DECEVEL measure. The measure of the recognized and operating Market Makers Trading Session for TES, and the electronic invoicing measure were not met. The second was the development of human capital, where 100% of the proposed targets were achieved, obtaining the maximum score of 140 points.





Balanced scorecard 2017 results

Perspective	Ratio	Unit	Result	Target 2017-Q4	Target as of Dec. 2017	%	10% Q1	10% Q2	10% Q3	10% Q4	40% Year	End	Score
Financial	bvc Consolidated Revenue	Millions	Q4:45.446 Year: 161963	MA 44.552 T 47.577 ET 51.002	MA 154.466 T 163.355 ET 172.245	10	●	●	●	●	●	●	91.4
	bvc Individual EBITDA	Millions	Year: 13.911	N/A	MA 20.397 T 22.083 ET 23.769	5						●	0
	bvc Consolidated EBITDA	Millions	Year: 43.701	N/A	MA 49.770 T 54.485 ET 60.502	5						●	0
	bvc Total EVA	Millions	Year: 8.215	N/A	MA 15.440 T 17.811 ET 20.192	10						●	0
Clients	Client Experience	%	66.3	N/A	MA 71 T 73 ET 75	5						●	0
	N° of Equity Market Listing Services	N°	8	N/A	MA 4 T 5 ET 6	5						●	140
	Cross-Selling with Subsidiaries and Long-Term Investments	Milestones	5	Management of milestones	100% deliverable	5						●	140
Internal Processes	Project Management	%	Q4: 88.8 Año: 90.71	MA 80 T 90 ET 95	MA 80 T 90 ET 95	20	●	●	●	●	●	●	103.4
	Operational Risk Indicator	N°	Q4: 14.2 Year: 48.4	MA 14 T 12 ET 11	MA 57 T 49 ET 43	10	●	●	●	●	●	●	72.4
Talent Management	N° of New Businesses Materialized	N°	1.5	N/A	MA 1 T 2 ET 3	15						●	80
	Development of Human Capital	Milestones	100%	Management of milestones	100% deliverable	10						●	140

- Exceeded
- Target
- Minimum Acceptable
- Lower than Minimum Acceptable

Total bvc
score 77



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2.1 The colombian securities exchange

GRI 102-1, 102-2, 102-3, 102-5, 102-12, 102-13, 102-6

Bolsa de Valores de Colombia S.A. is a joint-stock company domiciled in Bogotá, Colombia, and a strategic partner of the financial and securities sectors.

The **bvc** is a multi-product and multi-market exchange that manages the trading and registration systems of the equity, fixed income, derivatives, foreign currency and OTC markets, as well as issuer services.

After the corporate integration with **deceval** in December 2017, the **bvc** now offers the services of issuances of dematerialized securities, clearing and settlement and custody of securities. Additionally, it is present throughout the securities industry's value chain in the clearing and settlement services of the derivatives and foreign currency markets through shareholdings in the Central Counterparty Risk Clearing House (CRCC, for the Spanish original) and the FX Clearing House (CCDC, for the Spanish original).

The **bvc** provides access and market information services, as well as price provision, asset valuation and risk management (INFOVALMER) services, and provides specialized technology and innovation solutions for the financial sector (Sophos).





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Bolsa de Valores de Colombia

We are the strategic partner of the financial and capital market sectors in trading, post-trading, information and technology services



Capital Markets & Issuer Services	Post-Trading Services	Information Services	Technology Solutions & Innovation
<ul style="list-style-type: none"> Equities Fixed Income Derivatives Issuer Services FX OTC 	<ul style="list-style-type: none"> Clearing Settlement Custody 	<ul style="list-style-type: none"> Market Data Assets Valuation Risk Management Tools 	<ul style="list-style-type: none"> Trading Systems Electronic Access Consultancy: <ul style="list-style-type: none"> Core Banking Treasury Capital Markets
<p>50% </p>	<p>94% </p> <p>47% </p> <p>31% </p>	<p>100% </p>	<p>54% </p>

Regional presence



Initiatives:



Memberships:





2.2 Main activities, brands, products and services

GRI 102-2 102-4, 102-6, 103-2

						
PRODUCTS	<ul style="list-style-type: none"> * Trading platform management * Registration services * Supply and licensing of market information to vendors * Custodian services * Custodian operations * Education services 	<ul style="list-style-type: none"> * Local and international custody * Securities administration and direct payments to investors * Issuances, promissory notes and dematerialized CDs * Deposit os issuances: Equity market and fixed income, shareholder administration and private equity funds 	<ul style="list-style-type: none"> * Consultancy, implementation of core banking, software and test development, outsourcing, electronic media, information management for financial solutions <ul style="list-style-type: none"> -Bankfusion -Bankmaster -Flexcube -Finacle -Summit -Murex -OPICS -Firstdata * Electronic media and digital banking 	<ul style="list-style-type: none"> * Electronic systems - trading and listing of foreign currency transactions * Voice brokerage foreign currency service * Information and post-trade services for foreign currency 	<ul style="list-style-type: none"> * Voice brokerage securities service * Recording of securities transactions * Securities post-trade services 	<ul style="list-style-type: none"> * Securities valuation <ul style="list-style-type: none"> -Local and international fixed income -Local and international equities -Standardized derivatives and OTC -Structured products -Non-illiquid assets valuation -Management tools for risk management
MARKETS	<ul style="list-style-type: none"> * Equity market * Fixed income * Standardized derivatives 	<ul style="list-style-type: none"> * Equity market * Promissory notes * Fixed income 	<ul style="list-style-type: none"> * Core banking * Treasury * Capital Market 	<ul style="list-style-type: none"> * Foreign currencies * OTC foreign currency derivatives 	<ul style="list-style-type: none"> * Cash fixed income * OTC fixed income derivatives 	<ul style="list-style-type: none"> * Equity market * Fixed income * Standardized derivatives * OTC derivatives
TYPE OF CLIENT	<ul style="list-style-type: none"> * Securities market brokers listed in the National Registry of Securities Market Agents (RNAMV, for the Spanish original)* * Real sector entities * Information vendors 	<ul style="list-style-type: none"> * Financial industry <ul style="list-style-type: none"> -Banking -Securities market -Trust funds -Insurance companies * Cooperative sector * Public sector * Real sector 	<ul style="list-style-type: none"> * Financial industry <ul style="list-style-type: none"> -Banking -Securities market -Trust funds 	<ul style="list-style-type: none"> * Exchange market brokers * Ministry of Finance and Public Credit * Central Bank 	<ul style="list-style-type: none"> * Securities market brokers listed in the RNAMV (National registry of market agents) 	<ul style="list-style-type: none"> * Securities market brokers listed in the RNAMV (National registry of market agents) * Real sector entities



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2.3 bvc brands

GRI 102-2, 103-2

The Exchange worked in strengthening its brand positioning, transmitting an image of sound, admired, innovative and prosperous company



From the results obtained in the 2016 Customer Experience Survey and taking into account the impact of the integration with the Central Securities Depository (**deceval**), in 2017, the Exchange worked on strengthening its brand positioning, transmitting its strong, treasured, innovative and prosperous corporate image. Subsequently, after several months of strategic work, we designed and launched the new brand on the market for the integrated **bvc** Company.

bvc brand

With the aim to communicate the new company's approach and vision, the message was updated using a caring, familiar, friendly and warm brand. A brand that is a symbol of unity of everyone and that is confident, clear and simple. A brand that from its heart conveys the desire to offer opportunities of development and growth to everyone.

To do this, we designed a sufficiently flexible and, at the same time, strong architecture under the sub-brand model, which will allow each product, service and subsidiary to construct its own identity, always with the support of the large umbrella brand: **bvc**. Therefore, we aim to offer an integrated image with greater strength in each area in which the **bvc** generates value.





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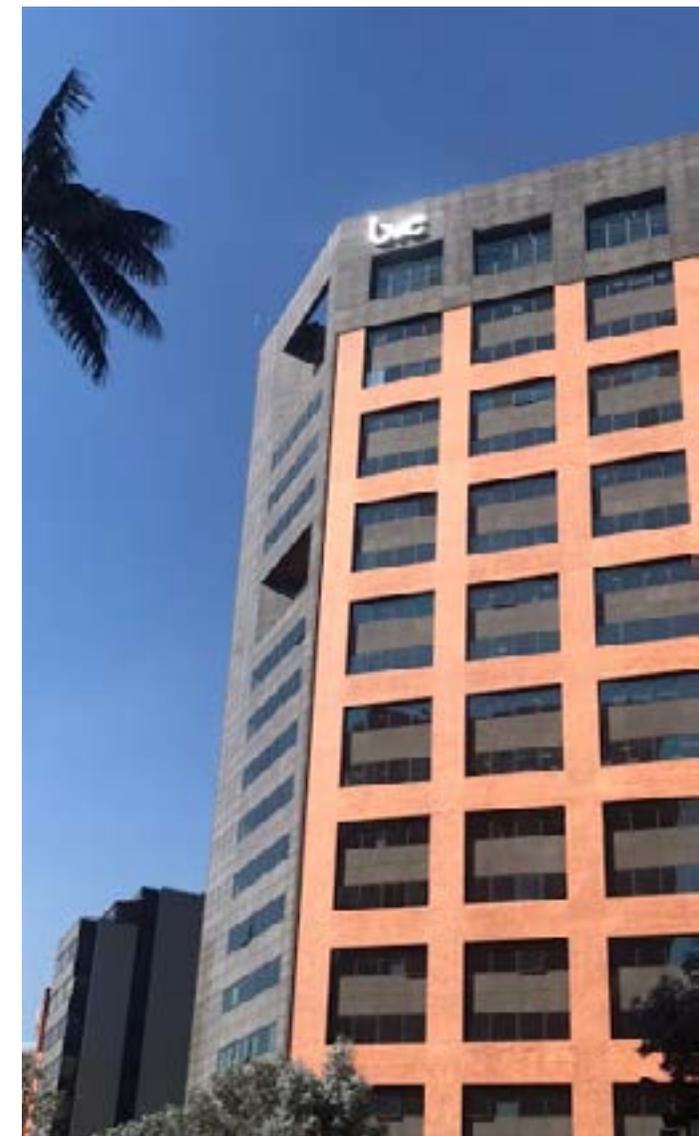


Sub-brand

The first sub-brand to adopt a visual transformation was **deceval**, a **bvc company**. This development was made with the premise to support the corporate transformation process, clearly communicating the new scope of the Centralized Securities Depository, now under the management of **bvc**, to the different stakeholders.

Endorsed brands

While the new brand architecture is adopted in each business area, we maintain the following endorsed brands: Emisor IR, Emisor **bvc**, Afiliado **bvc**, Premios **bvc**, Punto **bvc** and e-**bvc**, as well as the four independent brands: Bolsa Millonaria, Arquitectos del Mercado de Capitales, COLOMBIA INSIDE OUT and Colombia Capital.





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Independent brands



Subsidiary brands

The **bvc** keeps strengthening its value proposal through strategic partnerships with its subsidiaries, which provide specialized services for the financial sector. Each one has its own brand and corporate identity, which allows it to keep positioning itself on the market.





2.4 bvc shareholders

GRI 102-5

Number of shareholders as of December 31, 2017: 935. The top 25 shareholders own 78.5% of the outstanding shares.

N.	SHAREHOLDERS	% SHARE
1	BBVA COLOMBIA S.A.	7,3315%
2	BANCO DAVIVIENDA S.A.	6,3220%
3	B3 S.A. - BRASIL BOLSA BALCAO	6,1097%
4	ITAU CORPBANCA COLOMBIA SA	5,7439%
5	BANCARD INTERNATIONAL INVESTMENT INC	5,7392%
6	FONDO DE PENSIONES OBLIGATORIAS PORVENIR MODERADO	4,6931%
7	BMO INVESTMENTS II (IRELAND) PCL	4,3386%
8	UNIVERSIDAD DE MEDELLIN	4,1400%
9	CORPORACION FINANCIERA COLOMBIANA S.A.	4,0364%
10	BANCO CAJA SOCIAL	3,9716%
11	BANCOLOMBIA - BOGOTA	3,2547%
12	AMBER GLOBAL OPPORTUNITIES MASTER FUND LTD	2,9845%
13	CITIBANK COLOMBIA	2,9373%
14	INVERSIONES CFNS S.A.S.	2,6660%
15	FONDO DE PENSIONES OBLIGATORIAS COLFONDOS MODERADO	2,0956%
16	FINDLAY PARK LATIN AMERICAN FUND	2,0540%
17	VALORES BANCOLOMBIA S.A. COMISIONISTA DE BOLSA S A	1,7953%
18	KAPITALFORENINGEN EMERGING MARKETS LONG-TERM ECONO	1,2488%
19	FIDUCIARIA BANCOLOMBIA S.A.	1,1758%
20	FDO DE PENSIONES OBLIGATORIAS PROTECCION MODERADO	1,1072%
21	BANCA DE INVERSION BANCOLOMBIA S.A CORP FINANCIERA	1,0981%
22	LONDOÑO Y RESTREPO S.A.	1,0383%
23	BANCO COLPATRIA MULTIBANCA COLPATRIA S.A.	0,9303%
24	BBVA VALORES COLOMBIA S.A. COMISIONISTA DE BOLSA	0,8728%
25	BANCO DE BOGOTA S.A.	0,8582%

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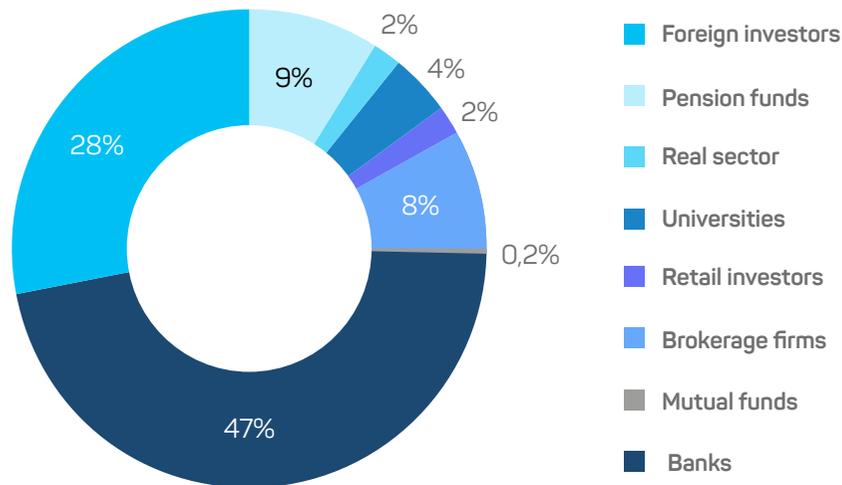
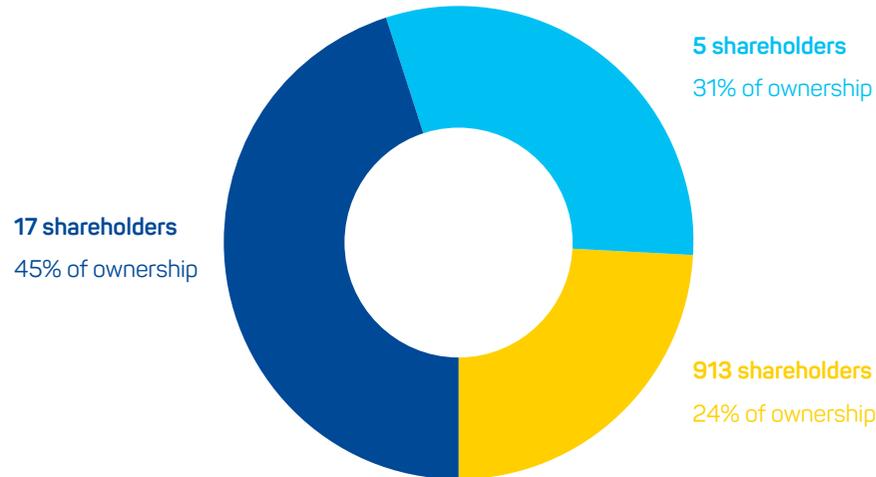
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Distribution of shareholders



bvc stock

- Listed since June 22, 2007
- Outstanding shares at December 31, 2017*: 30,256,854,217
- Float at Dec 28, 2017: 46.5%**
- Type of share: Ordinary with voting rights
- Shareholding restriction of 10% (Law 510/1999)
- All the brokerage firms must have 91 million stocks

(0.30%) to operate on the Colombian securities market

*As a result of the corporate integration with deceval, 11,584,032,000 bvc shares were issued.

**According to the definition of Article 2.36.3.4.1 of Decree 2555: Float is understood as the number of shares held by the shareholders, which individually do not own more than five percent (5%) of the share capital, plus the shares owned by funds managed by managed pension fund and severance pay companies, insurance companies and/or mutual funds.





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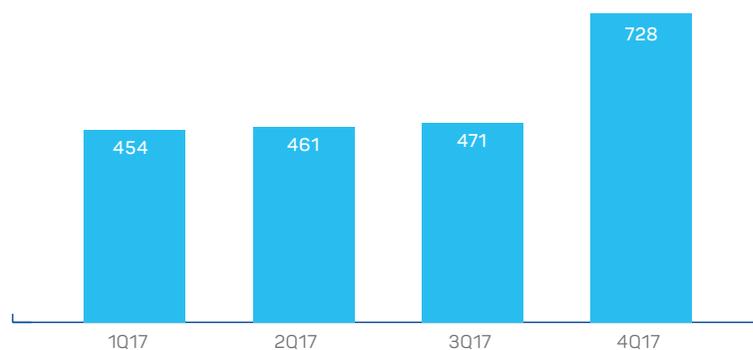
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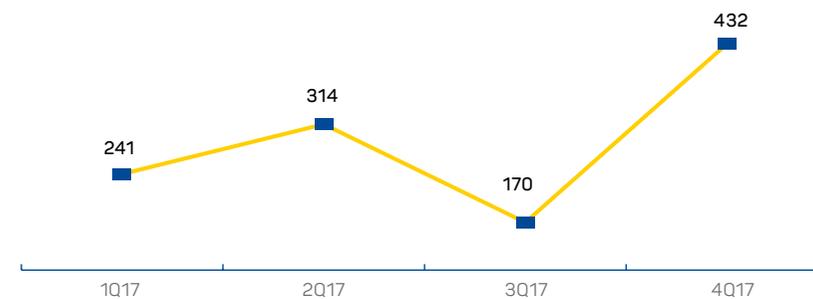


Evolution of bvc stock in 2017

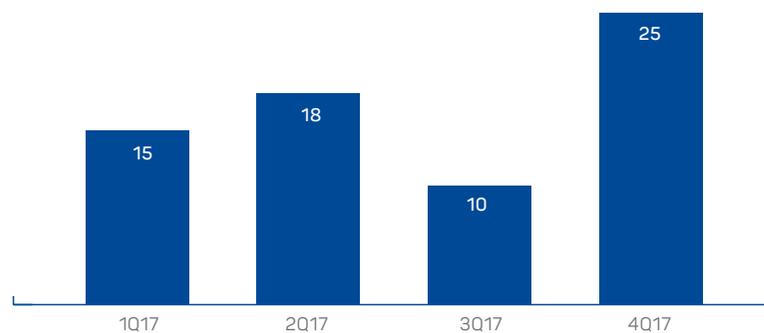
Market Cap



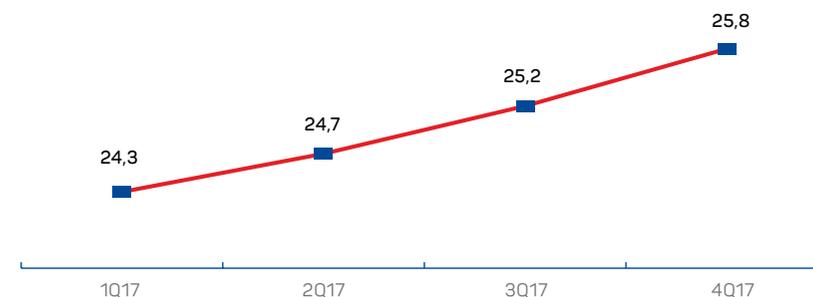
ADTV (COP Millions)*



Traded Volume



BVC Stock Price (COP)**



Traded volume: COP\$69.571M var -37% YoY

Market capitalization: COP\$727.892M var +80% YoY

Closing price: COP\$25,8 Var +19% YoY

*Figures in COP billions

Indices in 2017: COLEQUITY, COLIR y COLSC

Market maker: Credicorp Capital

Closing Bid Offer spread: 1,04% Var +2% YoY

Average bid offer spread: 0,94% Var -20% YoY

* Average daily trading volume per quarter in 2017

**Share price at the end of each quarter in 2017



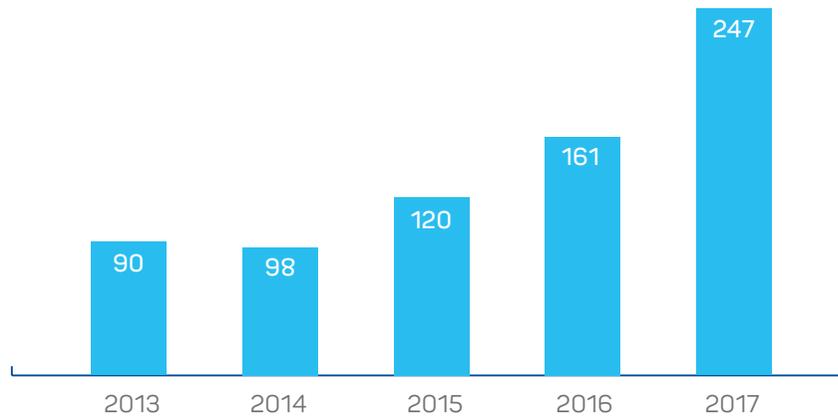


2.5 bvc Scale

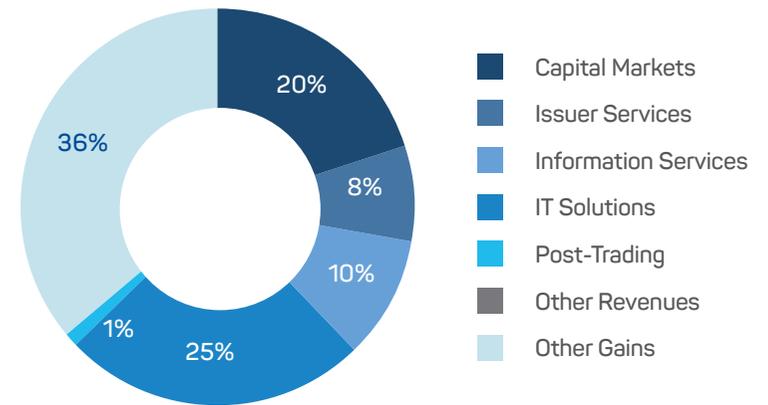
GRI 102-7, 103-2

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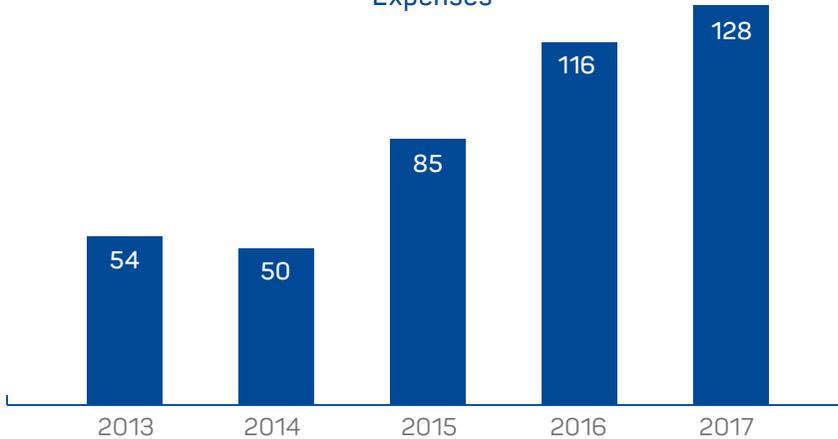
Total Revenues



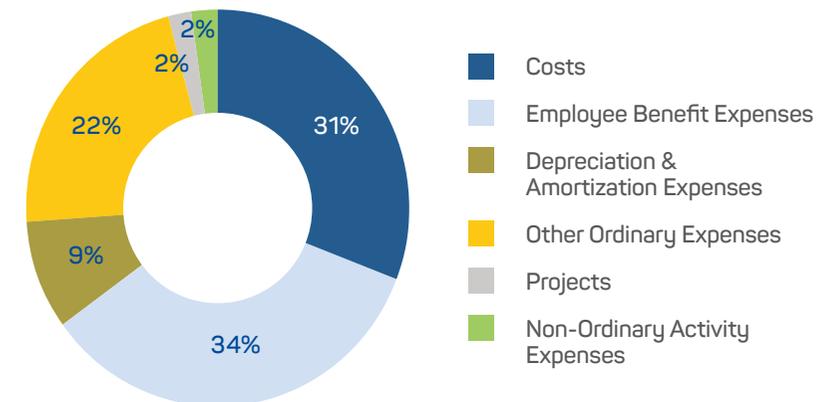
Revenues Distribution



Expenses



Expenses Distribution



*Figures in COP billions





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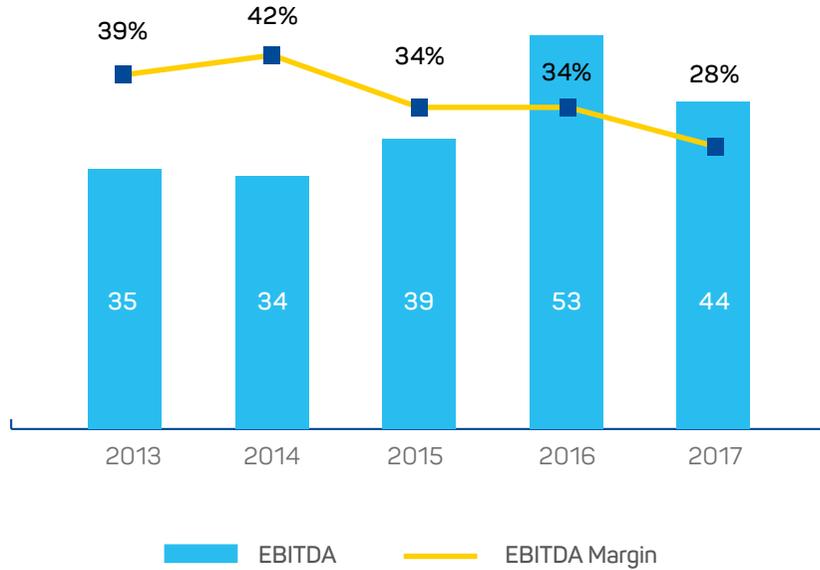
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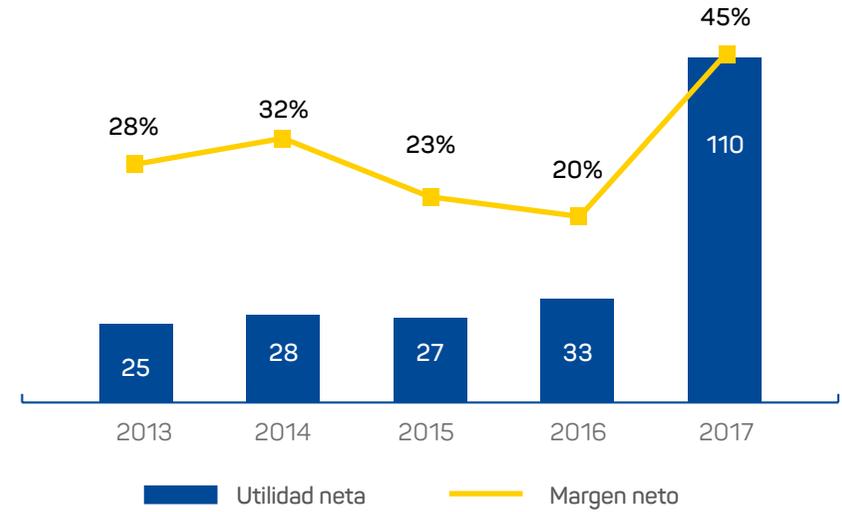
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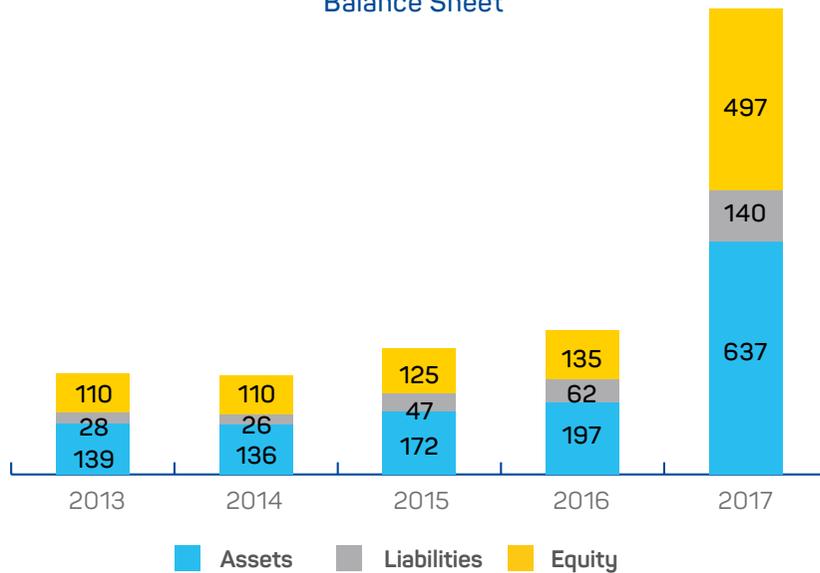
EBITDA



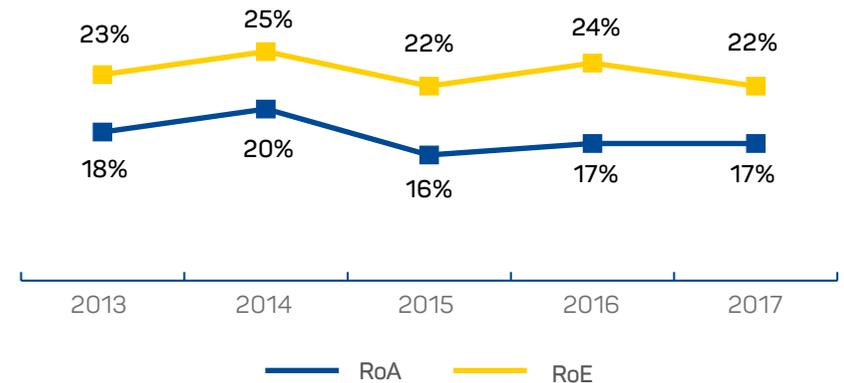
Net Profit



Balance Sheet



RoA - RoE



*Figures in COP billions





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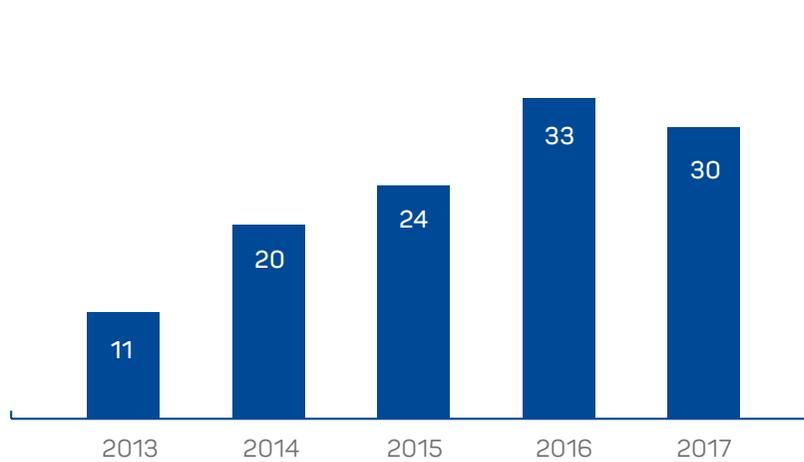
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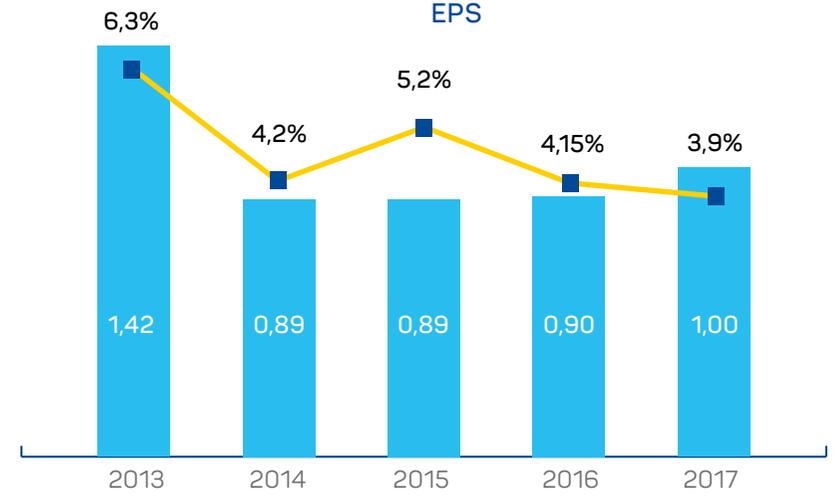
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Cash Flow



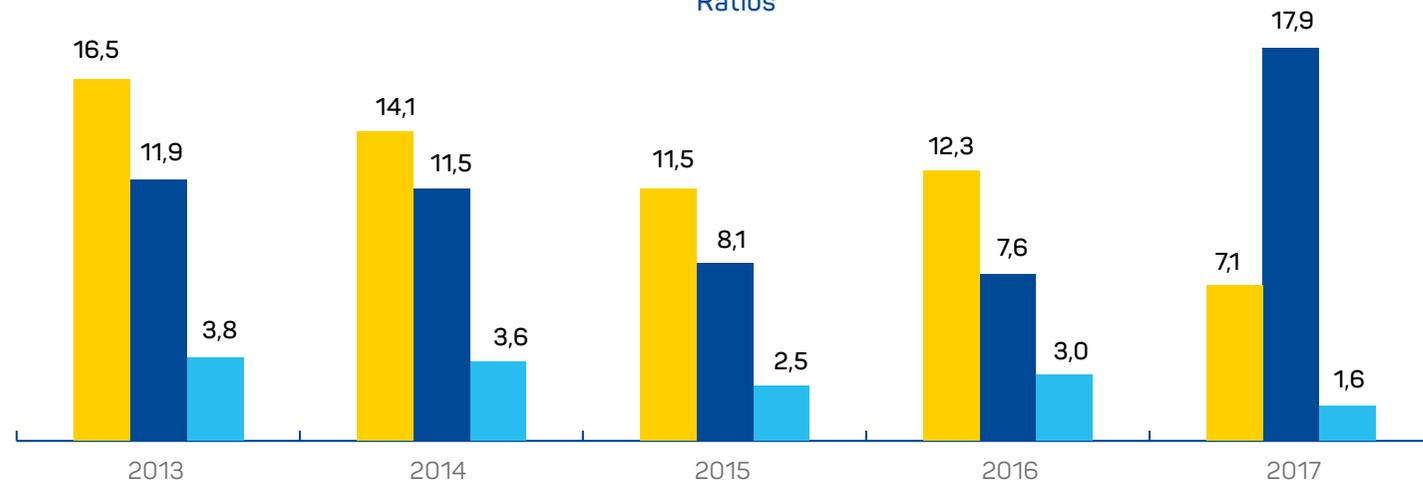
*Figures in COP billions

EPS



■ EPS — Div. Yield

Ratios



■ P/E ■ EV/EBITDA ■ P/BV





2.5.1 Corporate Group



Subsidiaries	
	94%
	54%
Sophos Technology Solutions S. A. (Chile) 99,8% Sophos Technology Solutions S. A. de CV (México) 99,9% Sophos Technology Solutions Inc. (Panamá) 100%	
	100%
	100%

▲ % Share: 71% de 23% a 94%

Amount Paid: 11,584 million bvc shares

End: Dec. 2017

▲ % Share: 3,19% de 51% a 54,19%

Amount Paid: COP 483 million, 63,739 shares

End: Jul. 2017

Joint control		
	50%	1
	50%	2
	50%	

Long term investments		
	47%	3
	31%	
	0,07%	

Long-term investments and joint control: These companies are included in the consolidated financial statements using the equity method.

(1) bvc direct shareholding: 49.82%; through Invesbolsa: 0.18%

(2) bvc direct shareholding: 49.95%; through Invesbolsa: 0.05%

(3) bvc shareholding: 32.6%; through deceval: 14.5%

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2.5.2 Subsidiaries and Long-Term Investments

Subsidiaries:

	deceval			SOPHOS SOLUTIONS			precia		
	2.017	2.016	VAR %	2.017	2.016	VAR %	2.017	2.016	VAR %
OPERATING REVENUE	77.402	72.970	6%	64.632	63.326	2%	7.835	6.999	12%
EBITDA	37.911	39.908	-5%	15.188	18.332	-17%	3.240	2.582	25%
NET PROFIT	23.212	24.140	-4%	7.553	10.567	-29%	1.891	1.466	29%
ASSETS	93.997	94.545	-1%	26.097	30.985	-16%	4.031	4.048	0%
LIABILITIES	21.511	20.693	4%	12.218	14.075	-13%	1.374	1.733	-21%
EQUITY	72.486	73.853	-2%	13.879	16.910	-18%	2.656	2.315	15%
EBITDA MARGIN	49%	55%		23%	29%		41%	37%	
NET MARGIN	30%	33%		12%	17%		24%	21%	
ROE	32%	33%		54%	62%		71%	63%	
ROA	25%	26%		29%	34%		47%	36%	
2017 EVOLUTION	In 2017, deceval was the custodian of securities worth COP 487 trillion (+10.5% YoY), issuances of dematerialized securities for COP 471 trillion (+10.6% YoY), managed securities worth COP 35 trillion (+5.5% YoY), made 166,000 DVP transactions (-4.2% YoY) and 1.2 million free transactions (-3.8% YoY).			At the end of 2017, Sophos showed a growth in revenue (+1 YoY). By country, Colombia accounts for 89% of the total revenue, Mexico has 7%, Chile has 3% and Panama has 1%.			In 2017 Precia (before Infovalmer) reported an increase in revenues by (+12% valuation in fixed income securities representing 32% and derivatives 25% of total revenues respectively).		



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Joint Control:

	2.017	2.016	VAR %	2.017	2.016	VAR %	2.017	2.016	VAR %
OPERATING REVENUE	21.045	20.949	0,5%	1.574	1.688	-7%	130	138	-6%
EBITDA	11.216	10.547	6%	372	224	66%	-486	-570	-15%
NET PROFIT	6.444	6.293	2%	182	389	-53%	-692	-198	250%
ASSETS	11.618	11.564	0%	2.609	2.826	-8%	2.179	2.442	-11%
LIABILITIES	4.432	4.528	-2%	200	250	-20%	1.550	1.422	9%
EQUITY	7.186	7.036	2%	2.408	2.576	-7%	628	1.020	-38%
EBITDA MARGIN	53%	50%		24%	13%		-374%	-414%	
NET MARGIN	31%	30%		12%	23%		-533%	-143%	
ROE	90%	89%		8%	15%		-110%	-19%	
ROA	55%	54%		7%	14%		-32%	-8%	
2017 EVOLUTION	<p>The traded volume on the U.S. dollar spot market through Set-Icap FX closed 2017 at USD 258 billions (-8.8% YoY). In OTC derivatives, forwards closed at COP 369 trillion (+8.4% YoY), swaps at COP 49.1 trillion (+41.9% YoY) and IRS amounted to COP 37 trillion (+52.6% YoY).</p>			<p>The SET-ICAP Securities trading and registration system of fixed income closed 2017 with a traded volume of COP 7.4 trillion (+1.1% YoY).</p>			<p>In 2017, Derivex had a traded volume of COP 9.8 billions (-69.1% YoY) in 473 contracts (-53.2% YoY) and an energy volume of 60.0 GWh (-64.7% YoY).</p>		





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Long-term investments:

	 CÁMARA DE RIESGO <small>CENTRAL DE CONTRAPARTE DE COLOMBIA</small>			 Cámara de Compensación de Divisas de Colombia S.A.		
	2.017	2.016	VAR %	2.017	2.016	VAR %
OPERATING REVENUE	16.191	13.807	17%	8.520	9.824	-13%
EBITDA	6.835	5.212	31%	2.620	3.443	-24%
NET PROFIT	5.269	4.221	25%	2.130	2.168	-2%
ASSETS	45.166.719	29.377.571	54%	8.388	7.586	11%
LIABILITIES	45.120.828	29.338.106	54%	1.180	1.312	-10%
EQUITY	45.891	39.466	16%	7.207	6.274	15%
EBITDA MARGIN	42%	38%		31%	35%	
NET MARGIN	33%	31%		22%	21%	
ROE	11%	11%		30%	35%	
ROA	5%	4%		25%	29%	
2017 EVOLUTION	<p>In 2017, the CRCC cleared and settled a total of 2 million standardized derivative contracts (+55% YoY). The value of the open position closed at COP 43 trillion (+35% YoY), through 41 members of the derivatives market. Regarding OTC derivatives, NDFs were cleared and settled in U.S. dollars at par value worth USD 105 trillion (+155% YoY), and in OIS and IBR worth COP 39 trillion (+79% YoY).</p>			<p>In 2017, the CCDC cleared and settled a total volume worth USD 271 billions (-8.6% YoY) with 394,000 transactions (-21.4% YoY), and liquidity savings of 84.5% (-1.0% YoY).</p>		





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2.5.2.1 Deceval Special Section

The **bvc** ends 2017 with a historical milestone as it successfully completes the transaction with **deceval**. Consequently, the CSD company becomes the main subsidiary of the **bvc** Group, not only because of its importance in value generation, but also because of the direct increase in its presence throughout the value chain of the Colombian securities market, optimizing the infrastructure processes and maximizing the efficiency, allowing clients to benefit from the new combined infrastructure. The integration is a new opportunity to be a more efficient and client-focused company capable of improving the liquidity of the markets that it manages, to become a real financing alternative for any kind of company, and to be innovative with new products and services.

To understand the scale better, the main market measures and financial ratios of **deceval** over the last five years are presented below:





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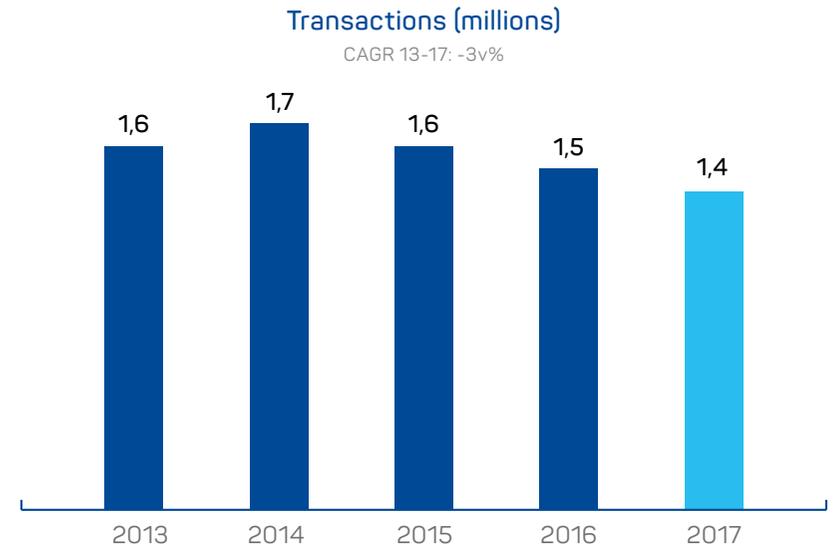
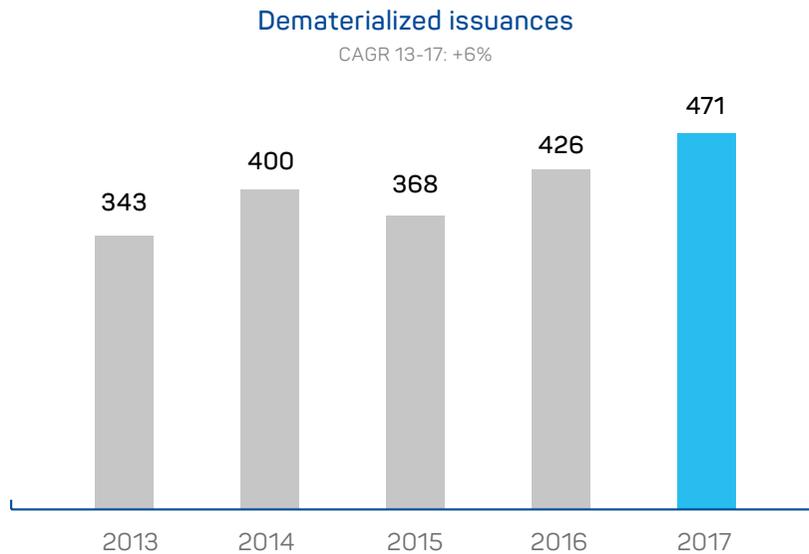
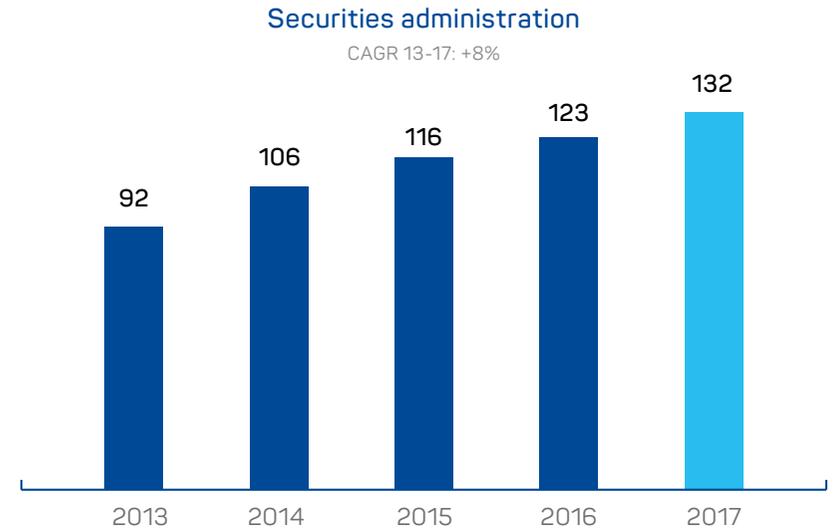
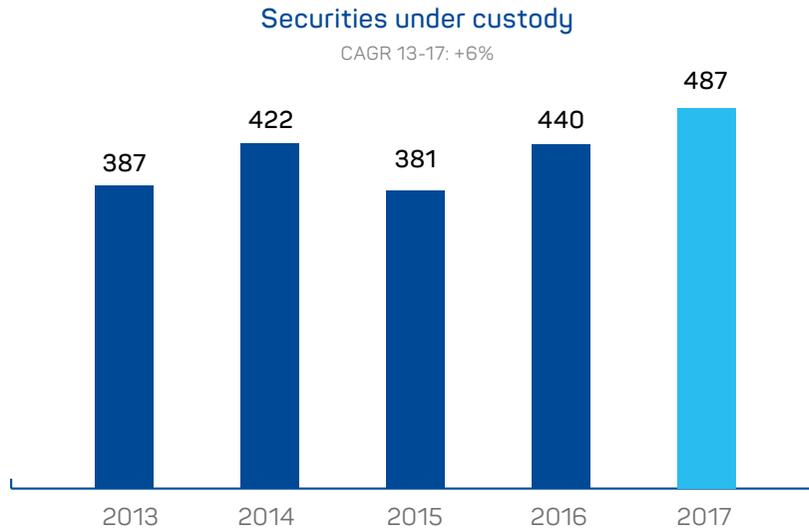
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*Figures in COP Trillions





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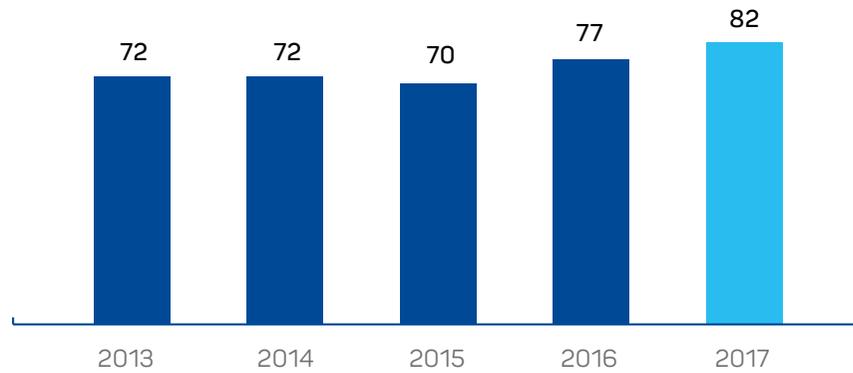
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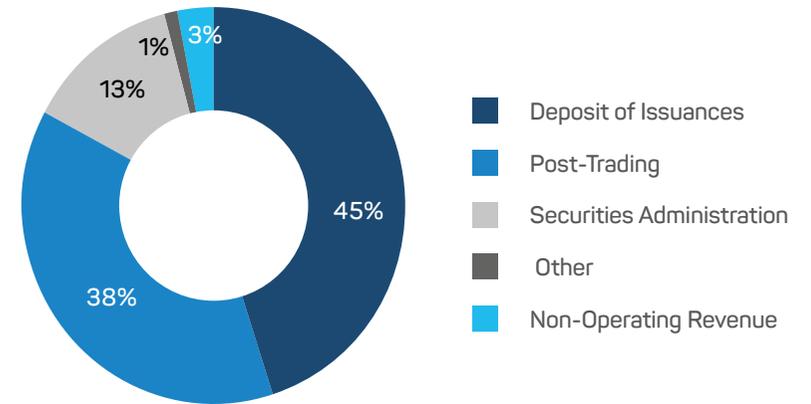


Financial Ratios

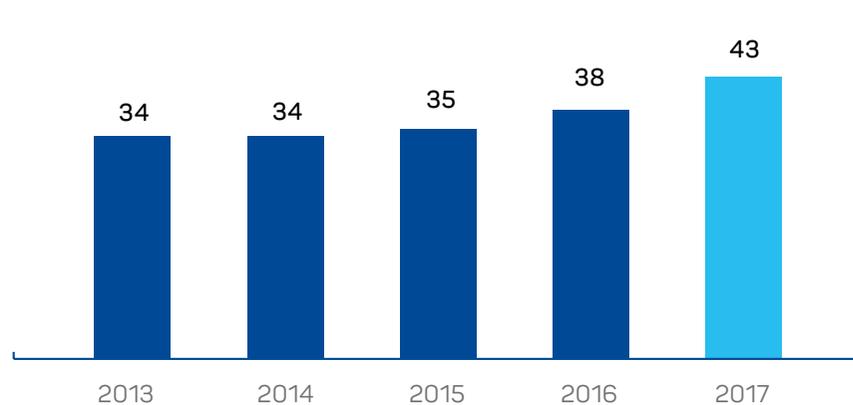
Revenues



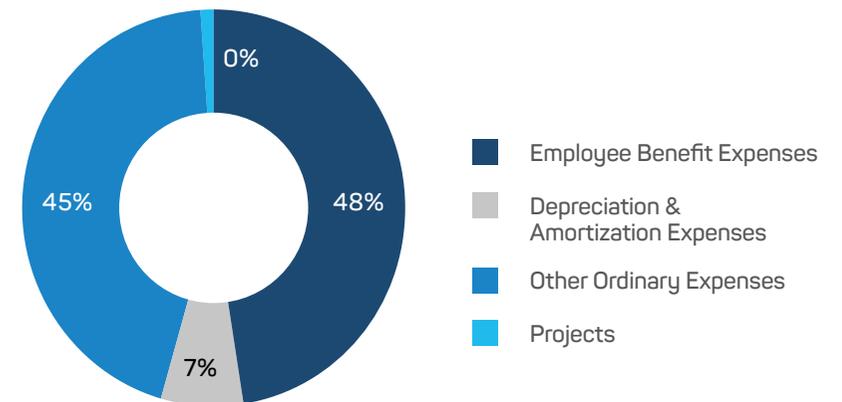
Distribution of Revenue



Expenses



Distribution of Expenses



*Figures in COP Billions





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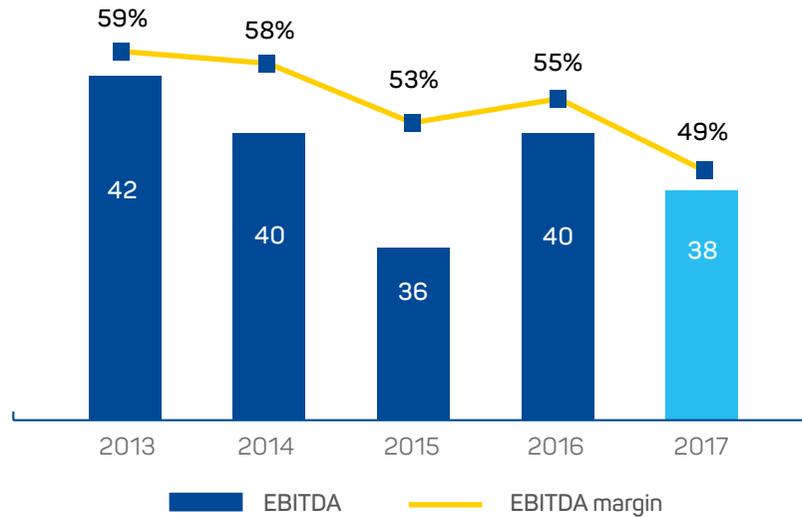
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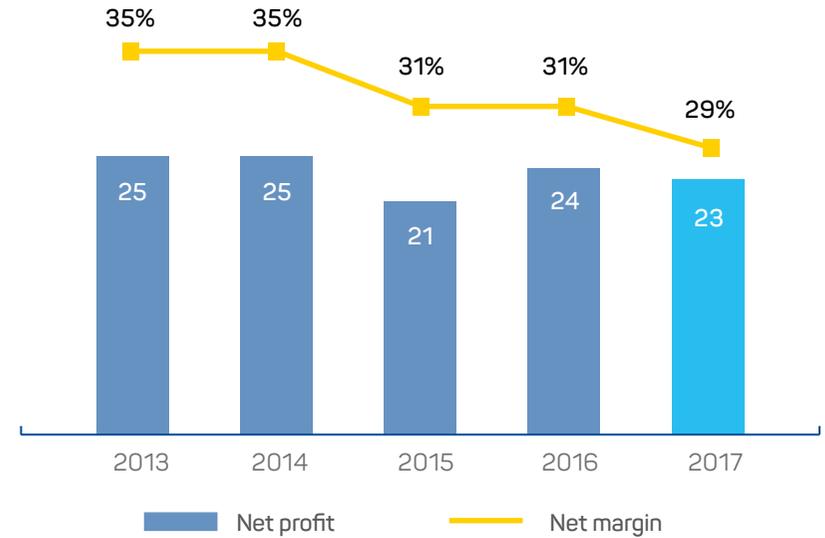
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EBITDA



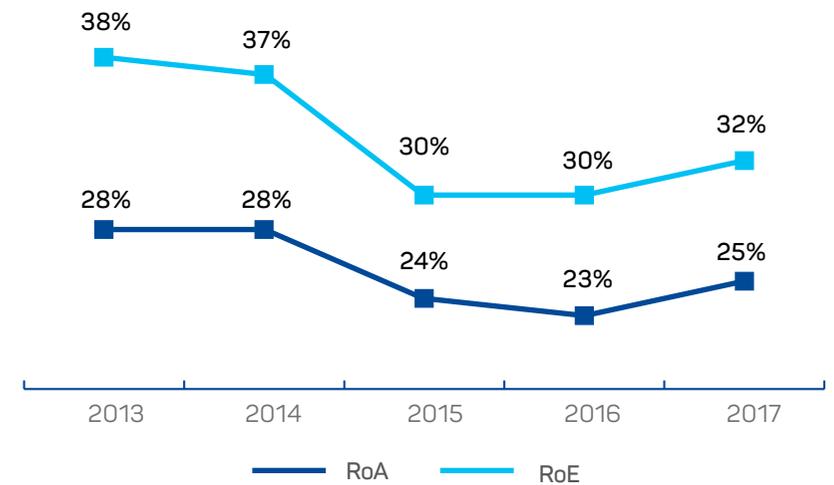
Net Profit



Balance Sheet



RoA - RoE



* Figures in COP Billions



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2.5.3 Dividend distribution policy

At the meeting held on March 28, 2017, the **bvc**'s General Shareholders Meeting approved the distribution of profits for the 2016 period under the following terms

BOLSA DE VALORES DE COLOMBIA S.A. DRAFT PROFIT DISTRIBUTION AS AT DECEMBER 31, 2016	\$ COP
Gross Profit before Income Tax	33.244.397.150
Minus	
Income Tax	7.597.197.530
Deferred tax	1.820.770.423
Net Profit of the Period	23.826.429.197
Plus	
Released Reserve, Decree 2336/1995 - Corresponds to the profit generated from the application of a market price valuation system in accordance with Article 1 of Decree 2336/1995	68.880.364
Profit before Mandatory Reserves	23.895.309.561
Minus	
Legal Reserve (The Company has 50% of its capital in a legal reserve)	0
Reserve Decree 2336/1995 - Repealed Law 1819/2016	0
Profit before Temporary Reserves	23.895.309.561
Temporary Reserves for Future Distributions	7.089.769.566
Total Profits to Distribute	16.805.539.995
Ordinary Dividend	16.805.539.995
Total to Distribute in Cash	16.805.539.995
Number of Outstanding Shares	18.672.822.217
Dividend per Share	0,90

NOTES

1. It is proposed for ordinary cash dividends to be paid in two payments: COP 0.45 (per share) on April 28, 2017 and COP 0.45 (per share) on November 30, 2017.
2. Dividends will be paid to the shareholder at the time their payment is due, in accordance with Article 455 of the Code of Commerce.
3. The dividends for 2016 are considered for shareholders as not subject to income tax nor capital gains tax.
4. Considering that it will be proposed to the General Meeting of Shareholders for the dividends to be paid in two (2) payments, the "ex-dividend" period will be for the four (4) trading days prior to the date of the dividend payment, as follows:
 - Between April 24, 2017 and April 28, 2017, ex-dividend date for dividend payment (April 28, 2017).
 - Between November 24, 2017 and November 30, 2017, ex-dividend date for dividend payment (November 30, 2017).





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2.6 Important Events after the Period

GRI 102-7

January 3, 2018

At the Bogotá Chamber of Commerce, the **bvc** registered the situation of control and corporate group, as parent company of the companies: (i) Depósito Centralizado de Valores de Colombia – Deceval S.A.; (ii) BVC PLUS S.A.S.; (iii) BVC PRO S.A.S.; and (iv) INVERBVC S.A.S.

January 10, 2018

As a result of the corporate integration process with **deceval**, the **bvc** increased its subscribed and paid-in capital to COP 30,054,045,217 and recorded said increase at the Bogotá Chamber of Commerce.

January 22, 2018

Additionally, through Resolution 0088/January 22, 2018, the Financial Superintendence of Colombia personally notified the **bvc** on the same day that it had resolved the appeal filed by the **bvc** against Resolution 0050/January 11, 2017. Through said resolution, the Office of the Superintendent reduced the total amount of the initially imposed penalty of five hundred million Colombian pesos (COP 500,000,000) to one hundred and forty million Colombian pesos (COP 140,000,000), and revoked five of the eight charges initially made.





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February 6, 2018

As a result of the corporate integration process with **deceval**, the **bvc** registered in the commercial registry the increase in its subscribed and paid-in capital as a result of the last exchange of shares made with one of the shareholders of **deceval**. The Exchange's subscribed and paid-in capital increased from COP 30,054,045,217 to COP 30,256,854,217.

February 7, 2018

the **bvc**'s Extraordinary General Shareholders Meeting elected the following independent members and non-independent members of the **bvc**'s Board of Directors for the period from February 2018 to March 2019:

INDEPENDENT MEMBERS

- Roberto Junguito Bonnet
- Santiago Montenegro Trujillo
- Javier Jaramillo Velásquez
- Rafael Aparicio Escallón
- Sergio Clavijo Vergara
- Diego Jiménez Posada
- Juan Camilo Vallejo Arango

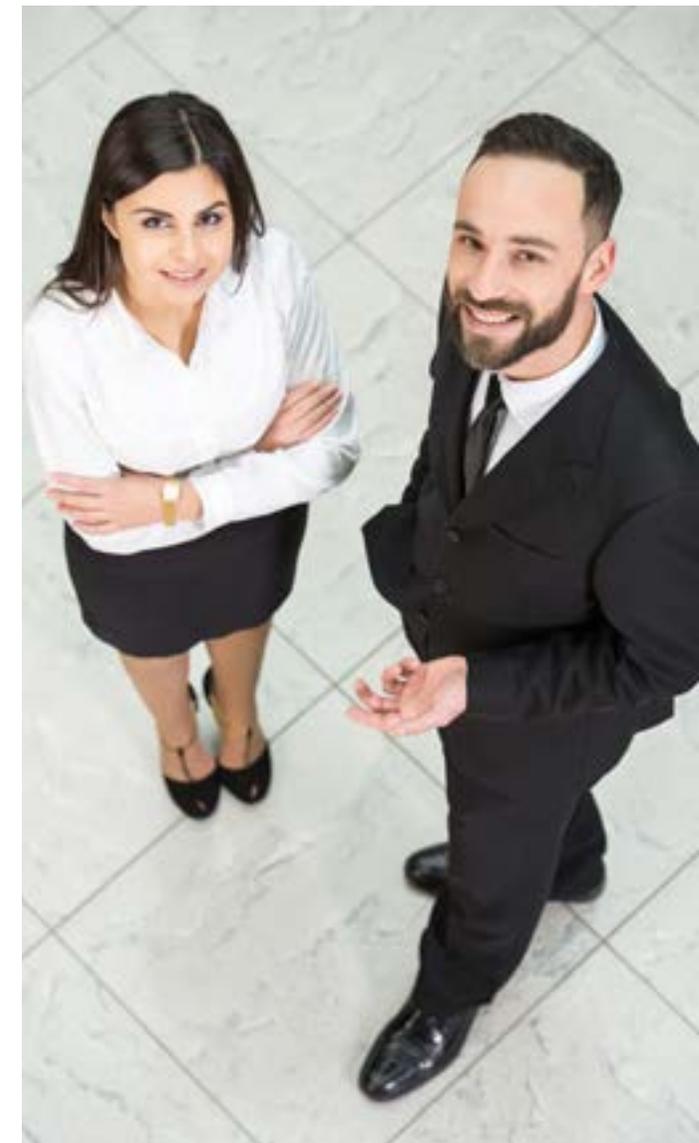
NON-INDEPENDENT MEMBERS

- Mauricio Rosillo Rojas
- German Salazar Castro
- David Rey Borda
- Jaime Castañeda Roldán
- Derek Charles Sassoon
- Aura Marleny Arcila Giraldo

February 9, 2018

By means of the by-law amendment formally registered in Public Deed 423/February 9, 2018, Infovalmer S.A., a subsidiary of the **bvc**, changed its business name to PRECIA PROVEEDOR DE PRECIOS PARA VALORACION S.A.

No significant additional events to those mentioned of a financial/accounting nature that could affect the financial structure of the **bvc** or the interpretation of the financial statements occurred between December 31, 2017, the closing date of these financial statements, and their date of submission.





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2.7 Special Report: Most Important Transactions Completed During the Period

GRI 102-7, 201-4, 103-2, 415-1

Transactions with Related Parties corresponds to all transfer of resources, services and obligations between related parties

These refer to any transfer of resources, services or obligations between related parties. Transactions between related parties and the **bvc** are those that meet the following conditions:

- (i) They are between entities of the same group - subsidiaries
- (ii) They are with entities (associates or joint ventures) in which the reporting entity has a significant influence
- (iii) They are with a key member of management of the reporting entity. Transactions with related parties are made at the fair value or market price at the time of the transaction





As of December 31, 2017 and 2016, the balances from transactions between related parties or companies amounted

ENTITY	RELATIONSHIP	2017		2016	
		ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE	ACCOUNTS RECEIVABLE	ACCOUNTS PAYABLE
Deceval	Subordinate	64	19	86	0
Central Counterparty Risk Clearing House	Associate	101	0	84	0
Invesbolsa	Subordinate	0	0	0,3	0
Infovalmer	Subordinate	0	5	13	9
Derivex S.A.	Joint Venture	1.104	2	971	0
Impairment of Derivex S.A. (1)		-1.104	0	0	0
Set Icap Securities	Joint Venture	16	0	21	0
Set Icap FX	Joint Venture	145	14	36	7
Sophos Banking	Subordinate	0	504	0	110
Other	Shareholders	0	5	0	5
		326	551	1.211	131

*Figures in COP millions



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Accounts receivable of the bvc with related parties and their terms as of December 31, 2017 and 2016

2017 ACCOUNTS RECEIVABLE							
THIRD PARTY	TOTAL	NOT PAST DUE	BETWEEN 0 - 30 DAYS	BETWEEN 31 - 60 DAYS	BETWEEN 61 - 90 DAYS	BETWEEN 90 - 180 DAYS	BETWEEN 180 - 360 DAYS
Derivex S.A.	1,104	1,104	0	0	0	0	0
Impairment of Derivex S.A. (1)	-1,104	-1,104	0	0	0	0	0
Deceval	64	64	0	0	0	0	0
Central Counterparty Risk Clearing House	101	49	51	0	0	0	0
Set Icap Securities	16	9	8	0	0	0	0
Set Icap FX	145	10	135	0	0	0	0
Total	326	131	195	0	0	0	0

2016 ACCOUNTS RECEIVABLE							
THIRD PARTY	TOTAL	NOT PAST DUE	BETWEEN 0 - 30 DAYS	BETWEEN 31 - 60 DAYS	BETWEEN 61 - 90 DAYS	BETWEEN 90 - 180 DAYS	BETWEEN 180 - 360 DAYS
Derivex S.A.	971	30	2	10	75	198	655
Deceval	86	86	0	0	0	0	0
Cámara de Riesgo Central de Contraparte	84	27	57	0	0	0	0
Invesbolsa	0,3	0,3	0	0	0	0	0
Infovalmer	13	13	0	0	0	0	0
Set Icap Securities	21	17	4	0	0	0	0
Set Icap FX	36	36	0	0	0	0	0
Total	1,211	209	63	10	75	198	655

*Figures in COP millions





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Accounts receivable of the bvc with related parties and their terms as of December 31, 2017 and 2016

2017 ACCOUNTS PAYABLE							
THIRD PARTY	TOTAL	NOT PAST DUE	BETWEEN 0 - 30 DAYS	BETWEEN 31 - 60 DAYS	BETWEEN 61 - 90 DAYS	BETWEEN 91 - 180 DAYS	BETWEEN 180 - 360 DAYS
Derivex S.A.	2	2	0	0	0	0	0
Deceval	19	19	0	0	0	0	0
Infovalmer	5	5	0	0	0	0	0
Set Icap FX	14	7	7	0	0	0	0
Sophos Banking	504	504	0	0	0	0	0
Otros	5	0,08	0,026	0	0	0,025	5
Total	551	538	7	0	0	0,025	5

2016 ACCOUNTS PAYABLE							
THIRD PARTY	TOTAL	NOT PAST DUE	BETWEEN 0 - 30 DAYS	BETWEEN 31 - 60 DAYS	BETWEEN 61 - 90 DAYS	BETWEEN 91 - 180 DAYS	BETWEEN 180 - 360 DAYS
Infovalmer	9	9	0	0	0	0	0
Set Icap FX	7	7	0	0	0	0	0
Sophos Banking	110	110	0	0	0	0	0
Otros	5	0	0	0	0	0	5
Total	131	126	0	0	0	0	5

*Figures in COP millions





The bvc's accounts payable with related parties and their terms

COMPANY	RELATIONSHIP	TRANSACTION	2017	2016
			EFFECT ON RESULTS (INCOME) / EXPENSES	EFFECT ON RESULTS (INCOME) / EXPENSES
Central Counterparty Risk Clearing House	Associate	Administrative services	-98	-186
		IT services	-94	0
		Lease of Alternate Operation Center (AOC)	0	-42
FX Clearing House	Associate	Lease of Alternate Operation Center (AOC)	0	-19
Set-Icap FX S.A.	Joint Venture	In-person courses	0	0
		Information charges	-114	0
		IT services	-98	-98
		Lease of Alternate Operation Center (AOC)	0	-12
		Special communication services	75	75
		Mandate agreement	0	-2
		Administrative services	-2	-2
Derivex S.A.	Joint Venture	IT services	-40	-105
		Lease of Alternate Operation Center (AOC)	-5	-12
		Loan interest	-17	-15
		Administrative services	-39	-51
		Services on information supply and management	2	0
		System applications	0,536	0,297
		Legal services	-32	-32

*Figures in COP millions

At the close of 2017, the bvc had not received financial assistance from any government body.



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COMPANY	RELATIONSHIP	TRANSACTION	2017	2016
			EFFECT ON RESULTS (INCOME) / EXPENSES	EFFECT ON RESULTS (INCOME) / EXPENSES
Set Icap Securities S.A.	Joint Venture	Clearing and settlement service	-85	-89
		Variable custody charges	-0,428	-0,203
		Administrative services	0	-6
		Information screens	-15	-16
Deceval S.A.	Subsidiary	IT services	-46	-58
		Administrative services	-274	0
		Securities custody	62	57
		Lease of buildings	118	11
		Lease of Alternate Operation Center (AOC)	0	-17
		Alternate Operations Center	0	16
		Electrical installations	0	6
Infovalmer S.A.	Subsidiary	In-person courses	0	0
		Databases and reports	-185	-175
		IT services	-76	-81
		Lease of Alternate Operation Center (AOC)	0	-24
		Administrative services	-172	-91
		Financial services	0	-90
		IT consultancy	0	6
		Certificates	0	0,68
		Portfolio valuation	40	15
Sophos Banking Solutions S.A.S.	Subsidiary	IT consultancy	2.614	582
		IT consultancy estimation	22	144
		Lease of buildings	0,1	0
		Administrative services	-2	-19
		System applications	209	170
TOTAL			326	1.211

*Figures in millions of COP

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2.8 bvc Employee Profile

GRI 102-8, 103-2

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Our co-workers are characterized by a global and winning mentality, high level of professional profile and development and learning potential

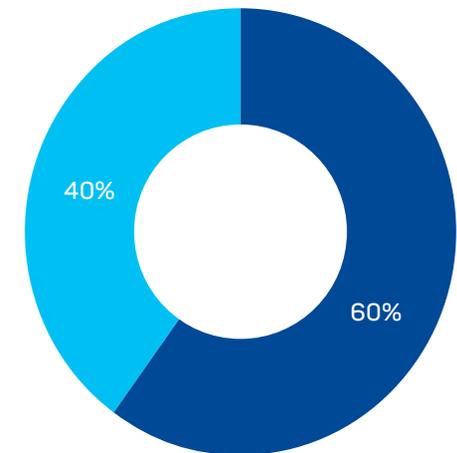
In 2016, in talent management, the **bvc** and its subsidiaries worked on the employee profile, aligning it with the **bvc**'s model of organizational values, skills and abilities. This strategy was continued in 2017 with the aim for every employee to have the capacity to incorporate the business vision into their role in each organization. Given the autonomy of the subsidiaries, in some points, there will be integrated and aligned processes, and in others, certain aspects of said processes will respond to the specific features of each company, in accordance with its organizational culture.

Generally, our employees are characterized by a global and winning mindset, a high level of professional education, and potential for learning and development. At the end of 2017, the total number of **bvc** employees was 262, out of which, 60% was comprised of men and 40% of women, with a decrease in the percentage of women since 2016.

The objective to integrate with **deceval** materialized in 2017, opening the way to progress together. This is the context for all of us to build together the main organization of the Colombian capital market and one of the most important in the region. Making this objective a reality creates a new situation for our employees, new experiences, greater knowledge, opportunities for development and greater labor mobility in a solid organization with new roles and challenges and presence throughout the value chain.



Total number of employees:
262 (2017)



■ Men
■ Women





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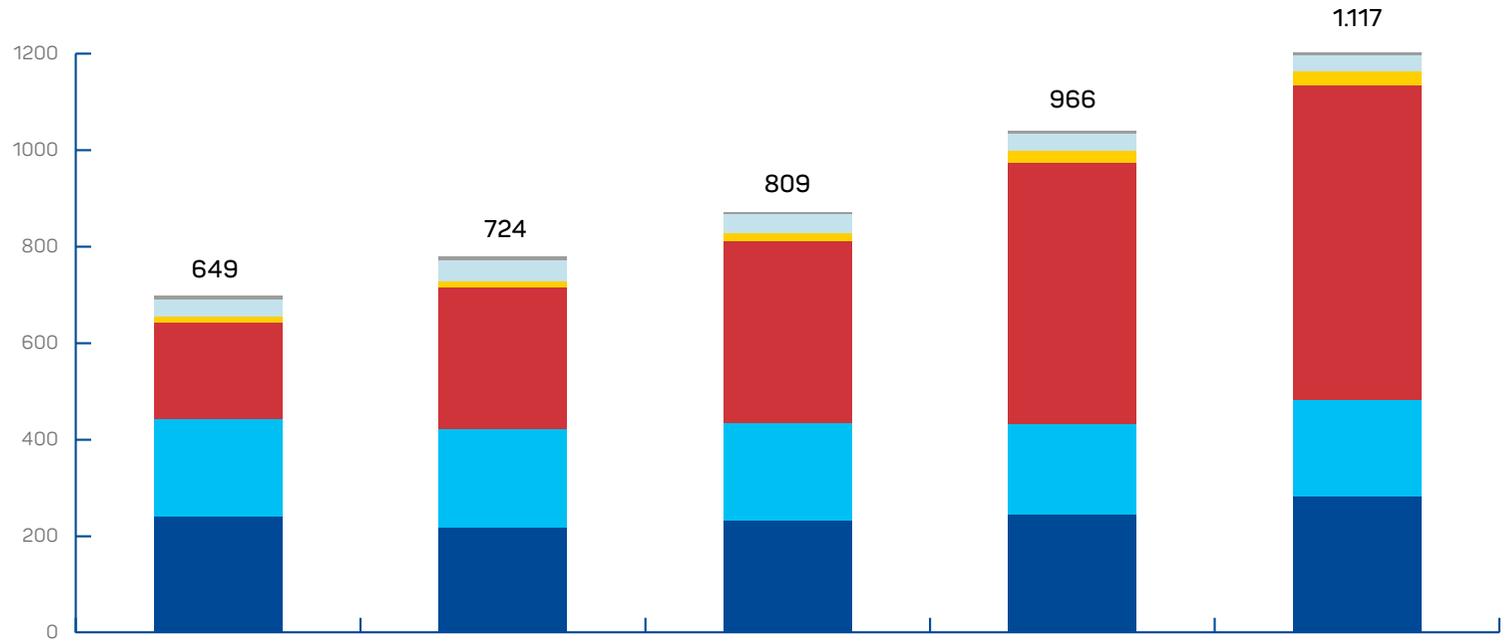
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Number of Employees



	2013	2014	2015	2016	2017
SET ICAP SECURITIES	7	8	4	4	4
SET ICAP FX	34	39	35	34	32
PRECIA	11	13	17	23	27
SOPHOS	187	273	351	504	606
DECEVAL	187	189	187	174	186
BVC	223	202	215	227	262





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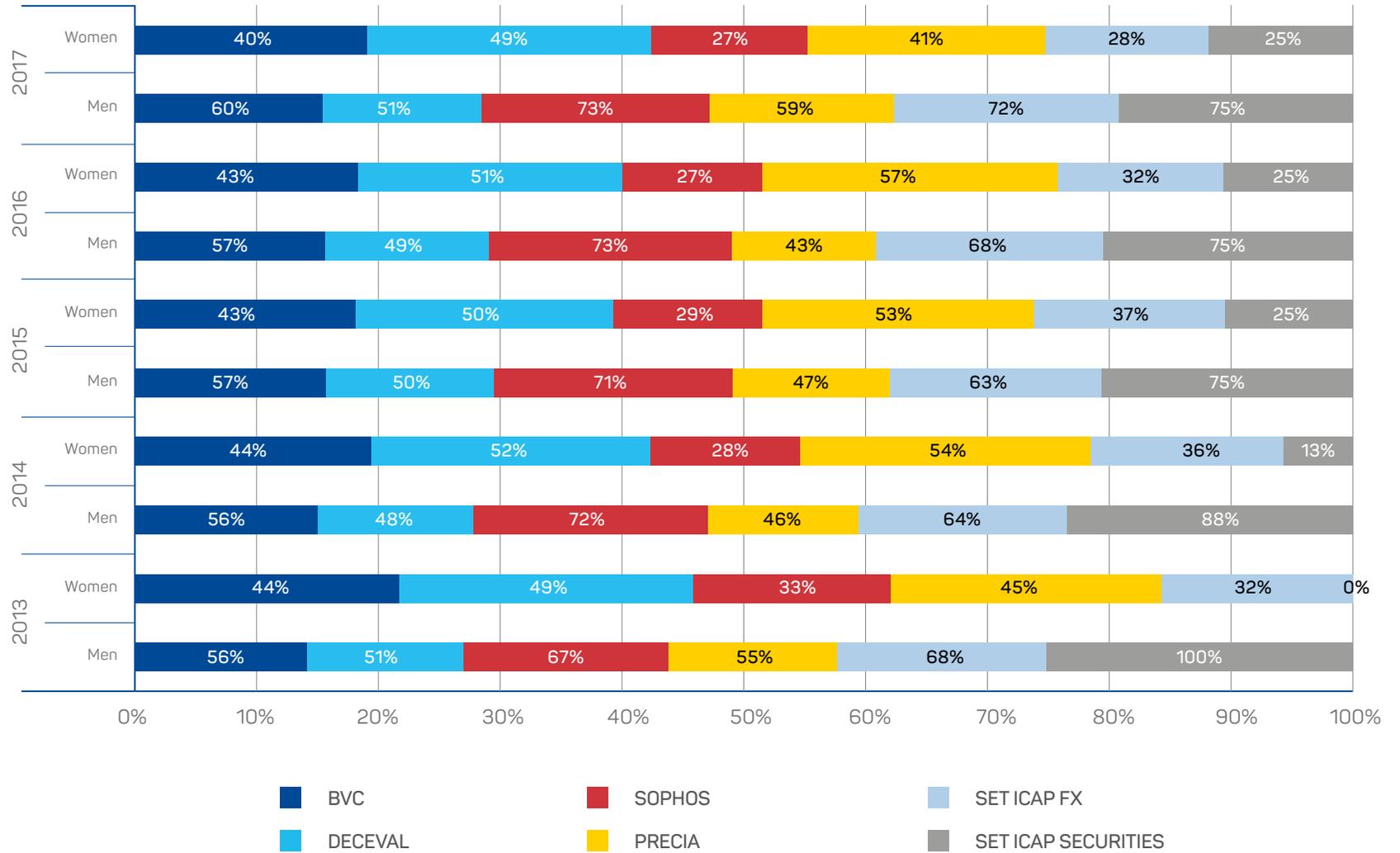
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We are a vertically integrated corporate group that provides solutions to the financial and securities markets using multi-market and multi-product platforms. In this scenario, our employees are part of a work environment with greater opportunities for growth, development and learning.

As a corporate group, the **bvc** ended 2017 with 1,117 employees, who are part of an organization where respect for people is emphasized and best practices in human resources are applied, increasing professional performance and personal development skills. The graph above reflects that the number of employees increased significantly with the share of **deceval** in the Group, and 66% are men and 34% are women.

Therefore, we are the main strategic partner of the financial and securities sectors in Colombia, offering comprehensive solutions throughout the value chain of all the markets through a group of specialized companies.

The Group's main operation continues to be based in Colombia. As a result of the integration with **deceval** in Colombia last year, the number of employees significantly increased from 804 at the end of 2016 to 1,117 in 2017. However, through our subsidiaries, we keep operating in the United States, where the number of employees has been maintained over time by our subsidiary SET-ICAP, while in Mexico, Sophos has kept increasing the number of employees, diversifying the business.





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Employees Distribution by Country



	COLOMBIA	MEXICO	CHILE	PANAMA	USA
2013	456	0	3	0	3
2014	531	0	1	0	3
2015	611	8	0	0	3
2016	792	7	0	2	3
2017	1101	11	1	1	3





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2.9 Supply chain

GRI 102-9 102-10, 204-1, 103-2

In 2017, through its Procurement Department focused on encouraging their all-round growth, highlighting their role in the value chain

In 2017, through its Procurement Department, as well as continuing to hire the best providers on the market, the bvc focused on encouraging their all-round growth, highlighting their role in the value chain.

Together with the recertification in the ISO 9001 Standard in 2017, the Acquisitions Department reinforced the assessment and selection processes of providers that are very important for the whole process. We carried out special activities, such as the Procurement Fair in May and the creation of new terms of reference, which enabled us to discover new products offered by the same providers, but that were established at market prices through requests for proposals.

Through a restructured Procurement Committee with the support of interdisciplinary executives, we encouraged due compliance with the organizational policies and bodies.





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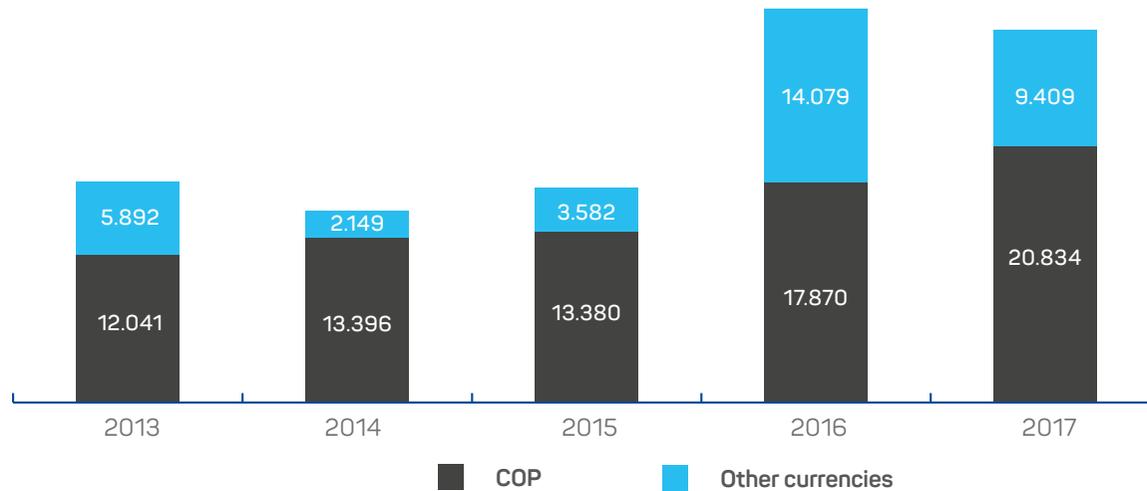
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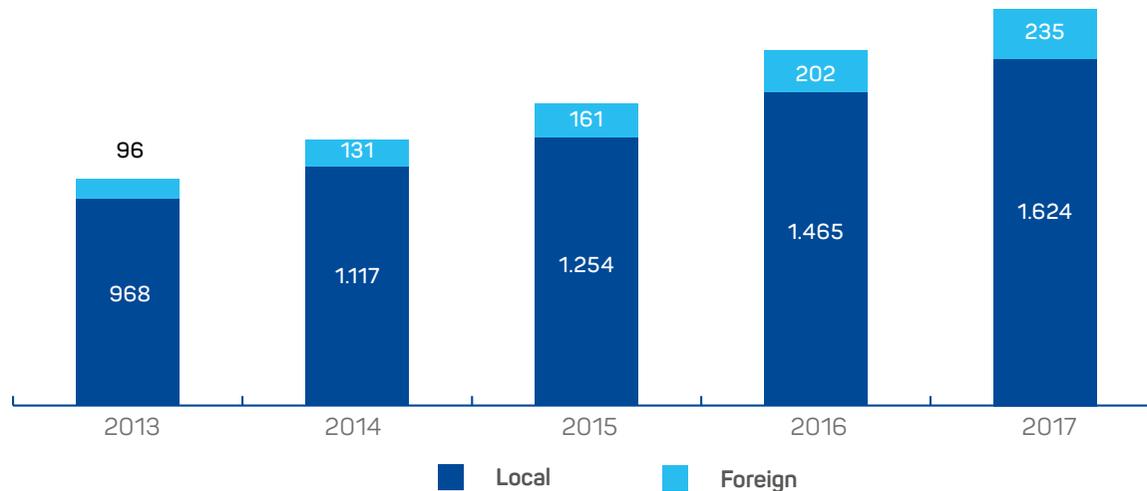
Purchases



*Figures in COP millions

Purchases in Colombian pesos made in 2017 from national providers amounted to COP 20,833 million and from international providers they amounted to COP 9,408 million. The significant purchases in 2017 had a great impact due to the implementation of the INET Master Trader project in technology-based purchases.

Number of Suppliers



In 2017, 192 new providers were enrolled, out of which 33 were international providers and 159 were national providers, increasing by 27% from the previous year. The policy will remain in effect in 2018 to optimize the development of the active positively assessed providers.





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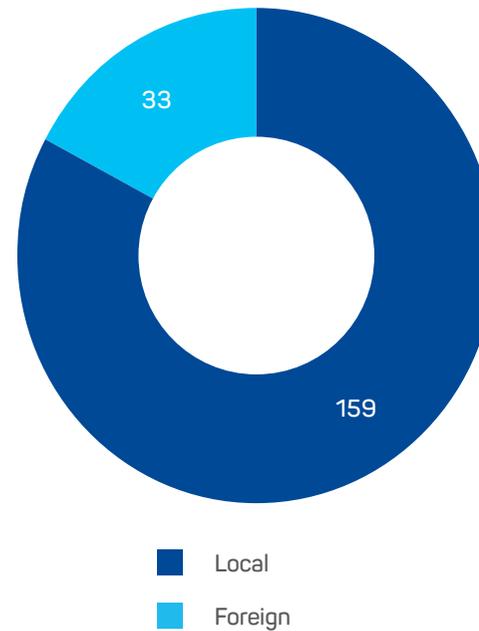
We formalized the direct acquisitions made by the Group, but with the transparency and confidence of acquisition at market prices, always ensuring we obtain a good cost-benefit ratio in each trade.

In alignment with the strategy of the new integrated organization, we established a road map for 2018 to work on synergies to make savings and generate efficiency for the future of the bvc Group with the main aim of centralizing work.

The information presented in this section only corresponds to Bolsa de Valores de Colombia without its subsidiaries.

Circulation of Invoices: Bolsa de Valores de Colombia states that in 2017, it did not obstruct the free circulation of invoices issued by its suppliers or contractors and that it ensured the free movement of those generated in the entity as a result of the sale of goods and services related to its activity.

New suppliers in 2017:
192





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2.10 Precautionary principle

GRI 102-11, 103-1, 103-2, 205-2

The stock exchange is oriented and supported by the best international practices in risk management

The Exchange's Risk Management System is based on the stages of identification, measurement, control and monitoring of its risks, as well as compliance with the regulatory and internal requirements of the Organization, including its policies and procedures. To achieve these objectives, the Exchange uses international best practices in risk management for guidance and support.

We comprehensively carry out risk management, including all the financial and non-financial risks identified in the Exchange's processes, projects and strategic objectives, which allows us to continuously and promptly manage risks related to the development of daily activities, business lines, high-impact alterations and stakeholders that may affect the entity.

2.10.1 Internal control and control environment

The **bvc's** Internal Control Model is based on compliance with the regulatory requirements of Part I, Title I, Chapter IV, of the Fundamental Legal Bulletin of the Financial Superintendence of Colombia.

The Organization manages its Internal Control System through self-management of the processes, as well as the identification of risks and development and strengthening of controls, as the main tool to minimize risk and to help achieve the levels of quality required for the services offered to different stakeholders and in accordance with the organizational structure.

Initiatives were developed during 2017 to reinforce and communicate the Company's principles and values, which contributed to the achievement of the processes' objectives, the quality and timeliness of financial and non-financial information disclosure, adequate risk management to safeguard the entity's assets as well as its shareholders' equity, and compliance with the applicable rules and regulations.

In talent management, we applied the skills model established by the bvc and constantly disclosed the corporate values required by the employees for development of their roles, all in line with the Company's strategic objectives. Additionally, we implemented the Leadership School to strengthen employees' skills.





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Affiliates and Subsidiaries

The **bvc** manages technical support, training and coordination of activities for its subsidiaries aimed at compliance with the regulatory and internal requirements, best practices and closure of gaps of the different risks identified in these organizations.

Pursuant to the **bvc** Group's policy, each subsidiary has internal teams to manage its own risks. In turn, these teams maintain close communication and coordination with the **bvc** risk team, which facilitates the harnessing of synergies, efficiency, and unification of strategies and guidelines of the Group's companies.

Additionally, there are risk committees for information security and business continuity of the capital market's infrastructure providers, where some of the Exchange's subsidiaries are included. For those that do not belong to the committees, the same best practices are applied.

In 2018, we will keep strengthening the management systems for all the risks in the subsidiaries according to their needs, main risks and business priorities.



2.10.2 Quality and information management

Quality Management System

The continuous improvement system allowed each one of the processes to dynamically and constantly manage the initiatives aimed at increasing efficiency and effectiveness, as well as correcting the identified opportunities for improvement, helping to meet clients' expectations regarding the services provided.

Additionally, the following activities were carried out in 2017 to strengthen continuous improvement:

- **Review and update of the documented information** required to ensure the efficacy of the system in line with the type of activities carried out, complexity of their processes and skills of their employees.
- **Strengthening of the comprehensive management of findings** and closure of gaps with each one of the processes and its sources, ensuring quality of the processes, efficacy of the system and satisfaction of the stakeholders.
- We received a visit from **ICONTEC to renew the certification in the ISO 9001:2015** standard with zero non-conformities. The certification agency highlighted the degree of maturity that the Organization achieves in its Quality Management System.





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Information Security

In 2017, we established information security as a **priority** in the Exchange's activities. This was added to throughout the year with initiatives that enabled the strengthening of current controls and minimization of the risks related to information security.

As part of this, we carried out training processes for Senior Management and employees on the general policy and risks related to cybersecurity, reinforcing knowledge for the identification of threats and capacity for timely response to incidents.

Additionally, the following topics were worked on:

- **Update and creation of new policies** adapted to the best practices and needs of the entity.
- **Implementation**, update, strengthening and measurement of controls of the **Information Security Management System** in accordance with the ISO 27001 Standard.
- **Support** in the creation and establishment of basic guidelines for subsidiaries, facilitating the **establishment of a uniform and strong information security structure**.

- **Constant support** in the definition of information security conditions for the Organization's projects.

Likewise, together with the infrastructure suppliers of the capital and foreign currency markets, we identified and promoted initiatives to strengthen the management and response plans of the value chain, as well as the awareness plan.

Similarly, as it is considered critical infrastructure of the sector, the Exchange regularly held meetings with the Armed Forces' Joint Cyber Command (CCOC, for the Spanish original) to define response strategies to cybersecurity incidents.





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2.10.3 Risk Management

GRI 103-2

Risk management in the Exchange is based on strategic analysis of the business and the processes that comprise it, from which we develop control mechanisms and mitigation actions conducive to minimizing risks and mitigating impacts in the event of materialization of the risks to which the Organization is exposed.

In 2017, we focused a large part of our efforts on capitalizing on lessons learned in previous years in project risk management, taking into account that one of the most important projects in recent years was developed this year with the update of the trading systems.

Therefore, the methodology was enriched with alerts, controls and additional reports throughout the project's life cycle, which enabled the definition of action plans and mitigation actions.

This facilitated the reduction of residual risk as well as timely and satisfactory management of each problem identified in the project. Furthermore, there was a 9.1% reduction in the risk incidents that occurred compared to the previous year.

- We kept **99% of the risks** within the established levels of tolerance, demonstrating the Company's capacity to manage activities with risk exposure, to detect deviations and to apply the necessary corrections for the correct execution of its processes.
- For the **remaining 1%**, action plans have been established to implement in 2018, which are based on improving risk assessment.

In relation to the strengthening of the **Risk and Quality Awareness Plan**, awareness and training campaigns were implemented aimed at all levels of the Company and third parties involved. These campaigns were designed to raise awareness regarding the importance of internal control and its role in preventing, detecting and handling risks, and their impact on the Company and the general public.





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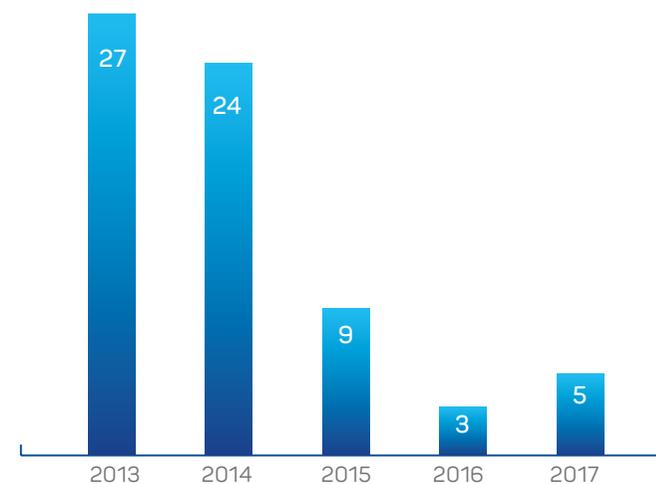
Business Continuity Management

In 2017, we continued to manage and improve the continuity management system. We conducted the following contingency tests according to the schedule established at the start of the year.

Contingency tests

2017 TEST SCHEDULE	Q 1		Q 2			Q 3			Q 4		
	Jan	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	
DISASTER RECOVERY PLAN											
Service or Market											
Equity Market and Derivatives (affiliates)				3	22						
Fixed Income (Affiliates - November)								21-25	16		
MILA										20	
Listing Services	16										
OPERATIONAL CONTINUITY PLAN											
AOC Test		19-24								12	
STRATEGIC PARTNER TESTING											
Securities Market Crisis				3							
CRISIS MANAGEMENT PLAN TESTING											
Crisis Plan		25									
EMI Workshops		25				31	18			21	
EMERGENCY PLAN TESTING											
Emergency Team Tests			31								

Incidents per year





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Unavailability time over RTO

The accumulated annual downtime above the accepted RTO of the platforms that provide critical products and/or services to members was nine hours and one minute, distributed as follows:

MARKET	AFFECTED PROCESS	ASSETS	TOTAL DOWNTIME	DOWNTIME ABOVE THE RTO
Equity	Equity and derivatives	Fix 4.4	1 h 29 min	29 min
Equity	Equity and derivatives	Fix 4.4	27 min	0
Equity	Equity and derivatives	None affected a derivatives contract	2 h 30 min	0
Guarantees	Guarantees	CMS	5h 14 min	3h 44 min
Derivatives	Equity and derivatives	X-Stream	5h 18 min	4h 48 min

¹ RTO - Recovery Time Objective: Maximum time it should take for the system to be available again after a failure.

The technology uptime indicator for 2017 was 99.89%.

The **bvc** continued its participation in the Crisis Management Committee of the Colombian Securities and Foreign Currency Market as part of joint work with the other infrastructure providers (**deceval**, CRCC, CCDC, SET-ICAP, INFOVALMER, Tradition, Enlace and GFI). We completed the work plan, making updates after the incorporation of Tradition, Enlace, GFI and INFOVALMER into the work team.

We published the first edition of the market crisis management protocol, which was communicated to the executive project team, which approved it. Likewise, the protocol was submitted to the Financial Superintendence and a meeting was held with representatives of said control entity, where they discussed the items for the regulatory body to include in the Bulletin that will be issued shortly in that respect.

The **bvc** participated in the market crisis management roundtable in an office simulation exercise at the facilities of the Central Bank to test the protocol on the market with the scenario of an earthquake in Bogotá, led by the international expert Regina Phelps.





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Anti-Money Laundering and Terrorist Financing Prevention System

In compliance with the regulation to prevent and control the risk of money laundering and terrorist financing (ML/TF), the **bvc** is committed to the fight against ML/TF. Therefore, it strictly complies with the applicable laws, especially the Organic Statute of the Financial System, the sanctions lists and the court orders it receives.

The **bvc** openly rejects any criminal activity or conduct that involves money laundering or terrorist financing (ML/TF) activities. ML/TF risk management facilitates comprehensive risk management and contributes to the processes' decision-making thanks to the unification of the methodology with the Operative Risk Management System (ORMS). Given the above and as part of the continuous improvement strategy,

the procedures and risks associated with ML/TF were updated on the risk maps for the Exchange's different processes in accordance with the new risk management methodology.

With regards to the know-your-customer process, the strengthening of client enrollment controls is ongoing and a campaign was carried out to update client information.

Regarding training activities, the ML/TF prevention procedures and policies were disclosed to all of the Exchange's employees through the Quality and Risk Awareness Plan, as well as the induction of new employees, thereby promoting a culture for the prevention of ML/TF.





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Control Activities

In its control activities, Bolsa de Valores de Colombia complies with the guidelines provided by Management through its policies and procedures. Additionally, it has adopted the recommendations of the different control and supervisory bodies, strengthening its control measures.

Monitoring

As part of the activities established to verify the performance of internal control, we constantly monitored all its components through process management and Balanced Scorecard indicators, which are monitored by the Company's Management and Board of Directors.

Furthermore, the monitoring was complemented with independent assessments conducted by internal and external supervisory agencies, with regards to the levels of compliance with regulatory requirements.

The recommendations provided by the supervisory agencies and the improvements proposed by Management were included in the processes' work plans for the respective steps to be taken.





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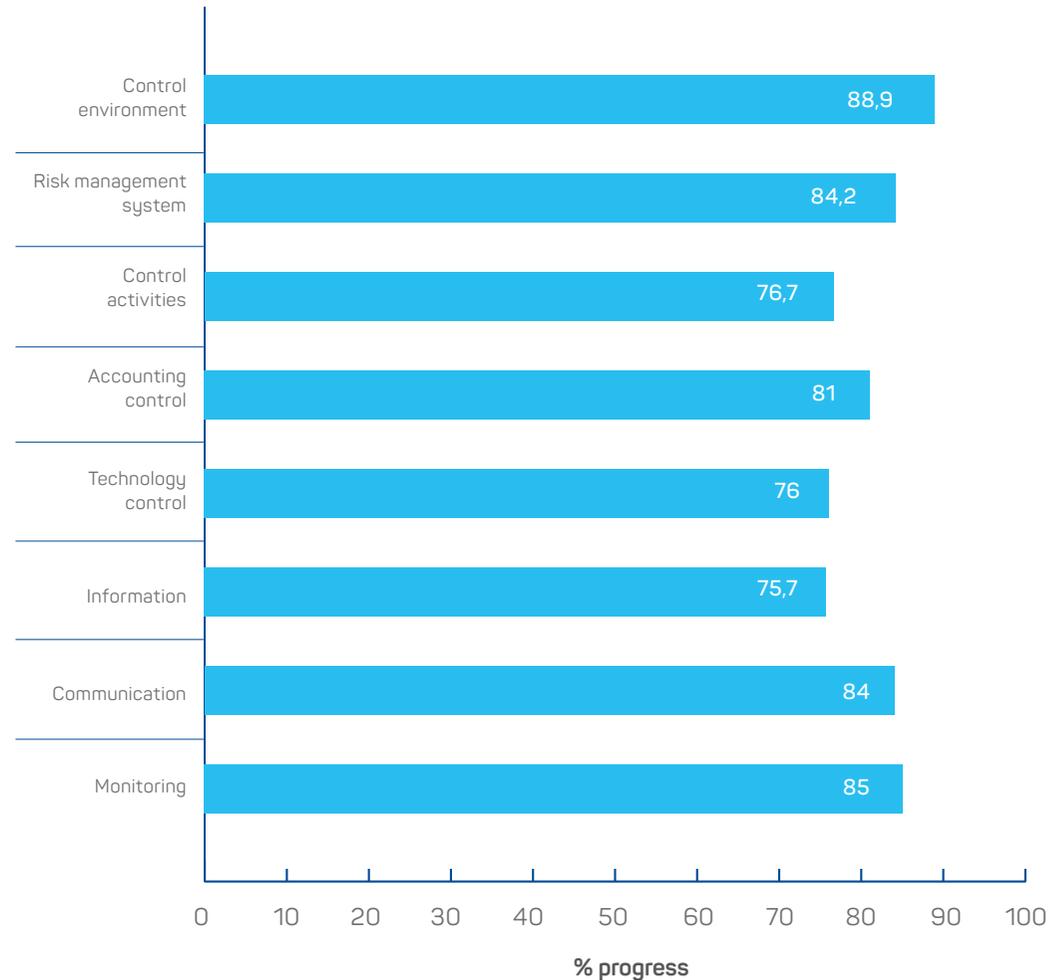
2.10.4 Auditor's report

GRI 102-11, 103-2

2.10.4.1 Independent Assessment of the Internal Control System

ursuant to Part I, Title I, Chapter 4, Section 4.6., of the Fundamental Legal Bulletin of the Financial Superintendence, in addition to the monitoring of Senior Management and the self-assessment of each area, a regular independent assessment of the Internal Control System (ICS) is required. At the **bvc**, the Internal Auditing Department is responsible for carrying out this assessment. In 2017, said assessment was conducted in accordance with the scope and coverage defined in the regulations, and the results were delivered to Management at the end of the year.

The independent assessment encompasses the results of reviews performed during the implementation of the audit plan and the status thereof at the end of the year. As a main conclusion, the Auditor reported that the elements of the Internal Control System showed an average efficacy level of 84,81% for 2017. The details are presented below:





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2.10.4.2 Internal audit work practices

We continued to make improvements to the work practices and methodologies of internal auditing in 2017 as a result of the ongoing analysis of its degree of alignment with best practices and with the international auditing standards of the Institute of Internal Auditors (IIA). The following improvements stand out:

- a) Internal Auditing completed the risk and control survey work started in 2016 with the critical processes, incorporating all of the Company's processes (a total of 16) in the first half of the year. Said exercise grants greater depth of knowledge and independence to the role of internal auditing with a corporate risk model in terms of the approach and scope of the work.

As a result of the above, all the planned audits of processes in the 2017 Plan were implemented with

a risk approach and included quality and compliance assessments.

- b) The risk-based IT audits were complemented with exercises by specialists in very important topics for the **bvc**, such as information security and business continuity.
- c) Regular control assessments were incorporated into the plan for risks specifically related to fraud, which will be continued in 2018.
- d) We developed the audit planning tasks required for preparation for the integration process with **deceval**. Said tasks must be specified in the course of 2018 with the definition of a unique methodological and operative framework of internal auditing for the entities.

Finally, as part of the "bvc Group's Corporate Governance Model" approved by the Board of Directors in December 2016, we started work with the subsidiaries, striving for harmonious and coordinated action.

As a result of this effort, we formed the Auditing Department at SOPHOS BANKING SOLUTIONS, supporting the preparation of its work plan, carrying out monitoring and providing methodological support. Similarly, we fostered communication and coordination channels with the other subsidiaries and conducted an assessment of regulatory compliance of the contracts for the cases in which the internal auditing service is outsourced, as well as other tasks.





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2.10.4.3 Internal audit work plan

With the aforementioned improvements, the Internal Auditing Department developed a work plan with a risk-based approach in 2017. This plan, approved by the Board's Audit Committee, had the **following lines of action and results:**

- **Assessment of management systems** based on reviewing the effectiveness of the risks of the Exchange – ORMS –, prevention of money laundering and information security, as well as the independent assessment of the Internal Control System.
- **Audits of processes** based on assessing the effectiveness of the most relevant risk controls and reviewing fulfillment of the quality and compliance requirements based on the ISO 9001: 2015 Standard.

For the development of the IT audits, we continued with the support of an international auditing firm through co-sourcing, an approach in which the team of in-house auditors has the support of external specialists and professionals, which enables a more

comprehensive review of matters that require it and better coordination of IT auditing with internal operational and financial auditing.

- **Project audits** based on risk assessment of important projects underway, methodological compliance and the process of making a product by said projects (essentially, development and implementation of software and infrastructure solutions).
- **Business Continuity System audits**, which included a specialized assessment of the degree of implementation and effectiveness of the system based on the ISO 22301 Standard and assessments of the achievement of objectives of the business continuity tests conducted throughout the year.

As a result of the aforementioned audit tasks, audit reports were delivered with the findings and recommendations, and the closing plans were

coordinated with those responsible. Additionally, the degree of progress of said plans was regularly reviewed, concluding for the auditor's reports submitted in 2016 and 2017, and after at least three months from having been issued, that the average progress of the plans at December 31, 2017, was 93.87%.

The Auditor submitted follow-up reports of the plan's progress and feedback on the relevant results to the Board of Directors and Audit and Risk Committee.

Finally, it is important to mention that Management provided the resources and information required to carry out the audit independently and without limitations.





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3.1. Governance Structure

GRI 102-18, 102-23, 103-1, 103-2

3.1.1. Description of the Board of Directors and Management

GRI 102-18

In compliance with corporate governance standards, the **bvc** Board of Directors is comprised of thirteen (13) principal members without alternates, seven of which are independent members. At its session on March 28, 2017, the General Shareholders Meeting appointed the following members, which, in accordance with the **bvc** By-laws, are elected for periods of two (2) years.

Notwithstanding the above, given the impact of the corporate integration with Depósito Centralizado de Valores de Colombia – **deceval** S.A. on the Exchange's shareholding, at an Extraordinary General Shareholders Meeting of **bvc** on December 20, 2017, the amendment of the **bvc** By-laws was approved. According to which, the independence criteria for Board members were amended so that the brokerage firms could be part of the independent members segment of said corporate body, provided that they meet the other criteria of independence established in the By-laws, especially the requirement that they do not hold one percent (1%) or more of the share capital of **bvc**. In addition to the above, we made adjustments to the Board's form of decision-making in aspects related to the brokerage firms, specifying that their representatives in the Board of Directors shall not participate in the decision-making quorum of topics related to brokerage firms.

Board of Directors

2017-2019

7



Independent

Roberto Junguito Bonnet

Independent
Independent member since 2005

Santiago Montenegro Trujillo

Asofondos
Independent member since 2010

Javier Jaramillo Velásquez

Independent
Chairman of the Corporate Governance
Committee
Independent member since 2007

Sergio Clavijo Vergara

ANIF
Independent member since 2008

Juan Camilo Vallejo Arango

Independent
Chairman of the Regulation Committee
Independent member since 2007

Julian Domínguez Rivera

Confecámaras
Independent member since 2012

Carlos Eduardo Jaimes Jaimes

Independent
Chairman of the Audit and Risk Committee
Independent member since 2008



6



Non-Independent

Aura Marleny Arcila Giraldo

Universidad de Medellín
Non-independent member since 2013

Rafael Aparicio Escallón

Acciones y Valores S.A.
Chairman of the **bvc** Board of Directors
Non-independent member since 2001

Mauricio Rosillo Rojas

Bancolombia
Non-independent member since 2014

Germán Salazar Castro

Banco de Bogotá
Chairman of the Administration
and Finance Committee
Non-independent member since 2005

Diego Jiménez Posada

Credicorp Capital
Non-independent member since 2008

Roberto Belchior Da Silva

BM&BOVESPA SA
Non-independent member since 2017





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It should be noted that the **bvc** Board of Directors does not have members who are legal representatives or who are part of the Company's Senior Management.

Similarly and pursuant to Article 5.4 of the Rules of Procedure for the Board of Directors, the **bvc** CEO cannot simultaneously be the Chairman of the Board when the CEO is part of said corporate body.

Regarding the quality of **bvc** Board members, it is important to note that they are executives with an excellent reputation and recognition. Therefore, with the aim to ensure transparency, impartiality and independence, the curricula vitae of these members are posted on the Company's website throughout the whole period for which they were elected.

As a result of the above, the assessment of the Board of Directors and its committees observes the following criteria:

- i) **Compliance with the meeting schedule.**
- ii) **Number of meetings that met the required quorum.**
- iii) **Attendance of each member at meetings.**
- iv) **Compliance with the agenda.**
- v) **Approval of the corresponding minutes.**

Additionally, **bvc's** Management was comprised of a group of top-level senior executives at December 31, 2017, with a CEO and five chief officers, who worked for the fulfillment and development of the Company's objectives and obligations.

Finally, regarding the ownership structure of the Company, **bvc** reports that by December 31, 2017, it had shareholders' equity of COP 487,273,841,437 and 30,256,854,217 outstanding common shares. The main shareholders thereof are regularly reported to the market. This information is posted at the following link:

<https://www.bvc.com.co/pps/tibco/portalbvc/Home/Accionistas/Principales+Accionistas?action=dummy>

Members of the Senior Management

2016-2017



Juan Pablo Córdoba Garcés

CEO

Working for **bvc** since March 2005

Angela Valderrama Guzmán

Chief Marketing & Product Officer

Working for **bvc** since March 2006

Alberto Velandia Rodríguez

Chief Legal Officer & General Counsel

Working for **bvc** since July 2006

Javier Diaz Fajardo

Chief Commercial Officer

Working for **bvc** since February 2013

Bogdan Djoric

Chief IT Officer

Working for **bvc** since October 2015





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3.1.2. Functions of the Board of Directors and Senior Management

102-19, 102-26

The **bvc** Board of Directors is the corporate body that has the main function of complying with the strategic tasks and organization of the company, as well as maximization of the value of the economic group. In exercise of this power, the Board of Directors approved the 2025 Strategic Plan.

Said exercise concluded that the **bvc** Group must “be the market infrastructure that serves the country in the most effective and efficient way, focused on our clients’ needs and on the construction of trust, leading the Colombian capital market’s development and regional integration, creating value for its shareholders and stakeholders”.

Therefore, the integrated entity’s strategic vision prioritizes its approach on its core businesses and has enablers to facilitate the construction of trust with stakeholders;

operational efficiency; total transformation toward a client focused organization – “Customer Centricity”; boost and promotion of the markets for participants; and innovation, digital transformation and diversification.

In terms of operational efficiency, the need was identified to consolidate a value chain, optimize the industry processes and improve the cost-benefit ratio for clients.

In terms of transforming the Company so that its organization is customer centric, the following needs were identified: internal alignment of the new company, identification of clients’ needs, quality service and differentiation in levels of service. These needs pose some challenges and specific actions, which need to be carried out in 2018.





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Based on the above premises, both the Board of Directors and the Senior Management of the bvc understand and commit to achieve the goals of the 2025 MEGA strategy

In terms of the stimulation and promotion of the market for participants, the following needs were identified: be a competitive and important source of funding for companies and attract local and international liquidity. Similarly, these needs pose some challenges and specific actions, which started to be implemented with the integration.

In terms of innovation, digital transformation and diversification, the following needs were established: innovation culture, technological capacity and new businesses and transformation.

Likewise, it is important to highlight that **bvc** also makes efforts in sustainable development through social and environmental spheres. Therefore, **bvc** supports Fondo Inversor, which channels its investors' resources to leverage growth, expansion or consolidation plans of SMEs that have a profitable business model with growth potential and that generate a high social and environmental impact. Additionally, the Exchange has an annual donations plan, through which it supports non-profit organizations with areas of work that include: education, health and wellbeing, quality of life of children affected by violence, disabled people, and vulnerable populations.

Based on the aforementioned premises, **bvc's** Board of Directors and Senior Management understand and commit to achieving the targets of the MEGA 2025 strategy. The Organization ensures that the targets are achieved, mainly through the use of managerial tools such as the Balanced Scorecard, which renders **bvc's** strategy into a coherent set of indicators. Therefore, the **bvc** Board of Directors is in charge of strategic tasks, as well as the Company's organization and the maximization of its value and returns in the interest of its shareholders.

In the exercise of said functions, the Board is responsible for approving the Company's strategic plan, conducting regular follow-up of said plan, and approving the business plan and management objectives, as well as the financial and investment guidelines and policies of the Company and the entities that form part of the Corporate Group. It is worth highlighting that the Board of Directors, as well as the **bvc** CEO, submit the Management Report for the consideration and approval of the General Shareholders Meeting, as the supreme authority of the Company, at the end of each corporate period. In turn, **bvc's** Senior Management is responsible for generating results aligned with the strategy approved by the Board of Directors, achieving goals and economic results through coordination and management of resources, as well as ensuring compliance with the Board's instructions for proper operation of the Company.

In 2017, the Board of Directors has the support of four (4) permanent committees that operate as supporting bodies for **bvc's** Board, which have been assigned specific tasks according to the nature of each one.

On December 20, 2017, the Extraordinary General Shareholders Meeting approved the amendment of the Exchange's By-laws in order to separate the functions of the Audit and Risk Committee into the Audit Committee and the Risk Committee, following the best corporate governance practices.

However, the Board of Directors, as well as its committees, approve its work schedule at the first meeting of the period. Said schedule is public and distributed to all members of the Exchange's Senior Management, so that preparation of the topics is the responsibility of certain executives and they provide the relevant reports at the corresponding sessions.





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From the aforementioned statements, it is deduced that the Company's governance draws inspiration from the achievement of its corporate objectives and adequate fulfillment of its role of public interest as part of its activity, within a framework of respect toward all its shareholders and its environmental and social surroundings.



3.1.3. The Board of Directors and its Committees

GRI 102-22, 102-32, 103-3

The Exchange's Board of Directors is comprised of thirteen (13) members, seven (7) of which are independent and six (6) are non-independent. To support fulfillment of the Board's functions, the same Board has created four (4) permanent committees, which are identified as managerial bodies that have specialized functions to act on specific matters with the capacity to submit proposals to the Board of Directors and possibly exercise certain functions by delegation. The committees are the: (i) Regulation Committee, (ii) Administration and Finance Committee, (iii) Audit and Risk Committee and (iv) Corporate Governance Committee. These committees submit reports, proposals and recommendations to the Board of Directors for its later analysis and approval.



Committees:

Regulation

Corporate Governance

Administration and Finance

Audit and Risk

Function:

To present reports, proposals and recommendations to the Board of Directors for analysis and approval

Additionally, the participation of non-independent members in the Board of Directors ensures the representation of different stakeholders such as shareholders and brokerage firms that are members of **bvc**.

The committees have the following composition and functions at December 31, 2017:





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Regulation Committee

The Regulation Committee is a body that supports the efforts of the Board of Directors regarding market development, approval of the Exchange's regulations, and the procedures related to brokerage firms that are members of the Exchange.

The Regulation Committee is comprised of a maximum of six (6) and a minimum of four (4) Board members, with at least two (2) independent members. An independent member chairs the committee. Currently, the following Board members are part of this committee:



Members of the Regulation Committee

March 2017- February 2018

Juan Camilo Vallejo Arango

Independent Member
Committee Chairman
Since 2007

Rafael Aparicio Escallon

Non-independent Member
Since 2001

Diego Jiménez Posada

Non-independent Member
Since 2008

Sergio Clavijo Vergara

Independent Member
Since 2008

Carlos Eduardo Jaimes Jaimes

Independent Member
Since 2008

German Salazar Castro

Non-independent Member
Since 2005

Attend this committee as
permanent guests:

Carlos Alberto Sánchez
María José Ramírez

Administration and Finance Committee

The Administration and Finance Committee is a body that supports the organizational tasks of the Company, as well as the role of the Board of Directors regarding the administrative and financial management of the Exchange and its subsidiaries.

The committee is comprised of a maximum of six (6) and a minimum of four (4) Board members, with at least two (2) independent members. Through this committee, the Annual Management Report is studied and recommended to the Board of Directors. Currently, the following Board members are part of this committee:



Members of the Finance and Administrative Committee

Non-independent Member

Javier Jaramillo Velasquez

Independent Member
Committee Chairman
Since 2009

Roberto Belchior Da Silva

Non-independent Member
Since 2017

German Salazar Castro

Non-independent Member
Since 2006

Aura Marleny Arcila Giraldo

Non-independent Member
Since 2013

Juan Camilo Vallejo Arango

Independent Member
Since 2007





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Audit and Risk Committee

The Audit and Risk Committee is a body that supports the Board's functions regarding monitoring of the Exchange's internal controls and oversight responsibilities with respect to risk management, assessment of accounting procedures, review of risk management system audits, verification of the audit function, and relations between the Board of Directors and the Statutory Auditor.

The committee shall be comprised of three (3) Board members, who must be independent members. The Statutory Auditor shall attend the committee meetings with a voice but no vote. Currently, the following Board members are part of this committee:



Members of the Audit and Risk Committee

April 2017- February 2018

Carlos Eduardo Jaimes Jaimes

Independent Member
Committee Chairman
Since 2005

Santiago Montenegro Trujillo

Independent Member
Since 2010

Julian Dominguez Rivera

Independent Member
Since 2012

Corporate Governance Committee

The Corporate Governance Committee is a body that supports the Board's efforts regarding good governance of the Exchange; assessment of candidates for the election process; recommendation of fees for Board members; and assessment of the Board's performance and that of its members through regular review of compliance, recommendations and principles of corporate governance. It also supports the Board in performing its duties of evaluating the Company's Senior Management, and assessing the candidates for Company CEO. The committee is comprised of a maximum of five (5), and a minimum of three (3) Board members, with a majority of independent members, and the participation of the Chairman of the Board. Currently, the following Board members are part of this committee:



Likewise, it annually prepares a report on the evaluation of the management of the Board of Directors and its committees, which it submits to the General Shareholders Meeting of **bvc**.

Members of the Corporate Governance Committee

March 2017- February 2018

Javier Jaramillo Velasquez

Independent Member
Chairman of the Committee
Since 2007

Rafael Aparicio Escallon

Chairman of the Board
Non-independent Member
Since 2001

Mauricio Rosillo Rojas

Non-independent Member
Since 2016

Roberto Junguito Bonnet

Independent Member
Since 2005

Santiago Montenegro Trujillo

Independent Member
Since 2010





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In turn, every year, all the committees submit a report to the **bvc** Board of Directors related to the activities carried out and the results obtained.

The attendance of members in the April 2017 to December 2017 period can be observed in the following table. Notwithstanding the above, in compliance with the policies adopted by **bvc** regarding justified absences of the members of the Board and its committees, and given that each and every one of the members duly justified their absences to the Company's General Counsel, the attendance table is shown below with said modification.



Members	Boards of Directors	Regulation Committee	Corporate Governance Committee	Admin and Finance Committee	Audit Committee	% Attendance	% Justified Attendance
Rafael Aparicio Escallón	9/9	6/6	3/4			95%	100%
Aura Marleny Arcila Giraldo	6/9			3/3		75%	100%
Roberto Belchior Da Silva	9/9			3/3		100%	100%
Sergio Clavijo Vergara	7/9	5/6				80%	100%
Julián Domínguez Rivera	7/9				4/4	85%	100%
Carlos Eduardo Jaimes Jaimes	9/9	6/6			4/4	100%	100%
Javier Jaramillo Velásquez	7/9		3/4	2/3		75%	100%
Diego Jiménez Posada	9/9	6/6				100%	100%
Roberto Junguito Bonnet	9/9		4/4			100%	100%
Santiago Montenegro Trujillo	6/9		2/4		3/4	65%	100%
Mauricio Rosillo Rojas	9/9		4/4			100%	100%
Germán Salazar Castro	8/9	6/6		3/3		94%	100%
Juan Camilo Vallejo	8/9	5/6		3/3		89%	100%





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3.1.4. Process of Appointment and Selection of the Board of Directors

GRI 102-24

The appointment and selection process of the Board of Director members is basically ruled by the Article 47 of the **bvc** By-laws and Article 4.1.2.1 and subsequent articles of the **bvc** Good Governance Code essentially regulate the process of appointing and selecting Board members.

In accordance with the above, the Company's By-laws provide a detailed procedure for the election of members:



- All shareholders have the possibility to nominate candidates

- The Corporate Governance Committee analyzes whether the candidates have the necessary qualities, checking the suitability of candidates to be independent members as well as non-independent members.



- The Corporate Governance Committee issues an opinion on the result of the assessment, which is delivered to every candidate shareholder at the latest by the business day following its issue.



- On the day of the General Shareholders Meeting, the shareholders may register lists for election of the Board members with the Secretary of the Shareholders Meeting. The Secretary of the Shareholders Meeting will verify that the people included in the lists are eligible according to the opinion of the Corporate Governance Committee. The lists of candidates may be registered up to the start of the agenda item corresponding to election of Board members.

In turn, election of the members of the Board's committees is regulated by Article 4.1.4.2 of the Good Governance Code. Every Board member must belong to at least one (1) of the committees and his/her participation is voluntary based on the experience, knowledge and expertise of each one and the topics managed by each committee. Each Committee has adopted its rules of procedure and its annual work plan, which lists the topics to be addressed, objectives, and expected results, along with the annual schedule for ordinary meetings and the agenda of recurring subjects for each meeting.

The criteria on which the appointment of members of the bvc Board of Directors is based are specified in the By-laws, and they are divided into:

Criteria applicable to all the members

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- Members must be aged over thirty (30) years

- Have a good moral, social and business reputation

- Not have been penalized within the two (2) years immediately prior to their election.



- Furthermore, as a minimum, six (6) of the seven (7) candidates to be independent members and at least five (5) of the six (6) candidates to be non-independent members must have proven work experience and/or independent professional practice of no less than fifteen (15) years in the areas of finance or the securities market; or worked in senior management roles for at least five (5) years in companies with assets of no less than seventy billion Colombian pesos (COP 70,000,000,000); or have had governing responsibilities for at least five (5) years in public entities, or professional or academic groups, among others.



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Criteria applicable to independent members



In addition to the aforementioned requirements, the independent members of the Board of Directors must meet the criterion of independence. This criterion is that at the time of their election, they may not have relations with bvc, its subsidiaries or shareholding entities of the Exchange, within the adopted criterion of materiality (1% of the Company's capital); with partners, shareholders or contributors of capital of the shareholding entities of bvc (1% of the Company's capital); with entities or individuals who supply goods or services to the Exchange or to its subsidiaries within the adopted criterion of materiality (20% or more of its operating revenue within the same calendar year); with an employee, administrator, agent, leader, representative, advisor, consultant, contractor or

supplier of goods or services to the Exchange or its subsidiaries within the adopted criterion of materiality (20% or more of its operating revenue within the same calendar year); with entities that receive donations or contributions from the Exchange within the adopted criterion of materiality (20% or more of the total donations or contributions received by the respective institution within the same calendar year); or with public entities responsible for regulating or supervising the public securities market.

Regarding the above, it is worth mentioning that on December 20, 2017, the Extraordinary General Shareholders Meeting amended the criteria of independence for the Board members so that the brokerage firms could be independent members of said corporate body.



3.1.5. Mechanisms for the Management of Conflicts of Interest

GRI 102-25

The Exchange has different corporate regulations for the management of situations that generate conflicts of interest, which may arise at any level of the Company, that is, between **bvc** employees, Board members and Senior Management, and even between shareholders and the Company.

Therefore, Article 77 of the By-laws establishes as a governing regulation that all persons connected to the Company must act with due diligence and loyalty, and establishes the procedure that all persons must follow when faced with a potential conflict of interest.

Additionally, guidelines have been incorporated into the **bvc** Ethics and Conduct Manual to be adopted by all employees and members of Management to prevent situations of interference between areas of interest that may result in omissions of control, or negligence in procedures of customer knowledge in pursuit of a personal benefit or that of a third party.

Additionally, the mechanisms for managing conflicts of interest are provided in Articles 7.1.1.2 and 7.1.1.4 of the Code of Good Corporate Governance.

Finally, it is important to indicate that **bvc** did not enter into any contracts with directors, administrators, senior executives or legal representatives, including relatives, partners and other related individuals, except for those of a labor nature. Furthermore, commercial relationships with its related parties met the objective contracting criteria.



3.1.6. Board of Directors Self-Assessment

GRI 102-28, 103-3

The Exchange's Board of Directors is assessed annually. The assessment methodology can be based on the following models: i) self-assessment, ii) peer assessment and iii) assessment by external facilitators. This is in order to establish the levels of efficiency and effectiveness in the fulfillment of the roles and responsibilities, the achievement of the objectives of said body; its members' compliance with the principles and responsibilities indicated in this Code of Good Corporate Governance; and to identify measures for improvement.

Therefore, the **bvc** Board of Directors carried out its self-assessment between February and March 2017 with the support of an external and independent consultant. The following criteria were taken into account for said self-assessment:

- (i) interaction between the Board of Directors and Senior Management;
- (ii) structure and operations;
- (iii) fulfillment of duties;
- (iv) topics and agenda;
- (v) other corporate governance practices; and
- (vi) topics related to the corporate integration process.

In addition to the above, the self-assessment led to the conclusion that it is necessary to separate the functions of the Audit Committee and Risk Committee, and adjust the frequency of the committee meetings to the market needs.

3.1.7. Assessment of the CEO and Senior Management

GRI 102-20, 102-28, 103-3



Based on the assessment carried out by an independent consultant, the Corporate Governance Committee and the Board of Directors regularly assess the **bvc** CEO based on achievement of the targets and indicators provided in the Balanced Scorecard; and the members of Senior Management through assessment of their performance and follow-up of the 70:20:10 plan.

Specifically, the Chief Corporate Officer is responsible for monitoring the Company's economic, environmental and social issues. Therefore, this chief officer regularly submits the individual and consolidated financial statements, and the annual donation plan, which includes Fondo Inversor, to the Board of Directors.





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3.1.8. Remuneration Policies for **bvc**'s Board of Directors and Senior Management

GRI 102-35, 102-36, 102-37



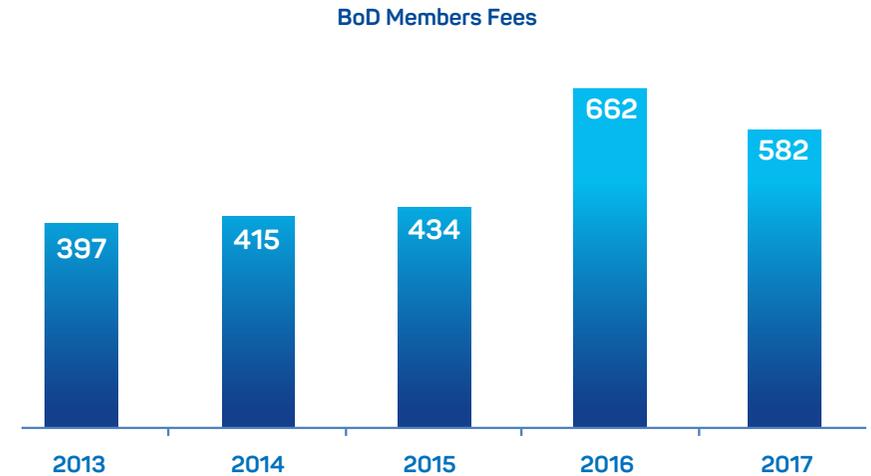
The Remuneration Policy for the Board of Directors sets out the guidelines and criteria for appropriate remuneration of Board members, responding to the premise of aligning the criteria for remuneration of the Board and its committees with the strategy and vision of the Exchange, the interests of shareholders and investors, and the desire to create sustainable and long-term value for the Exchange.

Payment of fees is only made in cash. Therefore, payment in shares or other securities issued by the Exchange is not permitted. Compensation or incentives for Board members through delivery of or options to acquire shares or other securities issued by the Exchange are also not permitted. Therefore, remuneration for Board Members does not include variable components.

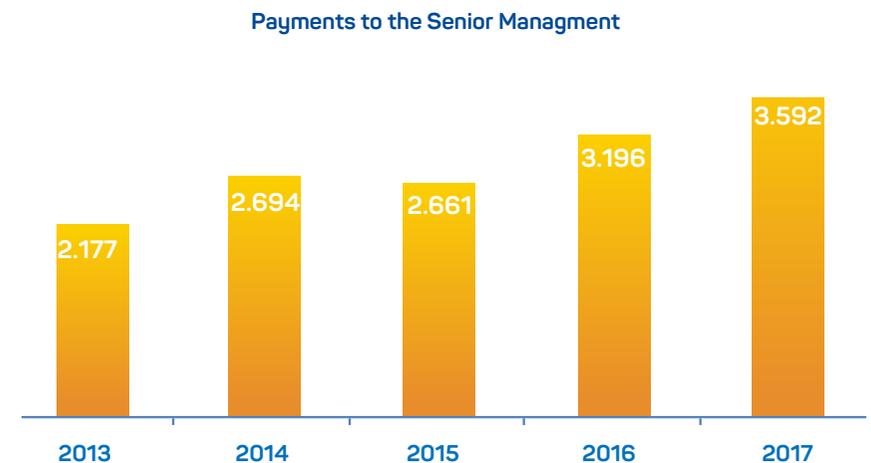


The General Shareholders Meeting regularly establishes the remuneration that the members of the Board of Directors and its committees will receive at the meeting corresponding to their election.

A table is presented below that shows the evolution of the accumulated professional fees of the Board of Directors from 2013 to November 2017.



Graph of the evolution of total payment (as a group, not individual) per year for Senior Management (2013-2017).



Figures in COP Millions





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Regarding establishing the remuneration of **bvc**'s Senior Management, a "Total Payment Guideline" has been established. This guideline is based on technical analysis, market standards and comparative information, and it is developed and approved taking into account good remuneration practices of similar entities to **bvc**.

The "Total Payment Guideline" is comprised of fixed and variable remuneration elements, and their combination must lead to the alignment of **bvc** employees with the achievement of strategic objectives and allow the Organization to compete for the best human talent available. The payment methodology considers facts such as impact, communication, innovation and knowledge when assessing the positions.



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3.2. Report on Corporate Governance Practices

GRI 102-27, 103-1, 103-2

The year 2017 was fundamental for bvc in terms of corporate governance. The corporate integration with Depósito Centralizado de Valores de Colombia – Deceval S.A. was consolidated on December 14, 2017.

Given the nature and legal systems of both companies, the transaction was made through an exchange of shares.

In accordance with the above, on May 26, 2017, each and every one of **deceval**'s shareholders signed a Transaction Framework Contract with **bvc**, through which the parties were mutually bound to make the exchange of shares, with prior fulfilment of some conditions established in said contract.

Therefore, as remuneration in **bvc** for the shares in **deceval**, the **deceval** shareholders subscribed stocks issued by **bvc** under the terms and conditions approved by the Exchange's General Shareholders Meeting held on March 28, 2017, which established the respective Regulation for Issuance and Subscription of Shares approved by the Financial Superintendence of Colombia (SFC, for the Spanish original), by means of Resolution 0785 / June 1, 2017.

The effective exchange of shares was carried out on December 14 of said year, making **bvc** the majority shareholder of **deceval**, together with four investment vehicles created to maintain the Company pursuant to the legal system of joint-stock companies.

In accordance with the above and in compliance with legal regulations on the matter, by means of a private document on January 3, 2018, at the Chamber of Commerce, **bvc** registered the configuration of the Corporate Group and situation of control over the companies:

- (i) Depósito Centralizado de Valores de Colombia – Deceval S.A.;
- (ii) Bvc PLUS S.A.S.;
- (iii) Bvc PRO S.A.S., and
- (iv) INVERBvc S.A.S.

In its commitment to maintain the highest international practices and standards of corporate governance, the integrated company maintained a Board of Directors comprised of thirteen (13) members, seven (7) of which are independent and six (6) are non-independent members.

Notwithstanding the above and with the aim to foster policies of equality for **bvc** shareholders, on December 20, 2017, the Exchange's Extraordinary General Shareholders Meeting approved the By-laws Amendment Proposal, by means of which the criteria of independence for Board members were amended so that brokerage firms can be independent members of said corporate body. This restriction was not in line with the market's reality.





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3.2.1. Main Amendments to the **bvc** Corporate Bylaws

GRI 102-27

At the ordinary meeting on March 28, 2017, the General Shareholders Meeting studied and approved the by-law amendment of:



(i) Article 7, increasing **bvc**'s authorized capital to thirty-five billion Colombian pesos (COP 35,000,000,000.00) to be able to make the primary and private issue of shares for the respective exchange with the shareholders of **deceval**; and

(ii) Article 9 with the aim to eliminate the by-law restriction that indicates that increases in capital in **bvc** may only be in cash.

By means of the extraordinary meeting on December 20, 2017, some criteria of independence for **bvc** Board members were amended so that representatives of the brokerage firms that meet the other criteria of independence can be independent members of said corporate body.

Similarly, a specification was introduced to the By-laws indicating that the former Audit and Risk Committee is essentially for auditing and, therefore, the Exchange's Board of Directors is authorized to create the Risk Committee, under the essential premise that it is the Parent Company of the economic group.

3.2.2. Main Amendments to the Good Governance Code

GRI 102-27



Articles 2.11.2., 3.2.3.1. and 4.1.4.2. of the **bvc** Good Governance Code were amended through Minutes no. 238 of the meeting held on May 24, 2017.

The draft amendment of Articles 4.1.1.2., 4.1.4.1., 4.1.4.2. and 6.1.1.2. of the **bvc** Good Governance Code was published for comments in 2017.

The aim of the proposal is to create two new Board Committees for **bvc**, the IT Committee and the New Products and Rates Committee, with the purpose of supporting the Board of Directors in the study of specialized subjects and in the separation of the Risk Committee from the current Audit and Risk Committee.



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3.2.3. General Shareholders Meeting

GRI 102-27

The Exchange's General Shareholders Meeting was held two (2) times in 2017.

At its ordinary meeting on March 28, 2017, the General Shareholders Meeting considered and approved the topics indicated below:

bvc's Shareholder Meetings 2017			
Ordinary	March 28, 2017	quorum	13,816,13,816,684,057 which comprised 73.990% of the subscribed outstanding shares.

Topics Subject to the Consideration of the bvc General Shareholders Meeting 2017

Management Report of the bvc Board of Directors and CEO
Statutory Auditor's Report on 2016 Management
2016 Financial Statements (Consolidated and Individual)
Draft Distribution of Profits for the Year Ended December 31, 2016
Election of Independent Members of the Board of Directors for the 2017-2019 Period
Election of Non-independent Members of the Board of Directors for the 2017-2019 Period
Approval of the Succession and Remuneration Policy for the Board of Directors
Definition of Fees for the Board of Directors
Election of the Statutory Auditor for the Statutory Term and Approval of Budget Appropriation for its Administration
Review and analysis of the integration of bvc and shareholders of deceval.
- By-law Amendment (amendment of Article 7, increase in authorized capital; and Article 9, amendment of the share subscription rules)
- Valuation of the contribution in kind.
- Rules on stock issuance without being subject to the right of preference.
Proposal for gratuitous transfer.

On December 20, 2017, the Extraordinary General Shareholders Meeting considered and approved the topics indicated below:

bvc's Extraordinary Shareholder Meetings 2017			
Extraordinary	December 20, 2017	quorum	23,146,624,636 which comprised 82.0428% of the subscribed outstanding shares.

Topics Subject to the Consideration of the bvc Extraordinary Shareholders Meeting 2017

By-law Amendment - Article 47, paragraphs three, five and seven
By-law Amendment - Article 50, sections 6, 21, 22 and 32.
By-law Amendment - Article 52, sub-sections e) and f).





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3.3. Audit Committee's Annual Report to the Board of Directors

GRI 102-29, 102-30, 102-31, 103-2, 205-1

Bogotá D.C., February 19, 2018

To

BOARD OF DIRECTORS

Bolsa de Valores de Colombia S.A.

Bogotá

Subject: Audit and Risk Committee's Annual Report to the Board of Directors

Dear Directors,

As the Chairman of the Board's Audit and Risk Committee, I would like to submit the report on the activities carried out and results obtained by the committee during the period from April 2017 to February 2018. The above is based on Sections 2.3.10. and 2.2.32 of Chapter IX of the Fundamental Accounting and Financial Bulletin, and Section 6.1.2.1, Chapter IV, Title I, Part I, of the Fundamental Legal Bulletin, issued by the Financial Superintendence of Colombia; as well as the provisions of Section 7 of Article 4.1.4.18 of the Exchange's Good Governance Code:

I. Composition of the Audit and Risk Committee

Pursuant to Section 6 of Article 50 of the **bvc** By-laws, the Audit and Risk Committee

is comprised of three (3) Board members, who are independent members. For the period from April 2017 to March 2018, **Julián Domínguez Rivera** and **Santiago Montenegro Trujillo** were elected and the undersigned **Carlos Eduardo Jaimes Jaimes** was appointed as Chairman of the committee.

II. Functions and Powers

In accordance with Article 1 of the Rules of Procedure for **bvc**'s Audit and Risk Committee, approved by the Board of Directors on January 27, 2016, said committee is a body that supports the Board of Directors in monitoring the operation and effectiveness of the Company's Internal Control System, including risk management and verification of the controlling bodies.

Its functions are described in Article 3 of the Rules of Procedure for the Exchange's Audit and Risk Committee in strict accordance with the requisites established in Section 6.1.2, Part I, Title I, Chapter IV, of External Bulletin 029/2014.

III. Assessment of the Committee's Operation

The following criteria were taken into account in accordance with the Exchange's corporate governance policies to assess the activities of the Board's Audit and Risk Committee: i) compliance with the meeting schedule; ii) number of meetings that had the required quorum; iii) attendance of each member at the meetings; iv) fulfillment of the scheduled agenda; and v) approval of the corresponding minutes.

Therefore, during the period of analysis, the Board's Audit and Risk Committee held five (5) in-person ordinary meetings, including the meeting at which this report was submitted for consideration. All the meetings had the required quorum to hold discussions and make decisions. The agenda for each meeting, along with the presentations used during the meetings, was posted for all committee members on the **bvc** website. All of the 32 topics scheduled for discussion in previous meetings





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were addressed, so all of the initially proposed topics were analyzed.

Furthermore, the committee approved 100% of the minutes, and on average, it had a 91% attendance record of the members at the meetings.

IV. Institutional Internal Control System

4.1. Internal Control Policy

At the meeting on December 7, 2016, the Board of Directors approved the "Corporate Governance Model Proposal" for the Exchange, based on the proposal by Management. This document includes the Group's internal control architecture in the model's dimensions.

As part of said document, the Exchange's Management proceeded to adjust and submit the "Internal Control Policies" and "Internal Control Manual" documents for the consideration of the Audit and Risk Committee, which were approved by the Board of Directors at its meeting on December 13, 2017.

4.2. Assessment of the Effectiveness of the Internal Control System

For the purposes of obtaining a full panorama of the most relevant components of the Institutional Internal Control System, the committee held its meetings, alternating topics of risks and those of the controlling bodies, addressing different issues.

A summary of said topics is presented below, classified within each component of the Internal Control System.

4.2.1. Control Environment

The following main activities were carried out on this subject:

Meeting	Subject	Description	Result
Ordinary meeting on July 19, 2017 (Minutes 054, Section IV)i	Update of the Rules of Procedure for the Audit and Risk Committee (Código País)	Amendment that responds to Recommendation 18.25 of Código País	Submission to the Board authorized
Ordinary meeting on July 19, 2017 (Minutes 054, Section V)	Awareness Plan	Plan of activities to carry out to reinforce concepts related to institutional risk management among employees	Reported
Ordinary meeting on December 11, 2017	Risk Management Report	Amendment of the Internal Control Manual	Submission to the Board authorized

4.2.2. Risk Management

The committee reviewed the following in terms of financial risk management:

Financial Risks			
Meeting	Subject	Description	Result
Ordinary meetings on a) 5/22/2017 (Minutes 053, Section VIII)	Market Risk Report	Summary of the repo transactions on stocks and simultaneous fixed income trades	Reported
		Report on monitoring of brokerage firms	Reported
		Report on monitoring of issuers	Reported
Meeting on 2/19/2018	Market Risk Report	Summary of the repo transactions on stocks and simultaneous fixed-income trades	N/A
		Report on monitoring of brokerage firms	N/A





The following topics on non-financial risks were submitted for the committee's consideration for the purposes of information:

Non-financial Risks			
Meeting	Subject	Description	Result
Ordinary Meeting on 7/19/2017 (Minutes 054, Section V)	Operative Risk Management System	a) Application of the Risk Policy in bvc b) ORI - evolution of operational risk at 6/30/2017 c) Monitoring of operational risk map (profile) - Risks of fraud are included c) Monitoring of risks in subsidiaries d) Amendments to ORMS Manual	Submission to the Board reported and authorized
	Anti-Money Laundering and Counter Terrorist Financing (AML/CFT) System	a) Monitoring of ML/TF risk profile b) Compliance with sending reports to the Financial Analysis and Information Unit (UIAF, for the Spanish original) c) Declaration of the control entities d) Regular update of the sanctions lists e) Registration of an employee responsible for ML/TF risk and alternate with the Financial Superintendence of Colombia f) Work plan in subsidiaries g) Review of changes to the AML/CFT System	Submission to the Board reported and authorized
	Information Security Management System (ISMS)	a) Cybersecurity incidents b) General information security policy c) Monitoring of ISMS implementation schedule	Submission to the Board reported and authorized
	Business Continuity Management System (BCMS)	a) Amendment of test schedule b) Amendments of the Business Continuity Management System Manual	Submission to the Board reported and authorized
	Strategic risk map	Monitoring of strategic risk profile	Reported
Ordinary meeting on 10/23/2017 (Minutes 055, Section IV)	SFC Requirements	Report on SFC requirements regarding cybersecurity	Reported
Ordinary meeting on 12/11/2017	Risk Management Report	a) Adjustment of the business continuity test schedule b) Amendments of the Internal Control Manual and Policies	Submission to the Board reported and authorized

4.2.3. Control Activities

As part of this component, the committee reviewed and analyzed the internal audit reports, essentially aimed at assessing the effectiveness of the most relevant risk controls and the results of the control assessments in the entity and the technology assessments carried out by the Statutory Auditor. Additionally, it analyzed the following:

Meeting	Subject	Description	Result
Ordinary meeting on 12/11/2017	Continuous improvement report.	a) Basic concepts b) Volume of findings c) Closure of findings	Reported

4.2.4. Information and Communication

For the period covered by this report, the committee managed the following financial information matters:

Meeting	Subject	Description	Result
Ordinary meeting on 5/22/2017 (Minutes 053, Section VII)	Financial Statements	Individual and consolidated financial statements of the Company at March 2017	Reported
Ordinary meeting on 10/23/2017 (Minutes 055, Section VII)		Individual and consolidated financial statements of the Company at September 2017	Reported
Meeting on 2/19/2018		Individual and consolidated financial statements of the Company at the end of the year with their respective notes	N/A

The following was managed in non-financial information:

Meeting	Subject	Description	Result
Ordinary meeting on 7/19/2017 (Minutes 054, Section V)	Information security	Update of the Personal Data Processing Policy	Submission to the Board reported and authorized

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4.2.5. Monitoring and Independent Assessment

The following was presented in the monitoring of the Internal Control System:

Meeting	Subject	Description	Result
Ordinary Meeting on 7/19/2017 (Minutes 054, Section V)	Internal Control System	Results of the survey to assess the status of the Internal Control System	Reported

Likewise, as an essential element of monitoring, the presentation of the “Management Report” at all meetings to report significant events of the Internal Control System during the specific period is highlighted. The report indicates the ongoing supervision of plans, programs and projects undertaken by Management at all levels.

In compliance with the requirements of the independent assessment, the reports of the controlling bodies, which are essential for monitoring the system, were submitted for the consideration of the committee (see Sections V and VI of this report).

4.3. Observations of the Regulatory Bodies

The committee was informed at its extraordinary meeting on 10/18/2016 (Minutes 049), that the Financial Superintendence of Colombia (SFC, for the Spanish original) set up a new on-site inspection visit on the first week of the same month. The purpose of this visit was to assess the operating management carried out by **bvc** in trading on the markets that it manages, as well as aspects related to cybersecurity, implementation of the new Código País Survey and verification of the tasks carried out by the Risk and Auditing Departments on the previous visit.

The work plan developed by Management was completed in 2017, and in a communication sent by the SFC on January 3, 2018, this entity deemed said administrative action as completed.

4.4. Conclusions on Effectiveness

Based on the reviews conducted, on the information presented by Management and the controlling bodies, and on the observations by the regulatory authorities, the committee considers that the Company’s Internal Control System has been adequate over the past year, as it permits reasonable achievement of the following objectives:

- a) Improve operational efficiency and effectiveness
- b) Prevent and mitigate the occurrence of fraud.
- c) Adequately manage risks.
- d) Increase reliability and timeliness of the information produced.
- e) Fully comply with applicable rules and regulations.

To improve the system’s efficacy, in the year of transition that has started, the committee considers it essential to emphasize the importance of maintaining the effort to monitor and assess the most relevant operational risks, striving to prevent their occurrence and ensuring that the materializations (risk events), if they arise, are always recorded, and in the applicable cases, the required corrective measures are taken, especially in cases that affect availability of services for clients.

It also understands the importance of paying special attention to risks related to fraud and misconduct, which may be more likely to occur during implementation of the changes to the processes. Finally, it encourages Management to carefully integrate risk management methodologies and processes, consequently adjusting the maps and controls.



4.5. Main Measures Adopted

No material deficiencies were detected. Nevertheless, as a result of analyzing the aforementioned information, the observations made by the controlling bodies and the recommendations of the regulatory entities, it was possible to take measures on the following issues:

a) Optimize operational, accounting and tax controls.

b) Improve the corporate risk management process:

- Amend the Internal Control Manual and Policies
- Adjust the operative risk management methodology - ORMS
- Adjust the AntiMoney Laundering and Counter Terrorist Financing (AML/MF) Manual
- Adjust the Business Continuity Management System Manual
- Update the Personal Data Processing Policy and Procedures

c) Improve the IT management processes, especially with respect to security.



V. Internal Audit Management

5.1. Activities Implemented

The committee addressed the following issues regarding internal auditing:

Meeting	Subject	Description	Result
Ordinary meeting on 5/22/2017 (Minutes 054, Section IV)	Regular Internal Audit Report	a) Main findings and action plans of the period: - IT Audits 2016 b) Monitoring of the execution of the 2017 Audit Plan c) Audit process indicators d) Scope of IT audit plan e) Progress of action plans for closure of findings	Reported
Ordinary meeting on 10/23/2017 (Minutes 055, Section V)	Regular Internal Audit Report	a) Main findings and action plans of the period: - Tax management - Operations management - Security – Intrusion test b) Monitoring of the execution of the 2017 Audit Plan c) Audit process indicators – 2017	Reported
Ordinary meeting on 12/11/2017	2018 Plan	a) 2018 Internal Audit Plan b) 2017 Budget execution c) 2018 Internal Audit Budget	Approved
Meeting	Subject	Description	Result
Meeting on 2/19/2018	Internal Control System	Annual Management Report and status of the Internal Control System	N/A





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5.2. Performance

Based on the review of the above issues, the committee concluded that the audit plan covered the relevant business risks, that its auditing tasks met the requirements and that the results satisfy the Company's control needs. Furthermore, the committee has confirmed that the Internal Auditor performed its tasks independently and impartially with resources and information, and with no limitations that might hinder the integrity of the audit.

The committee highlights the ongoing work to improve the internal audit methodology and processes. The following actions for 2017 stand out:

- a) The risk and control survey work started in 2016 with the critical processes was completed.

As a result of the above, all the planned audits of processes in the 2017 Plan were implemented with a risk approach.

- b) The risk-based IT audits were complemented with exercises by specialists in very important topics for the Exchange, such as information security and business continuity.
- c) Regular control assessments were incorporated into the plan for risks specifically related to fraud, which will be continued in 2018.
- d) We developed the audit planning tasks required for preparation for the integration process with **deceval**. These tasks must be specified in 2018.

VI. Statutory Audit Management

6.1. Activities Implemented

The following activities were carried out regarding this controlling body:

Meeting	Subject	Description	Result
Ordinary meeting on 5/22/2017 (Minutes 053, Section V)	Statutory Auditor's Report	a) Results of the Audit b) 2017 Work Plan c) New challenges	Reported
Ordinary meeting on 10/23/2017 (Minutes 055, Section IV)	Statutory Auditor's Report	a) Work carried out by the Statutory Auditor b) Results of the Audit	Reported
Ordinary meeting on December 11, 2017		a) Work carried out by the Statutory Auditor b) Results of the Audit c) Challenges of new IFRS	Reported
c) Meeting on 2/19/2018		Opinion on the consolidated and separate financial statements	N/A

6.2. Performance

With regard to the Statutory Auditor re-elected by the General Shareholders Meeting in March 2017 for a period of two (2) years, the committee concluded that it has performed its duties in accordance with the provisions set out in the regulations and By-laws.





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VII. Committee's Relations Framework

Once the Audit and Risk Committee has approved this report, it shall be subject to the consideration of the Board of Directors in accordance with Section 7 of Article 4.1.4.2 of the Corporate Governance Code in order to report its content and conclusions, and obtain relevant feedback from said body.

Similarly, when approved, the report shall be made available to shareholders for their inspection in accordance with the provisions of Article 447 of the Code of Commerce and Article 43 of the **bvc** By-laws, as well as being submitted for the consideration of the General Shareholders Meeting.

The **bvc** CEO, General Counsel and Internal Auditor attended all of the committee's ordinary meetings, which facilitated the communication of the issues, quick responses to questions raised, and for the committee to immediately assign responsibilities to Management. The Statutory Auditor attended all the committee meetings to which it was convened.

Yours faithfully,

CARLOS EDUARDO JAIMES JAIMES
Chairman of the Audit and Risk Committee



3.4. Shareholder Rights

GRI 102-21, 102-33, 102-34

bvc maintains equal and equitable treatment of all shareholders by the Company's employees as one of the main governing principles

In the exercise of their rights, shareholders may submit their claims, requests and proposals to the Exchange, and receive respectful and prompt answers.

Shareholder rights are mainly related to:



- Topics to be discussed on the agenda of the General Shareholders Meetings.
- Full, clear and prompt access to information for making informed decisions.
- The possibility of requesting specialized audits and making recommendations to the Corporate Governance Committee.
- Resolution of conflicts and channeling of requests, claims or proposals to bvc.





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Therefore, **bvc** constantly updates its website, as this is one of the most representative means of communication with shareholders. Additionally, the shareholders' requests that are reasoned and made in writing shall be answered by the Chief Legal Officer, or the applicable person, within fifteen (15) business days following their submission.

Abiding by the principle of equality and equity of the shareholders in the Company, if the response to the request, claim or proposal may represent an advantage against the other shareholders, the same information shall immediately be made known to the other shareholders in accordance with the mechanisms established for that purpose and in the same economic conditions. Finally, it is clarified that claims or proposals were not submitted by the shareholders in 2017.

3.5. Good Governance Code Reports

GRI 102-21, 102-33, 102-34

3.5.1. Requests, Claims, or Proposals by Shareholders and Other Stakeholders

Pursuant to Articles 8.11.1 and 8.11.2 of the Good Governance Code, requests, claims or proposals submitted by the shareholders and other stakeholders must be provided with a reasoned written response within fifteen (15) business days following the filing of the request, claim or proposal.

3.5.2. Claims regarding Observance of the Good Governance Code

No claims regarding observance of the **bvc** Good Governance Code were filed in 2017.

3.5.3. Unlawful or Unethical Actions

Bolsa de Valores de Colombia reinforced the use of the Ethics Hotline and the means through which **bvc**'s employees can expose said conducts with justification that, in their opinion, may constitute a violation of the ethical principles and rules of conduct established in the Company's Ethics and Conduct Manual, following the respective procedure in Article 2.2 of said manual.

3.6. Compliance with Authorities

GRI 102-33, 102-34, 103-1

The Exchange is an entity subject to the inspection, control and supervision of the SFC and, therefore, it must observe and follow the regulations that regulate it. Likewise, **bvc** must meet the requirements of said authority in exercise of its legal functions.

Therefore, it should be noted that **bvc** has fully met the terms established by the SFC for implementation of all the rules and provisions in the requirements of said entity.





3.6.1. Legal Proceedings against bvc at December 31, 2017

GRI 419-1, 103-2

The following legal proceedings against bvc were underway as of December 31, 2017:

Type of proceeding	Plaintiff	Date of notification	Status	Subject	Lawyer Responsible	Amount	Accounting value	Provision % provisioned	Probability Loss
Action of Direct Reparation	Carlos Juri Feghali	3/14/2016	The initial hearing for the proceedings was set for August 16, 2018.	The plaintiff requests for the Financial Superintendence of Colombia, the Colombian Securities Market Self-Regulatory Authority and the Colombian Securities Exchange to be declared jointly and administratively liable on occasion of the alleged failure and omission of the service of inspection, oversight and control of the legal and constitutional precepts and rules within the exercise of their functions and other unlawful events that led to the economic detriment of the plaintiff regarding the investment in INTER-BOLSA S.A. on October 18, 2012.	Juan Pablo Cárdenas	\$232.000.000	\$232.000.000.	N/A	Remote
Public Interest Claim (Isagen)	Jorge Enrique Robledo and others	2/17/2016	The Court rejected the impleader. Through its attorney, bvc filed an appeal for reconsideration of the Court's decision. The Court resolved the appeal, not changing the decision.	This public interest claim is for the process of selling shares in the company ISAGEN; the auction and certain stages of which were carried out through the Exchange.	Néstor Humberto Martínez and Julián Solorza Martínez - DLA Piper Martínez Neira	N/A	N/A	N/A	Remote
Administrative Investigation - List of Charges	Financial Superintendence of Colombia	8/5/2015	The Colombian Securities Exchange filed an appeal against Resolution 0050 / January 11, 2017, through which the Exchange was penalized with a fine for eight events that amounted to COP 500,000,000. Resolution 0088 was notified to bvc on January 22, 2018, by means of which the Financial Superintendence of Colombia resolves the appeal filed by bvc against Resolution 0050 / January 11, 2017, amending the value of the penalty and reducing it to COP 140,000,000, revoking five of the eight initially penalized events.	The Financial Superintendence of Colombia made a List of Institutional Changes, identifying a possible breach of the Fundamental Legal Bulletin related to the Operative Risk Management System (ORMS).	Alberto Velandia Rodríguez	140000000	140000000	140000000	Completed

NOTE: This report contains the legal proceedings against bvc in effect at the end of 2017. However, it must be noted that the resolution that resolves the appeal against the List of Charges made by the Financial Superintendence of Colombia was notified on January 22, 2018.



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3.7. Company Compliance with Regulations on Intellectual Property and Copyright

GRI 103-2

3.7.1. Compliance with Regulations on Intellectual Property and Copyright

The Exchange has the “General and Specific Policies of the Information Security Management System” document, which establishes the guidelines and requirements for the management and use of **bvc**'s information assets, in order to ensure the integrity, confidentiality and availability of the information in accordance with the Company's strategies and regulatory requirements.

These policies establish that the information security management process complies with the applicable legal and regulatory requirements, including Law 1266/2008 Habeas Data; External Bulletin 048/2006, External Bulletin 052/2007 and External Bulletin 038/2009 issued by the SFC; and Statutory Law 1581/2012 Personal Data Protection.

This document also contains policies for the management of software, intellectual property and copyright within **bvc**, all in accordance with current legislation.

In compliance with its internal policies, **bvc** conducts a regular review of the licensing of all the programs used by the Company. In turn, the Exchange requires its contractors to ensure that any software that they may use to provide a service is owned by them or has been licensed by the software owners in their name. This is done in order to prevent unauthorized use or damages to third parties.

The Exchange also has a procedure for software and media management, with the purpose of establishing the different steps required to manage the inventory of software, media and version licenses of the applications developed and/or acquired by **bvc**.

Regarding intellectual capital, in addition to the ongoing use of its registered trademarks, **bvc** constantly verifies the validity of all the trademarks granted (at the end of the year, the Company had 61 registered trademarks) and it applies for the renewal of the trademarks required within the legal term.

During 2017, it continued the ongoing monitoring of the procedures carried out with the SFC.





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3.7.2. Compliance with the Provisions of the Foreign Account Tax Compliance Act (FATCA)

FATCA is a law issued in the United States that aims to prevent tax evasion by individuals who for tax purposes are considered U.S. citizens. For this purpose, it imposes obligations on U.S. taxpayers and financial institutions, as well as on foreign financial Institutions (FFIs). In compliance with said law, the Exchange is registered with the Internal Revenue Service (IRS) as a participating FFI with a Model 1 IGA.

3.7.3. Compliance with Regulations Regarding Processing of Personal Databases

GRI 418-1

In compliance with Regulatory Decree 1377/2013 of Law 1581/2012, by which the General Personal Data Protection System was issued, **bvc** has a Personal Data Processing Policy, which is part of the General and Specific Policies of the Information Security Management System. Additionally, it implemented a procedure to manage the use of its clients' personal information, and only sends content and uses the information of clients who have expressly authorized their use.

At its meeting on July 26, 2017, the Exchange's Board of Directors approved the comprehensive update and amendment of the Exchange's policies on the processing of personal information.

In compliance with regulations on the subject, as an administrator of databases of personal information, the Company is currently registering its databases.

3.8. Ethics and Integrity

GRI 102-16, 102-17, 103-2, 205-2

3.8.1. **bvc** Values, Principles, Standards and Regulations

GRI 102-16

One of **bvc's** aims is to set an example in good corporate governance practices. Accordingly, since 2005, it has a Code of Good Corporate Governance (hereinafter, "CBGC") applicable to the Company's shareholders, administrators, and employees, and approved by the **bvc** Board of Directors. The code contains principles and regulations designed to ensure exercise of shareholder rights; correct management of the Company; appropriate management of stakeholder relations; detection, prevention and control of conflicts of interest; and the existence of a safe and transparent market, with proper pricing formation in the systems that are managed by the Company or its subsidiaries. Additionally, at its session on March 26, 2015, the General Shareholders Meeting approved the incorporation of a structural reform to the By-laws. Whereby, it added the mandatory compliance of **bvc's** administrators and employees with all the provisions in the Best Corporate Practices contained in the different corporate documents.

Furthermore, in light of the challenges set forth in the definition of the MEGA 2025 strategy, the Exchange identified a series of elements that allow it to focus its efforts on achieving the long-term targets. During this period, **bvc** employees helped to identify skills and renew the entity's organizational values. Therefore, through strategic cohesion, innovation and connection with clients as organizational skills; passion, collaboration, reliability, proactivity and commitment were strengthened as **bvc** values. Supported by these values, as administrators of different markets, the Exchange and its subsidiaries work for the markets to operate in an organized, transparent and secure way and for adequate price setting, within the scope of their functions.





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Therefore, the complementary nature between the CBGC and the legal and statutory regulations applicable to this entity guide the Exchange's Management regarding its action as a commercial company that exercises an activity of public interest and that drives the Colombian securities market. In the same way, the Exchange's Ethics and Conduct Manual, annex of the CBGC, establishes that all administrators and employees of the Exchange must receive a hard or electronic copy of said manual, and that they shall be responsible for understanding its content, as well as for complying with the principles and rules of conduct established therein.

The General Counsel shall ensure that a copy of the Ethics and Conduct Manual is delivered to its recipients, and shall address any concerns raised by the aforementioned with regard to the application thereof.

Additionally, the Exchange discloses the full and up-to-date text of the corporate documents and makes it available to all its stakeholders on its website in both English and Spanish.

3.8.2. Ethics Hotline and Anti-Corruption Principle

GRI 102-17

Regarding the Anti-Fraud Program and in accordance with the ten principles promoted by the UN Global Compact, **bvc** promotes the development of procedures and controls to promptly prevent, detect and manage any incident of fraud, to encourage the employees' commitment and to drive transparency in its Management. Additionally, it forbids any violation of the laws and regulations, as well as any illegal, unethical or dishonest conduct by its Board members, administrators and employees.

To achieve this, **bvc** has a Good Governance Code, an Ethics and Conduct Manual, an Anti-Money Laundering and Counter Terrorist Financing System, an Anti-Fraud Manual and an Internal Control System as tools to minimize and control any risk of fraud and corruption, which are included in **bvc**'s corporate risk management.



- Good Governance Code
- Ethics and Conduct Manual
- Anti-Money Laundering and Counter Terrorist Financing System
- Anti-Fraud Manual
- Internal Control System

The Exchange has an Ethics Hotline available to all its employees, suppliers, and clients, managed by Corporate Risk and Quality Management as a mechanism for anonymous reporting of unethical conduct and fraud. The information that is received through the Ethics Hotline (via telephone or email) is confidential. This is supported by an Anti-Retaliation Policy for the complainants and it is managed through the Exchange's Anti-Fraud Committee, of which the Organization's executives are members. No complaints related to the aforementioned behaviors were received in 2017.

As part of the Risk Awareness Plan, employees were trained on the Anti-Fraud Program and they were reminded of the anonymous mechanisms for reporting unethical behavior. We reinforce the invitation to employees to use the Ethics Hotline to report events that they consider could constitute an incident of fraud or corruption, unethical behavior or workplace harassment. Information on the Ethics Hotline is available on the Exchange's website for all its stakeholders.

3.9. Country code survey results 2017

GRI 102-27, 103-3





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4.1 Sustainability Approach and Vision

GRI 205-2, 201-1, 103-2

Exchanges promote countries' growth and economic development facilitating the capital movement through the markets' good operation

Securities exchanges promote countries' growth and economic development, facilitating the movement of capital through the markets' good operation. They have helped to promote best corporate governance practices, and in light of the growing concerns about global climate change, they are called on to have a leading role in strengthening sustainable and inclusive economic development. They are promoting the adoption of reporting standards in sustainability with environmental, social and corporate governance (ESG) criteria, as well as in the development of new green financial products that facilitate the transfer of local or foreign resources to sustainability or mitigation projects.

Particularly, the **bvc** has made the following progress in sustainability:



- **Green bonds:** The Exchange started issuing green bonds in 2017. Bancoldex (tickers: BVBCX117SC and BVBCX117SC60) made the first issuance in Colombia with green bonds in the primary market amounting to COP 200 billion, which were granted to more than 180 investors. In turn, Davivienda (ticker: SVDVI1178B10) listed its green bonds (COP 350,000 million) aimed at the secondary market.



- **Sustainability indices:** The Colombian securities market has two indices. The first is the IR Recognition index (ticker: COLIR) launched in 2013, and comprised of shares in companies with IR Recognition for their high standards of information disclosure. In 2017, COLIR was the index with the greatest return, which was 14.13%. The second index is the Dow Jones Sustainability MILA Pacific Alliance Index (ticker: DJSMPAOP), which S&P started to calculate from October 2017. This index has 40 companies of the MILA, 11 of which are Colombian, and ended 2017 with a return of 3.78%. %.



- **Sustainability training:**

February: together with the Mexican Stock Exchange and its MEXICO2 platform, we gave a talk for issuers about the Mexican market's experience in green bonds.

March: the company joined the global UN Gender Equality Initiative, promoting the commitment with more women accessing executive positions. The local business sector and Colombian Government were invited to join the effort with the support of UN Women, the IFC, the Global Compact and the Governments of Switzerland and the Netherlands, among others.

August: together with the PRI, LatinSIF and Deloitte, we developed the workshop on sustainability management and communication of this to investors.

October: together with the CESA Business School, we held the event on best corporate governance and information disclosure practices. Additionally, at the end of the same month, with the Centro RS (Corporate Responsibility Center), we participated in the fourth Sustainable and Responsible Investing Event with a Latin American Approach, aiming to achieve an economic, social and environmental balance in the region.

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- **ESG disclosure:** As part of its commitment to the best information disclosure, investor relations and sustainability standards, the **bvc** maintained its IR Recognition program with 31 companies listed. Out of which, 26 (with the **bvc** as an issuer) report using the Global Reporting Initiative. Additionally, and as an example of its commitment, the Company reports its sustainability report in compliance with the new GRI Standard since 2017.

Furthermore, we have voluntarily participated in the UN Global Compact initiative since 2012 and as a signatory, we reaffirm our commitment and sent the fourth annual progress report as part of the sustainability report (new GRI Standard) becoming the first stock exchange in the world using the new standard. We are also part of the Sustainable Stock Exchanges Initiative (SSE) since 2014, and of the Sustainability Working Group of the World Federation of Exchanges (WFE) since 2015.

Finally, through Fondo Inversor, we have been making investments since 2011 that help to resolve social and environmental challenges with profitable and sustainable business models. Regarding its commitment to labor rights, the Exchange has focused on the professional development of its employees as strategic capital for the industry. Finally, in the anti-corruption principle, we have a Good Governance Code, an Ethics and Conduct Manual, and a strong Internal Control System to minimize and control any risk of fraud or corruption.

Generated and Distributed Economic Value Added (COP Millions)

GRI 201-1

	2017	2016
Generated Value Added		
Operating Revenues	158.270	157.822
Other Revenues**	85.745	2.513
Dividends from Shareholdings	16.424	11.082
Generated Value Added	260.439	171.417
Distributed Value Added		
Employee wages and benefits		
Payroll	71.089	64.292
Training	411	349
Welfare	571	176
Other Employee	9.113	7.469
Total Employees Remuneration	81.184	72.285
Total Payments to the Government		
	15.671	21.110
Operating Costs		
Operating Costs	30.213	29.607
Payments to providers of capital	35.872	27.887
Community and Environment Investments	203	202
Distributed Value Added	97.059	93.597
Retained Added Value		
Difference between Generated and Distributed Economic Value	163.380	77.821

Figures in COP Millions

*2016 re-expressed

**Revenues from financial investments and sale of assets





Chapter 4

4.2 Corporate Social Responsibility

GRI 103-2, 103-3, 203-1, 203-2, 413-1

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bvc is a founding partner since 2009 of the Investor Private Equity Fund, the which channels resources from 13 partners in growth plans, expansion or consolidation of SMEs with a profitable business model and with the potential to growth with a high social and environmental impact.

4.2.1 Inversor Private Equity Fund

Since 2009, the bvc is the foundation partner of the Inversor private equity fund, which channels resources from 13 partners to growth, expansion or consolidation plans of SMEs that have a profitable business model with growth potential and a high social and environmental impact.

13 partner and foundation entities



Inversor is aligned with the GIIRS, which evaluates social and environmental impact in order to make an assessment of the impact of the professional manager's investments, policies and good practices. In the 2016 assessment conducted in 2017, Inversor maintained its good performance, being one of the top five Best for the World Funds of emerging markets for the second year in a row.





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GIIRS Ratings (Inversor Private Equity Fund)



Rating	2013	2014	2015	2016	2017
Waya	-	153,7	143,0	143,1	
Gaia	-	134,4	144,0	176,1	
Groncol	-	111,2	156,0	142,4	
Fruandes	-	-	89,0	140,2	
Mejor en Bici	-	-	-	154,1	
Total Portfolio	-	141,0	135,8	149,5	
Total Management	137,5	130,0	160,5	172,0	
Total Fund	137,5	139,9	138,3	151,8	

Starts in January 2018, for a duration of two months and with the result in June

Inversor is included in the top five Best for the World Funds of emerging markets for the second year in a row.



Emerging Market Funds	IBM Rating	Operations Rating
India Financial Inclusion Fund	Platinum	5 Star
MicroVest*	Gold	5 Star
FCP Inversor	Gold	5 Star
MicroVest*	Gold	5 Star
Catalyst Microfinance Investors	Platinum	5 Star

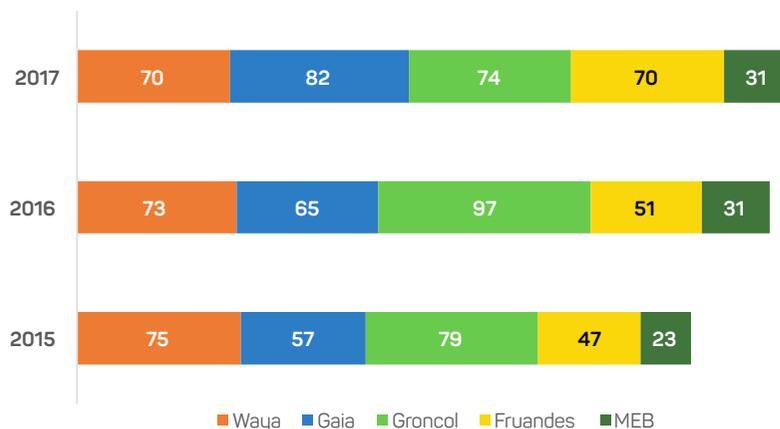
Emerging Market	
Fund	Operation Rating
FCP Inversor	★ ★ ★ ★ ★
India Financial Inclusion Fund	★ ★ ★ ★ ★
Annona Sust. Investments I	★ ★ ★ ★ ★



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Consolidated Social Impact of Inversor - 2017

• Vulnerable Population : 75%

Social Impact Generated by Companies in the Portfolio

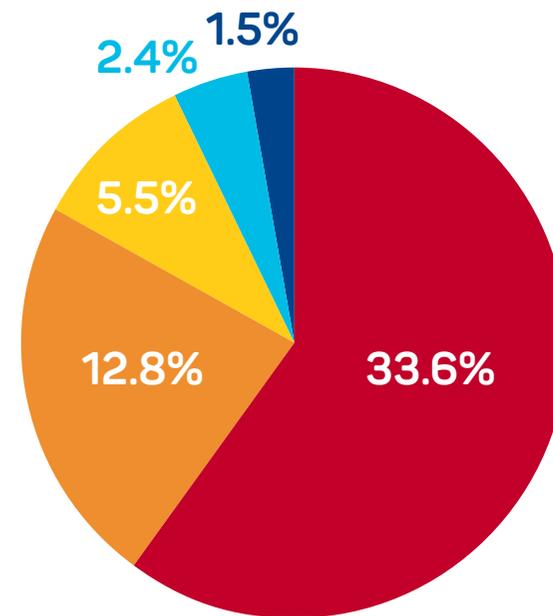


- Employees: 327
- Jobs generated in 2017: 10

• Employment Characteristics:

26.3% of workers are formally employed
 Improvement of work conditions of 26.0% of the employees
 The maximum wage is 10.3 times the minimum wage

- Gender Equality : 41%



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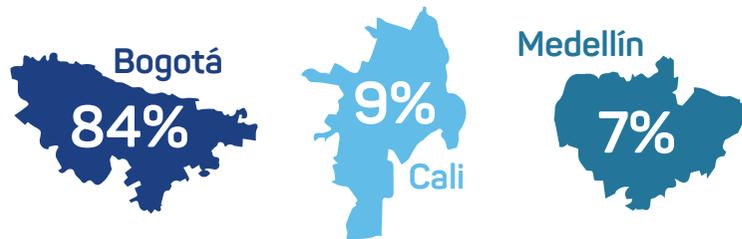
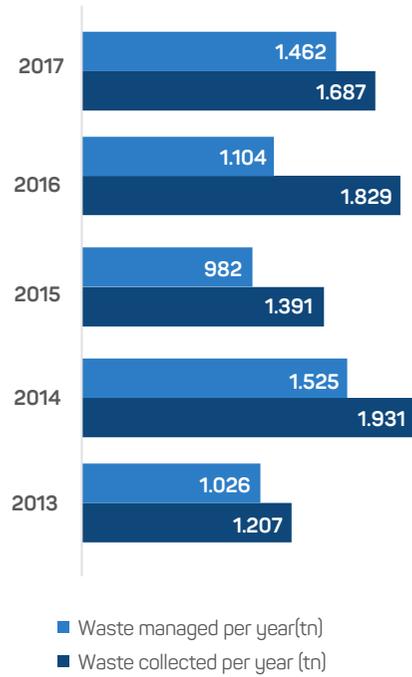




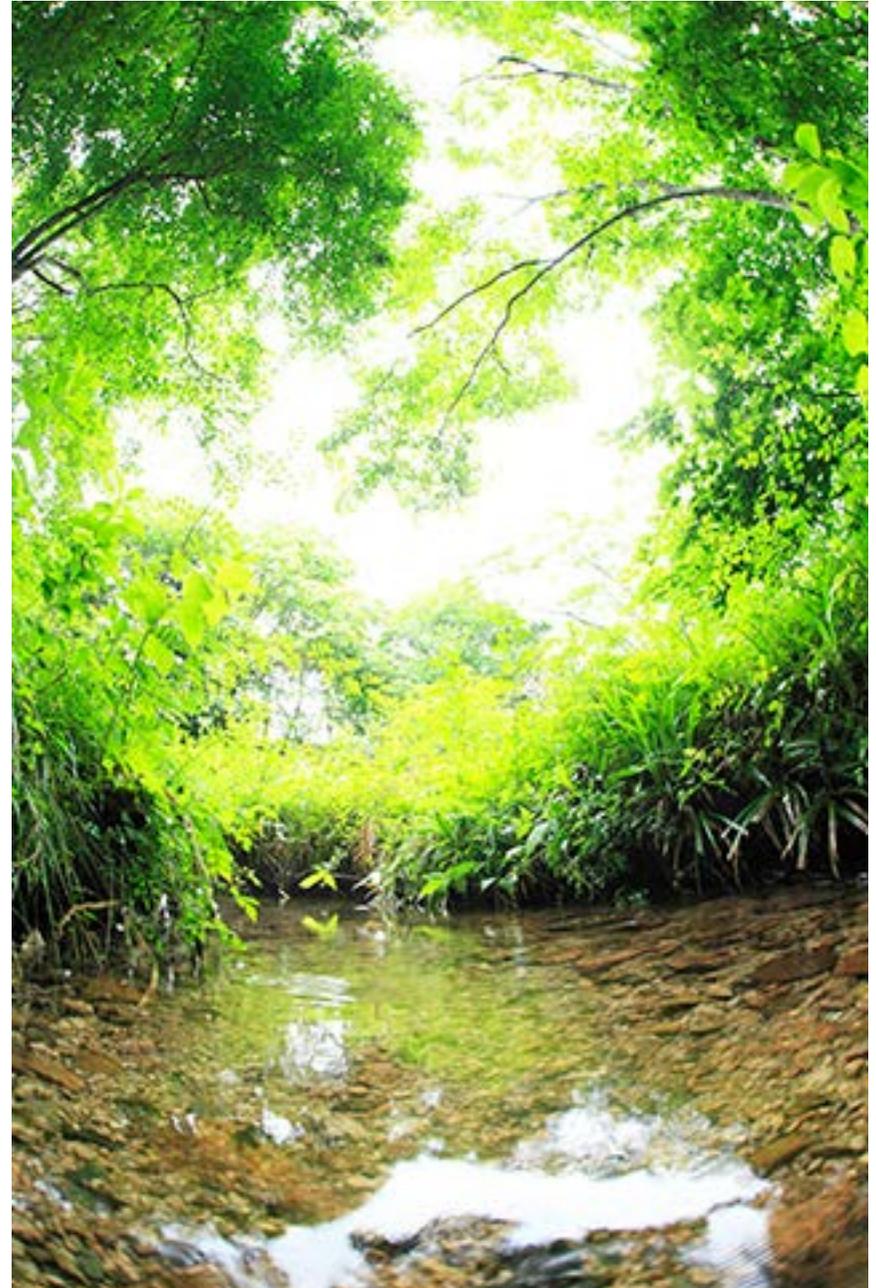
Consolidated Environmental Impact of Inversor - 2017

GAIA VITARE

Electronic waste



Average of electronic waste recovered 75%

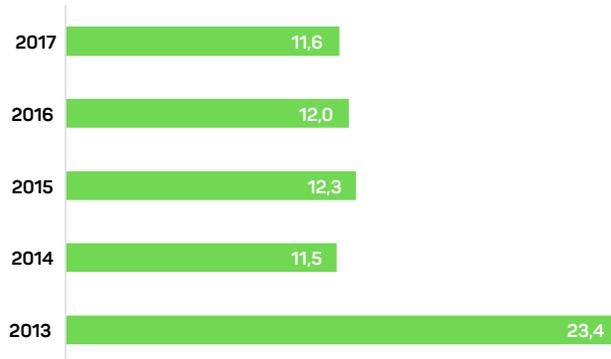


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GRONCOL: : Water and Organic Waste

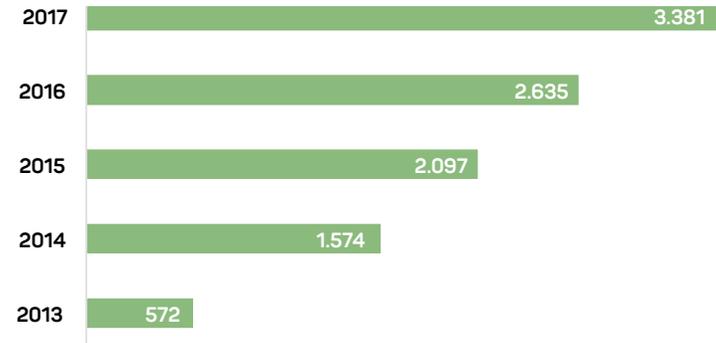
Built area (thousands of square meters)



7.309 Population
Green meters needs

84% of the meters installed belong to green roofs.

Water retained (thousands of liters)



111.212
5 min. Baths



Daily Consumption of **30.892** people

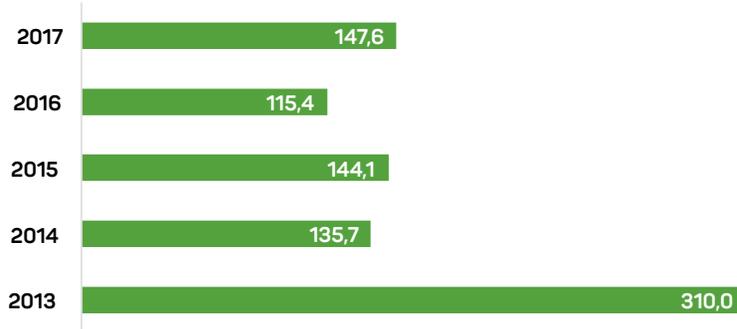


Daily Water Footprint **2.774** people

99.2% of the water retained is obtained through the green roofs.

GRONCOL: CO2 and particulate material

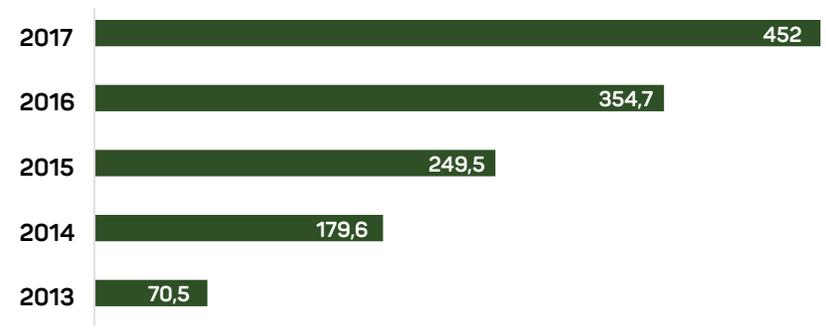
Reprocessed organic waste (tons)



Organic wastes **2.725** people per year

100% of the reprocessed organic waste is used on roofs.

Captured particulate material (kilograms)

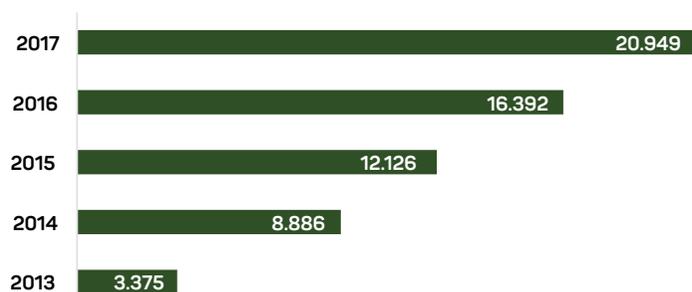


Annual emission of **29.731** vehicle

66% of the captured particulate material is obtained through the green roofs.



Captured CO2 (tonnes)



Annual emissions
30.819
people



Annual emissions
14.556
cars

7% of the captured CO2 is obtained through the green roofs.



Investor Investment Portfolio

Inversor's investment portfolio is COP 23,910 million, and in 2017, it increased its shareholding in Groncol and Fruandes.

Investment	Type	Amount Invested COP Millions
	Shareholding: 40,52%	\$3.263
	Shareholding: 45,00%	\$3.250
	Shareholding: 33,75%	\$1.428
	Shareholding: 36,84%	\$4.850
	Mezzanine debt	\$1.600





- **WAYA is a hotel** located in La Guajira, which has 140 rooms and 96 hammocks in 8 open-sided shelters.
- The project has partners and allies committed to the development of sustainable tourism in La Guajira.
- The hotel started its operations at full capacity in September 2013.
- In 2017, the hotel's sales were COP 12,199 million; an 11.1% increase from the previous year. Sales are expected to grow by approximately 6.5% in 2018.

Social and Environmental Lines of Impact

Environmental Management – LEED Certification

Employment generation (175 jobs in construction and 75 in operations)

Supplier development through inclusive businesses

Promotion of tourism development in the region

Promotion of education and culture in the region



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- GAIA is a company dedicated to the **management, disassembly, treatment and reuse of Waste Electrical and Electronic Equipment (WEEE)**.
- Gaia is a family company with more than 13 years working in the market.
- The company has managed to evolve its business model, increasing its level of exports and expanding new lines of business.
- Sales in 2017 amounted to COP 4,090 million which represented a 36.3% growth from the previous year, and 36.6% growth is expected in 2018.

Social and Environmental Lines of Impact

Generation of direct employment for vulnerable population groups (senior citizens, single mothers and low socioeconomic levels)

Collection and reuse of WEEE (less pollution and reduction of CO2 emissions)





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- GRONCOL is a company dedicated to the **design, installation and maintenance of green walls and roofs.**
- Groncol has developed more than 200 projects (66% roofs and 34% walls) in Colombia, mainly in Bogotá and Medellín.
- Sales in 2017 closed at around COP 5,698 million. Sales are expected to increase by 20% in 2017.

Social and Environmental Lines of Impact

Generation of direct employment for vulnerable population groups through its Metroverde subsidiary

Impact on the capture of particulate matter and CO2 with green roofs and walls



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- Fruandes is a company dedicated to the **production and sale of organic agro-industrial products**, mainly dried fruit and granulated panela (unrefined whole sugar cane).
- The international market represents around 95% of sales.
- Fruandes aims to grow and enter new markets, expanding its production capacity by building a new plant, strengthening its supply chain and developing new lines of business.
- Sales in 2017 were COP 3,958 million with a 7.57% increase from the previous year. Sales are expected to increase by 97.8% in 2018.

Social and Environmental Impact

Employment generation and adequate working conditions for vulnerable population groups

Income generation and improvement of the quality of life for people with small enterprises

Good environmental practices in the production process and in its value chain





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- Mejor en Bici is a company dedicated to the **design and implementation of bicycle-sharing systems** for public and private organizations.
- The company carries out activities to promote the use of bicycles as an alternative, sustainable mode of transportation.
- Mejor en Bici aims to grow in new corporate markets, segmenting them by sector of interest, expanding its service capacity and developing new lines of business with the public sector.
- Sales in 2017 were COP 1,051 million with a 16.7% increase from the previous year. Sales are expected to increase by 59.5% in 2018.

Social and Environmental Impact

Reduction of CO2 emissions and environmental pollution

Improvement of people's quality of life through sustainability methods

Reduction in people's transportation times and costs in the city





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Social Impact Bonds

Since March, Corporación Inversor is the General Manager of the First Social Impact Bond signed in a developing country. The project, which has the target of employing more than 500 vulnerable people for at least three months, will end in July 2018.

What is a Social Impact Bond?

A new funding mechanism in which the government pays for the result of an intervention designed to generate an impact on a specific social problem.

Benefits of Social Impact Bonds



Accountability and better social spending



Results oriented, not in activities



Incentives innovation in preventive policies



Innovation and flexibility



Collaboration between public and private sector

Participants of Social Impact Bonds in Colombia:



In 2017, it managed to place 165 victims of the armed conflict and 47 people from Red Unidos (network to overcome extreme poverty) in the BIS I Project, which was designed to provide quality employment to the vulnerable population in Bogotá, Cali and Pereira.

TRAINED



1160 people

PLACED



460 people

Employed for three months



168 people

This is the first of three pilot projects through which we hope to build a scalable model that can be replicated for different social problems. The potential objective is to transform the Colombian Government's form of contracting and contribute to the development of the impact investment market in the region.





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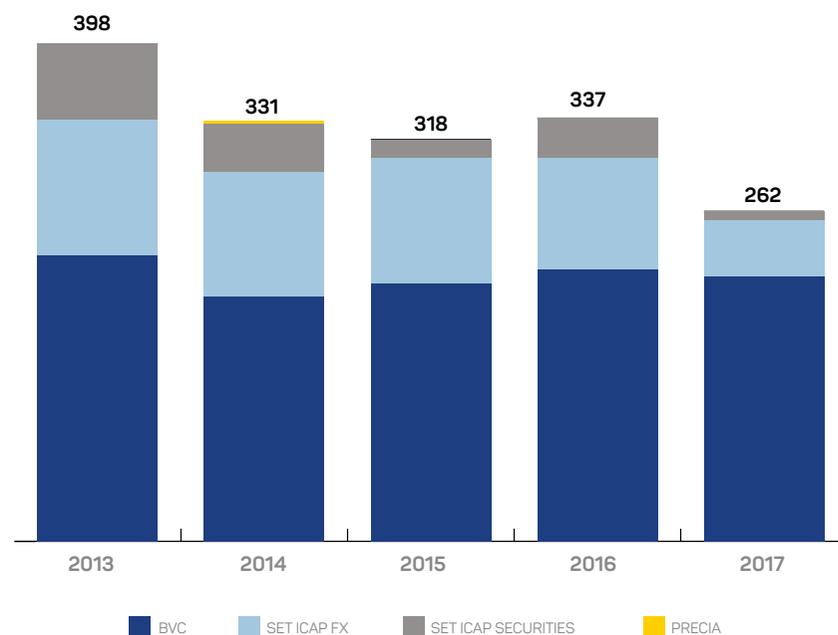
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4.2.2. Donations

We kept supporting eight different foundations in 2017 through direct donations from the bvc of COP 210 million, which were approved by the Board of Directors. In the bvc Group as a whole, that is including its subsidiaries, donations amounted to COP 262 million.



 \$150M Annual donation to Inversor Investment portfolio: -WAYA -Fuandes -GAIA -Mejor en Bici -Groncal	 \$18M Event 1: May 6 and 7, construction of three homes Event 2: Oct 7 and 8, construction of three homes Location: Altos de Cazucá neighborhood - Soacha Participation: 40 bvc employees
 \$7M The foundation seeks the well-being and quality of life of cancer patients with limited resources • More than 45,000 patients supported • Projects: National Cancer Institute and La Samaritana Hospital	 \$4M The foundation provides support and training services to displaced single mothers on dressmaking, and the design and creation of cards for events in Ciudad Bolívar.
 \$15M The Juanfe Foundation aims to improve the quality of life of children and adolescents living in poverty. The donation will be for a satisfaction survey for customer support.	 \$11M Offsetting the carbon footprint • Measurement of the carbon footprint of the headquarters in Aug and Sep 2017. • Planting of 200 trees on Nov. 18 (bvc forest program)
 \$5M The foundation provides free services to patients diagnosed with cancer, their caregivers and family members with individual or group guidance on psychology, nutrition, nursing care and rights	

Figures in COP Millions



4.3 Environmental Management

GRI 302-1, 305-5, 103-2

The bvc helps to combat climate change despite its operations not having a direct effect on the environment.

In 2017, it progressed in its commitment to be environmentally responsible with the development of initiatives to reduce its carbon footprint, through measurement and offsetting activities.

Therefore, it executed the measurement of direct emissions, indirect energy emissions and other indirect emissions of the carbon footprint in its Bogotá offices, using the following sources of information:

The emissions results for the 2017 Carbon Footprint increased 7% from 2016, as



Fuel consumption



Energy consumption (kWh)



Water consumption (m³)



National and international Air transport

follows:

Emission	Scope	Source	Emissions (Tons of CO2 eq)	
			2016	2017
Direct	1	Land transportation	9,4	12,2
Indirect	2	Electricity consumption	51,8	68,3
Other indirect	3	Water consumption	0,5	0,6
		Employee flights	95,8	87,1
Total			157,6	168,2



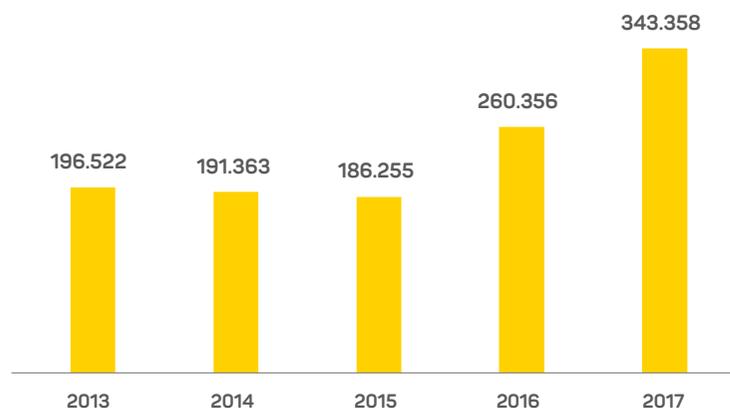
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In direct consumption, the fuel consumption of the company's vehicles was 1,609 gallons of gasoline, equivalent to 12.2 tons of CO₂ (+30% in emissions), due to the purchase of a new vehicle in June.

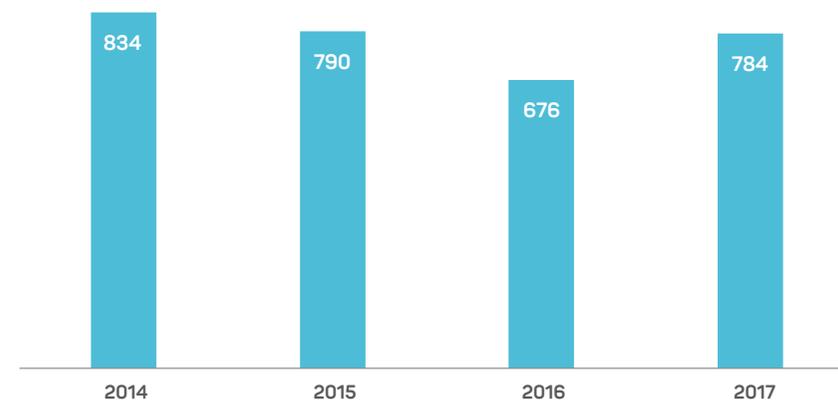
Vehicle	Gallons/Year		Fuel
	2016	2017	
1	1.042	995	Gasoline
2	0	615	Gasoline
Total	1.042	1.609	Gasoline

Regarding indirect emissions from electricity consumption, the result was 343,358 KVA, equivalent to 68.3 tons of CO₂. This shows a 32% increase from 2016, which is explained by the start of the large INET Master Trader technology project, for which the number of computers and workstations was increased. In response this and in order to offset and reduce electricity consumption, the work to change from traditional lighting was finished, completing 100% of the bvc headquarters at Calle 72.

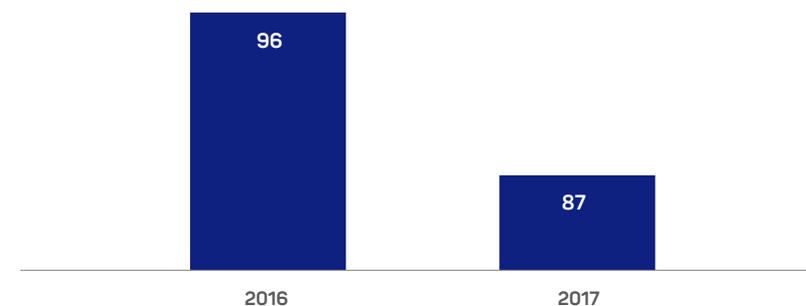
Energy consumption (KVA)



Regarding indirect emissions from water consumption, we ended 2017 with the use of 784 m³, which is a 14% increase, equivalent to 0.62 tons of CO₂.

Water consumption (m³)

Finally, the greater impact on the carbon footprint corresponds to employees' domestic and international flights. The total emissions are 87.1 tons of CO₂, which is 9% less than in 2016. This decrease is explained by the use of technology, primarily avoiding national travel.

Air travel emissions (Ton CO₂)



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Initiatives to Reduce the Carbon Footprint



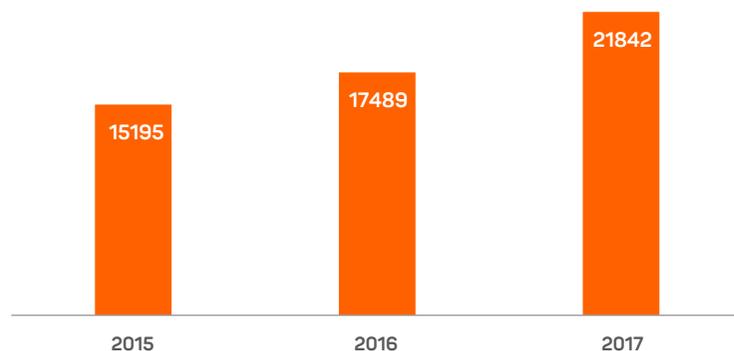
The company since 2015 does not buy plastic disposable glasses or utensils.



Video conference usage

Since 2015, the company does not buy or use disposable plastic cups or utensils. Use of videoconferences increased by 20% in 2017 to decrease and replace air and road travel.

Video conference usage (min.)



Planted trees

To offset its carbon footprint, the bvc participated in a forest program to plant 200 trees with its employees in November, offsetting 40% of its total emissions as a first step toward becoming an environmentally-responsible company.

Additionally, it reduced paper use and started the study of the electronic invoicing project, which will generate additional savings in electricity of approximately 17%. This will be reflected in the second half of 2018.

The information only corresponds to the **bvc** without its subsidiaries.



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4.4 Financial education program

GRI 203-2, 413-1, 103-2

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The education area aims to support the massification of the local stock market through an academic strategy

The aim of the education program is to support the widespread growth of the local securities market through an academic strategy with curricular programs, generation of digital content, tools for interaction with the stock market and partnerships with academic, multilateral and financial entities that allow more Colombians to approach, understand and learn about the investment, financing and hedging opportunities available on the securities market. Additionally, it helps the industry's professionals to raise their standards of knowledge through a specialized line of training for this segment.

The education program is subdivided into two lines of knowledge:



Participants in the
financial education
programs of the bvc



Academic Line



Participants
Millionaire Bourse

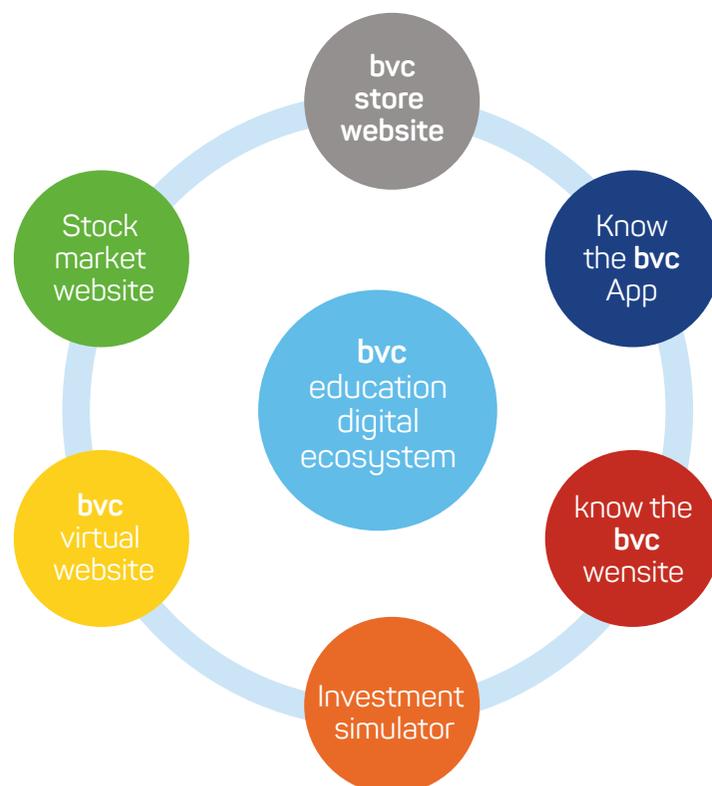
Academic Line: Certifications and in-person and online academic programs by the bvc or in partnership with Colombian or foreign universities for professionals of the financial market or the general public, as well as a program of free talks for education and promotion of the local securities market.

Additionally, research is conducted in this line in association with universities about relevant topics for the development of the local market.



Contests and Simulators: Practical tools for investment simulation.

The program's strategy is based on improving the scope so that more Colombians benefit from this initiative. This has resulted in the bvc creating a network of contacts and education around the country called bvc Training Centers. However, in order to improve said scope in 2017, we worked on the definition and creation of new communication and digital channels, which enable us not only to break down the barriers related to the access or availability of our initiatives, but also to align ourselves with the new technology and current behavior of financial consumers.

**Digital Ecosystem and Physical Presence**

Despite operating in 18 cities of Colombia through 33 bvc Training Centers, in 2017, the education program progressed in the creation of a digital ecosystem, generating new channels of interaction and connecting the existing ones, aiming to provide new experiences to new audiences and making ourselves closer and more accessible.

In addition to the above, the program is leveraged with communication strategies through social networks, which allow us to improve interaction and raise awareness of the ecosystem we have created.

Main Results**Academic Line:**

- In-person and online academic programs: 2,691 people participated in this in-person training initiative at bvc Training Centers. Another 270 people participated in the programs through the online platform. Additionally, we started to implement a new platform that in 2018, will improve the user experience and aims to put us at the cutting edge in the training methods offered by this kind of channel.
- Specialized market training programs: The proposal of specialized academic programs covered 107 people.
- International Partnerships: In 2017, we signed new partnerships with the Afi Escuela de Finanzas, University of Illinois, London School of Business and Finance, Global Association of Risk Professionals (GARP) and International Finance Corporation (IFC). In partnership with the International Finance Corporation (IFC) and Universidad Javeriana, in 2018, we will offer the first Sustainability Diploma, strengthening the topics that the bvc promotes academically.



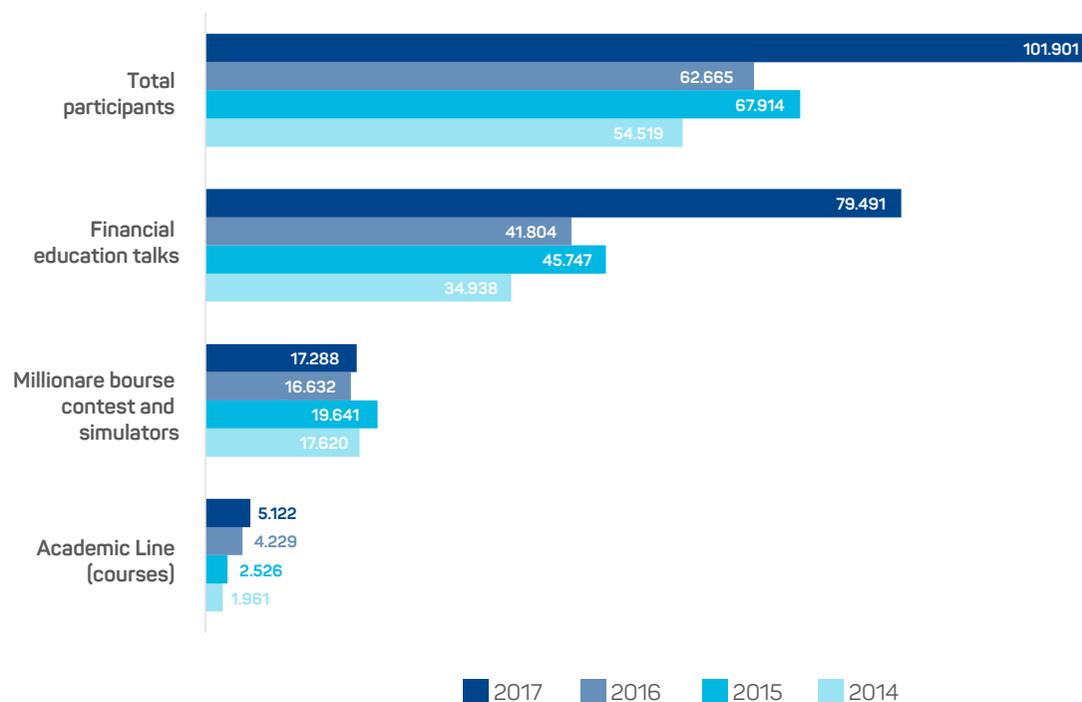
Contests and Simulators:

• **Simulators:** In the year, 5,538 people opened an account that simulates the platforms offered by brokerage firms, giving people with limited knowledge or experience the chance to have real experience in decision-making on investments. We currently have 22,970 active accounts.

• **University Millionaire Exchange Contest:** The contest made several changes to its methodology. The first of these was the change in the frequency of contests from twice to just once a year. Five areas of the country were established, awarding the

top five positions of each category in each area. Additionally, for this version, the bvc established new support and training methods for contestants, generating specific content and curriculums in each category, which were free and accessible through the online education platform, social networks and contest website. Some 11,750 people from 151 universities, 341 schools and 164 cities of Colombia participated in the contest held in 2017.

Program participants



Quality of Our Initiatives

The education program is assessed in terms of the satisfaction of our two main stakeholders. Firstly, the universities or academic sector, with which we have partnerships for the development of programs and management of bvc Training Centers, and secondly, the participants in each initiative or program offered by the bvc (end clients).

This indicator presented a satisfaction level of 83/100, where the main opportunities for improvement are communication and tools to generate more coordinated and efficient work. Therefore, in 2018, the universities will have a permanent area for interaction through the online training campus of the bvc, as well as a training program that will enable them to increase their technical knowledge and more successfully achieve their objectives as partners of the bvc.





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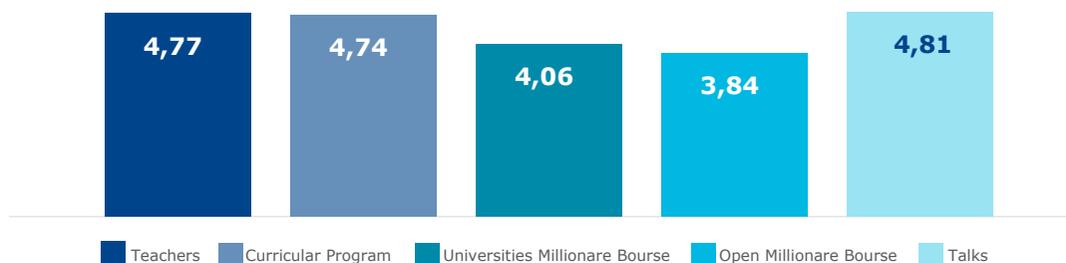
The satisfaction rating of our academic line's end clients was 4.74/5. Through the satisfaction survey, our participants made suggestions about improving the facilities where they take the courses. In response to these opportunities, in 2018, we will work on improving classrooms, providing more comfortable areas with services that provide better student-teacher interaction.

The general level of satisfaction with the courses is 3.95/5 (average of the University Millionaire Exchange Contest and Open Millionaire Exchange Contest).

The contest in schools is not evaluated due to data protection policies for minors).

Our participants made comments about improving skills and faster communication to resolve queries and questions. In response to this, we will work on bigger and better tools to respond to queries (chatbot), as well as improving information about the training tools available during the contest.

Level of Satisfaction Educational Initiatives





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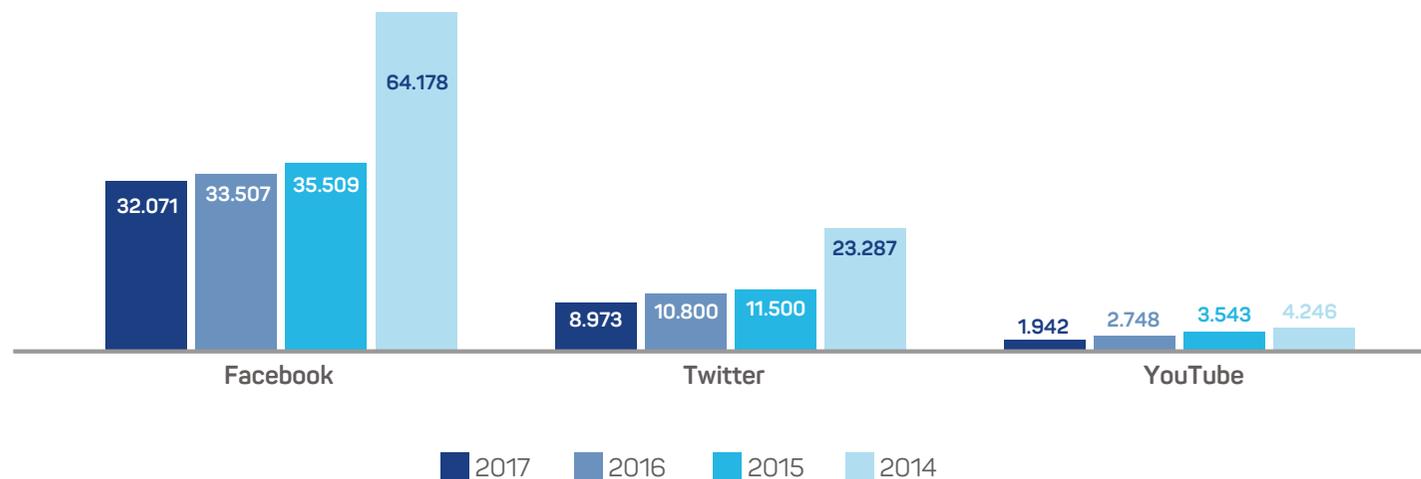
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Social Networks Followers





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5.1 Market Performance in 2017

GRI 103-2

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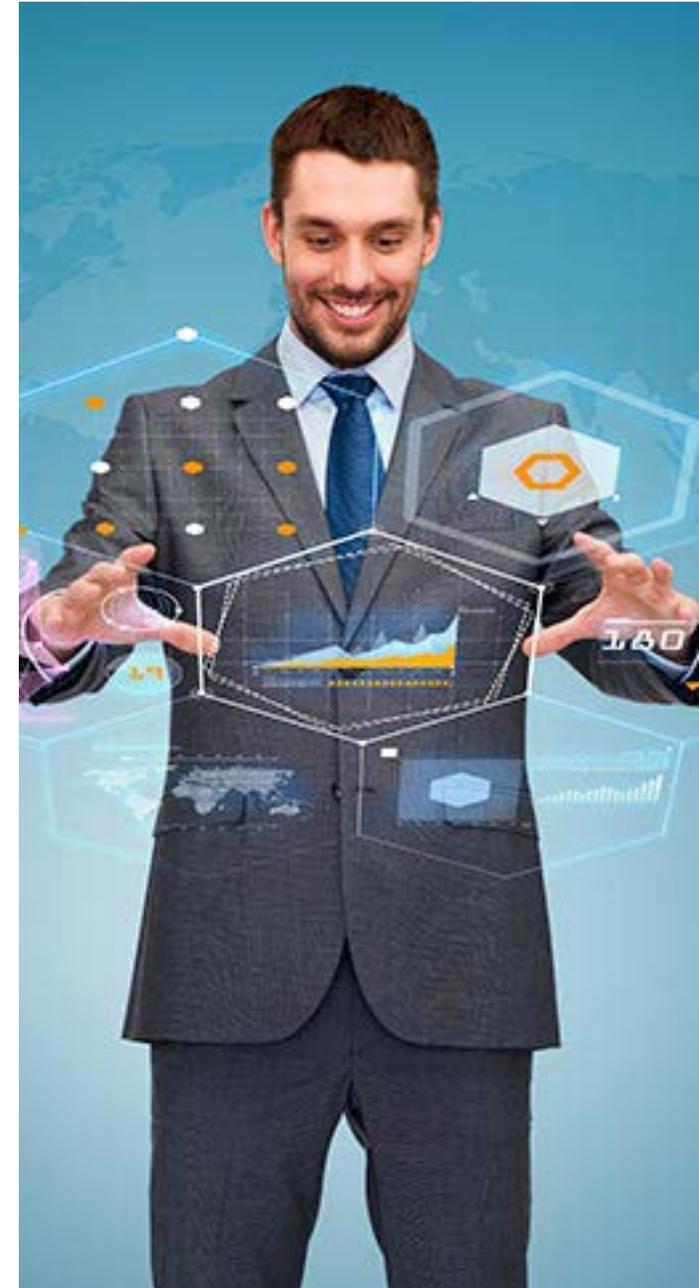
The year 2017 was relatively positive for the markets and the global economy had a better performance than expected in light of the different economic and political events.

International Environment

The central banks continued the gradual process of withdrawing monetary stimuli. Particularly, the Federal Reserve ended the year with its base rate in the range of 1.25% to 1.5%, while the European Central Bank announced the end of its asset purchase program, cutting it to EUR 30,000 million until September 2018 and maintaining its repo rate at 0%. This combination of low volatility, low interest rates and a weak U.S. dollar created a positive environment for emerging countries, which remained attractive to international investors, as despite the greater risk that these economies have, their assets showed greater returns.

In general, a consolidation of the economic growth of developed economies was observed, accompanied by moderate levels of inflation. In the United States, the legislative agenda of President Donald Trump was fairly difficult. The most significant setback he had was the government's failure to abolish Obamacare, which was really needed to offset the reductions in charges by the tax reform that was finally approved at the end of the year. Jerome Powell was confirmed as the candidate to replace Janet Yellen in February 2018. Mr. Powell is considered to be a centralist in terms of monetary policy. However, it is thought that changes are required in regulatory matters.

Despite the uncertainty about oil prices, crude oil returned to an upward path in the third quarter as a result of some disruptions in the supply from the Middle East and the uncertainty caused by one of the strongest hurricane seasons in the Atlantic Ocean. However, the increase in the demand and the intention



of several countries of the OPEC, including Saudi Arabia, to extend the production cuts also played an important role in the dynamics. At the end of the year, it was agreed to maintain the production cut until October 2018.

to the recovery of oil prices, the deficit of the checking account experienced a greater correction than forecast at the beginning of the year, from 4.88% as a percentage of the GDP in the fourth quarter of 2016 to 3.8% as a percentage of the GDP in the third quarter of 2017.

The year ended with a positive performance of the local capital market, where the fixed-income market showed a 9.8% increase (COLTES index), while the equity market, measured by its local representative index (COLCAP), increased by 12.46%.

Looking to the future, there are several risks. The main ones are associated with decisions regarding monetary policy and political risks.

Local Environment

The results of economic growth were the market's main concern. However, a slight recovery is expected in 2018. Economic growth was systematically reviewed throughout the year, with lower results than expected, certainly lower than required to adjust the deficit of the checking account.

In turn, the tax deficit was the main area of interest for the credit rating agencies. In terms of monetary policy, the rate reduction gap is increasingly narrower. The Central Bank ended the year with its base rate at 4.75% and the monetary policy for next year is expected to take a more expansionist path as inflation continues to converge to 3%.

In the middle of this adjustment to the demand and in light of a lower exchange rate at around three thousand Colombian pesos per U.S. dollar, which was largely due



5.2 Equity market

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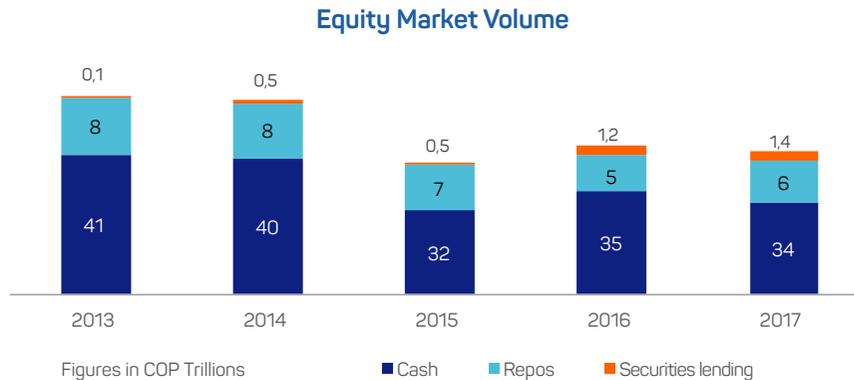
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The traded volume in the equity market was COP 41.22 trillion, COP 33.51 trillion of which corresponded to cash transactions (purchase and sale), COP 6.24 trillion to repo transactions, COP 1.43 trillion to exchange traded fund transactions (ETFs) and COP 725 million to Global Colombian Market (MGC, for the Spanish original) transactions (see Graph 1). Therefore, the volume of the spot market decreased -5% from 2016, while the volume of repos and ETFs increased by 14% and 19%, respectively..

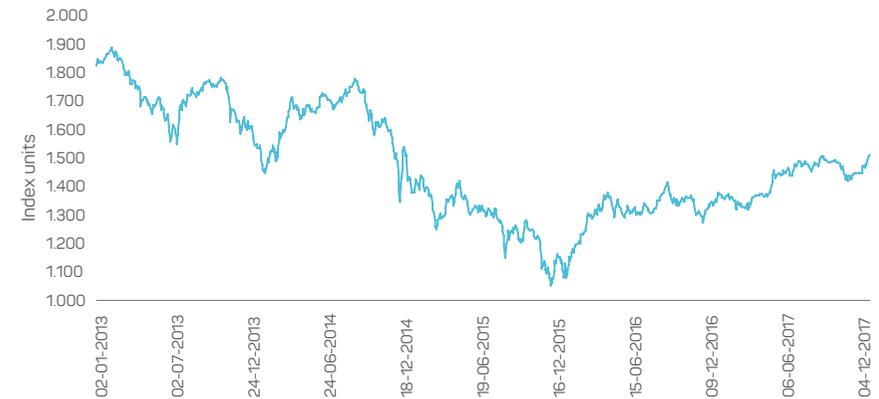


During the year, there were 509,533 transactions on the spot market, 11,613 repo transactions, 2,950 ETF transactions and 11 MGC transactions for a total of 524,107 transactions in the transaction systems of the **bvc's** equity market.

- **Cash market transactions:** 509.533
- **Repo transactions:** 11.613
- **Securities lending transactions:** 2.950
- **Colombian global market:** 11
- **Total transactions in equity trading systems:** 524.107

In 2017, the COLCAP Index showed a positive variation of 12% (see Graph 2) in line with the regional situation (Chile, Peru and Brazil). Part of this trend is mainly due to the recovery of oil prices, the reduction of rates by the Central Bank and the greater stability of the exchange rate. Stocks in the oil, financial and consumer sectors generated the greatest impact on the increase in the COLCAP index in 2017.

COLCAP Index (2013-2017)

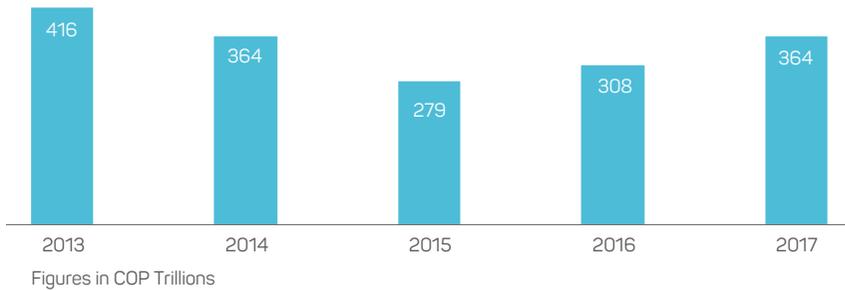


In 2017, foreigners were the main investors in the local market with a 28% share and a 17% increase in the traded volume from 2016. In proprietary trading, brokerage firms came in second place with a 23% share, followed by the pension funds (16%), individuals (14%) and the real sector (10%). Additionally, in 2017, the net purchasers of the market were the pension funds with a net position of COP 2.3 trillion, followed by foreign investors with COP 1.6 trillion.

In turn, market capitalization showed a positive variation of 18.2%, ending with COP 364 trillion at December 31



Market Capitalization



Main initiatives - 2017

Clearing and Settlement through the CRCC

With the aim to increase the liquidity of repo transactions, give investors better security and provide the market with international standards, the equity market's repo transactions started to be cleared and settled in 2017 through the Central Counterparty Risk Clearing House (CRCC, for the Spanish original).

This new model includes the clearing house's security systems, where it is a counterparty in the equity transactions executed and completed in the **bvc**, with the aim to mitigate the risks associated with trading and completion of transactions and to facilitate efficient management of the risks and guarantees.

In 2018, we will work on the migration of clearing and settling cash and ETF transactions of the equity market through the CRCC.





Master Trader

The **bvc** is progressing with the most important technology project in recent years, which will integrate the fixed income, equity and derivatives markets and Integrated Latin American Market (MILA, for the Spanish original) in one single trading screen. This integrative platform will include new and modern tools that will permit the realization of systemized and more efficient trading strategies that give greater depth to the market.

Behind this professional screen is a new trading engine (NASDAQ X-stream INET), which will permit electronic access to all the markets, as well as the development of new trades through the implementation of algorithmic trading and high-frequency trading (HFT) processes.

Satisfaction Survey

The score obtained in the 2017 Satisfaction Survey for equity products was higher than in 2016 (increasing from 80 to 82 points). The improvement in the measurement of exchange traded funds (ETFs) stands out as a result of improvements to the product, communication plans and support for the brokerage firms to implement the product.

From this survey, opportunities for improvement



were identified in the MILA and in increasing liquidity in the local market. In 2018, the **bvc** will work on projects and initiatives that help to improve the quality of the market and our stakeholders' levels of satisfaction.

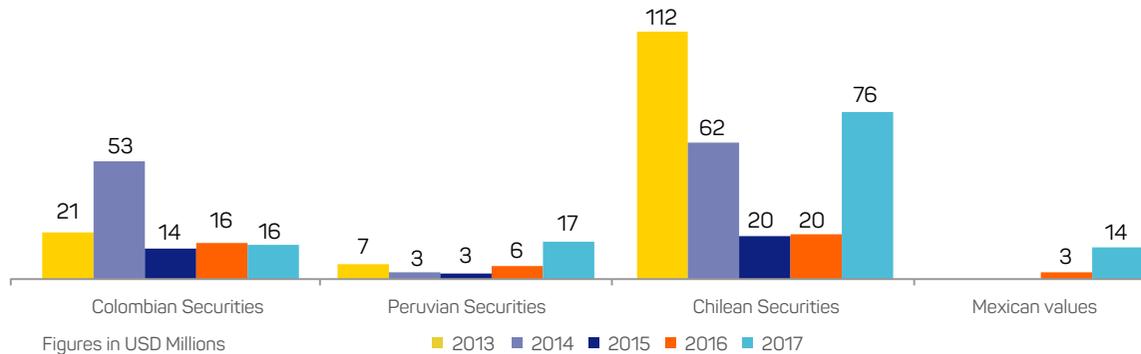


Market Integrated of Latin America (MILA)

At the end of 2017, transactions made through the MILA infrastructure had reached a total of USD 123 million, 1.6 times the traded volume in 2016. Chilean securities were the most traded with a volume of USD 76 million and a 62% share in the MILA. Peruvian securities with USD 17.1 million had a 14% share, followed by Colombian securities with a traded amount of USD 15.6 million (13%) and Mexican securities with a traded amount of USD 14.3 million (12%)

The Dow Jones Sustainability MILA Pacific Alliance Sustainability Index (first index of this category in the region) was launched in 2017, comprised of the 40 companies with the highest sustainability ratings in the countries of the Pacific Alliance (Chile, Colombia, Peru and Mexico).

Trade Volume through MILA Infrastructure



The **bvc** keeps working on the development and consolidation of the MILA as a financial integration initiative of the region. The main initiatives underway include the project to incorporate a new MILA trading platform in Colombia, reinforcement of the role of institutional investors, and improvements to the clearing and settlement processes.



5.3 Fixed income market

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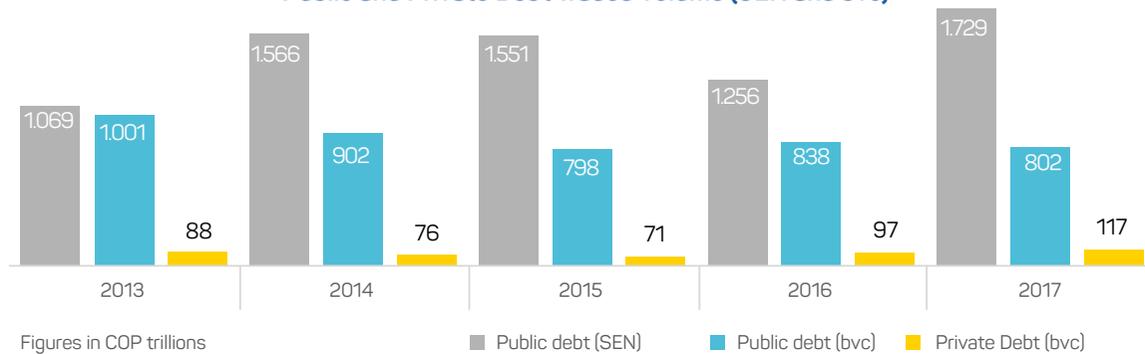
The trading volumes and price levels on the fixed income market were influenced by data on local economic activity, cuts in the Central Bank's intervention rate and the announcements of greater issuances of treasury securities (TES, for the Spanish original) presented in May. They were also affected by international uncertainty regarding the start and effects of the Trump administration, the announcements on the normalization of the monetary policy in Europe (ECB and BoE), and the geopolitical tension between Russia, Syria, North Korea and the United States.

The trading volumes and price levels on the fixed income market were influenced by data on local economic activity, cuts in the Central Bank's intervention rate and the announcements of greater issuances of treasury securities (TES, for the Spanish original) presented in May.

They were also affected by international uncertainty regarding the start and effects of the Trump administration, the announcements on the normalization of the monetary policy in Europe (ECB and BoE), and the geopolitical tension between Russia, Syria, North Korea and the United States.

Foreign agents consolidated themselves as the main investment group in TES, ending the year with a balance of COP 67.7 trillion (26.6%), followed by pension funds with a 26.4% share. The consistent share of foreigners was clear despite the reduction in the country's debt rating to BBB- by S&P, as the appetite of this investor group prevented devaluations of the curve at times of high international uncertainty. The last quarter was characterized by the stability of the TES in the period. The TES24 reference started the quarter at 6.2% and ended at 6.1%, with a maximum of 6.4%.

Public and Private Debt Traded Volume (SEN and bvc)

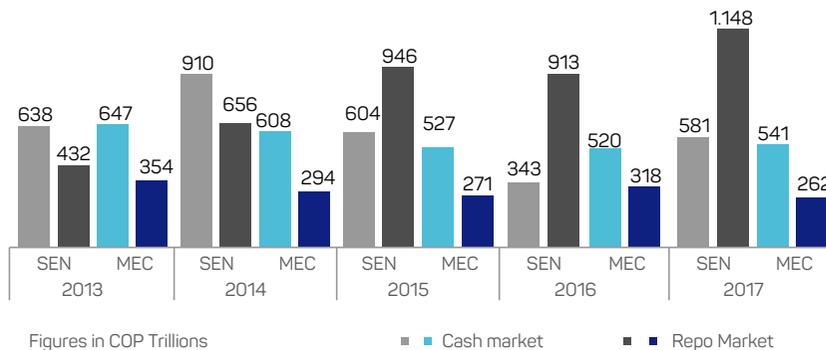


Public Debt Market

The total trading volume in the secondary market of public debt securities increased 21% during the year, reaching COP 2,532 trillion – Electronic Trading System (SEN, for the Spanish original) and Colombian Electronic Market (MEC, for the Spanish original) – where the purchase and sale market of MEC increased 4% from the previous year. The year started strongly, as the traded volume in January (COP 48.9 trillion) increased 27% from the same month of 2016, and the consolidated volume of the first half of the year (COP 325.6 trillion) increased 8.1% from the same period of the previous year. However, the trading dynamics slowed down in the second half of the year, when the activity indicators (especially the Consumer Trust Index and Retail Sales Index) showed the weakening of the economy.

From 2016, the total traded volume of public debt securities on the money market increased by 14% to COP 1,410 trillion (SEN and MEC). The system's liquidity in the second half of the year increased with the drop in the Colombian government's deposits in the Central Bank and with the transfers related to the maturity of the TES17 reference. Despite the fact that the volume in the MEC decreased 18% from the previous year, the trading of exchange traded funds reached the highest monthly trading volume (COP 8.6 trillion in May) since the product came into effect.

Public Debt Traded Volume per Transaction Type (SEN & MEC)



Private Debt Market

The total traded volume of private debt products was the highest in the last five years, at COP 117 trillion (CAGR: 7.4%), and with a 21% increase from the previous year. The traded volume on the purchase and sale market increased 24% from 2016, reaching COP 96.93 trillion. Additionally, bonds were issued during the year amounting to COP 12.2 trillion, the highest amount since 2013. However, the initial public offerings of certificates of deposit (CD) decreased 19.6% from the previous year to COP 60.8 trillion.

Private Debt Traded Volume per Transaction Type



Main initiatives 2017

INET – MASTER TRADER Project

The INET – Master Trader technology upgrade project is the most important development in recent years, and aims to make a professional trading screen available to our members that integrates the fixed income, equity and derivatives markets and MILA. The screen, called Master Trader, will facilitate the execution of multi-market strategies and provide sophisticated analysis tools to operators for better decision-making.



INET is the trading engine that will support the operation of all the markets managed by the **bvc** (except the private debt market, which will continue operating with the Siopel engine). Furthermore, INET is a high-performance engine capable of supporting the routing of algorithmic trading and high frequency trading orders.

distribution of positions on the secondary market, the incorporation of new trading methods, and the restructuring of private debt trading sessions to facilitate their operation and increase their volumes. It will start operating in 2018.

the trading sessions that support private debt transactions (+12). Opportunities for improvement were also identified for the control of quotas and the trading platform. These needs are responded to in the technology transformation project that will start operating in 2018.

Satisfaction Survey

In 2017, the **bvc** focused its efforts on migrating public debt to the INET engine and on implementing the professional Master Trader screens in the fixed income market. The project consists of the simplification of trading and

The score obtained in the 2017 Satisfaction Survey for fixed-income products was 89, increasing the score by one point from the previous year (88). The improvement in the score was mainly due to the score obtained in



5.4 Derivatives Market

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In 2017, the bvc derivatives market kept consolidating itself as a market with an annual volume of more than one million contracts.

Market Performance

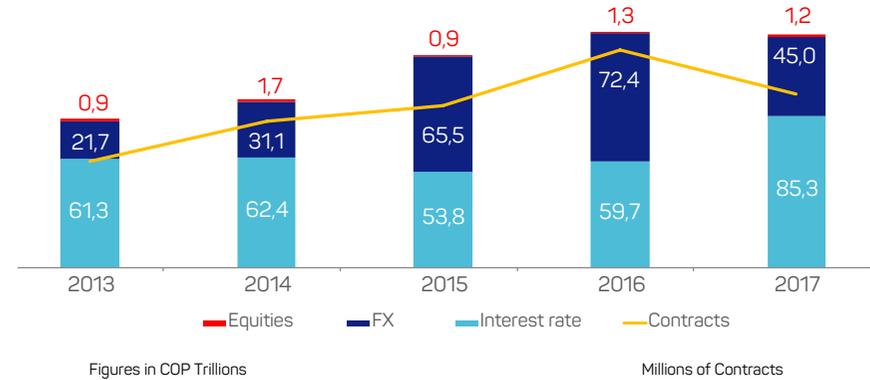
In 2017, the **bvc** derivatives market kept consolidating itself as a market with an annual volume of more than one million contracts. Specifically in 2017, 1,116,000 contracts were traded, which was a 20% reduction from 2016.

The total amount traded was COP 131.5 trillion, with a marginal reduction of 1% from 2016 and consolidating the milestone of more than COP 100 trillion trades a year (see Graph 1). In turn, the number of transactions made was 56,182, reporting an increase of 15% from the previous year. The average daily trading was COP 543 billion in 2017, maintaining the same level as in 2016. The maximum daily trading volume of the year was COP 1.76 trillion on August 25.

Regarding market participants, the third party share was 39% of the traded volume (5% more than in 2016) and 61% of the members' proprietary trading. Finally, the equivalent notional amount, a measure of the open interest of the derivatives market in Colombian pesos, presented a reduction of 17%, from COP 10.6 trillion at the end of 2016 to COP 8.8 trillion.

When analyzing the traded amount by type of underlying asset, it can be observed that the TES

bvc Futures Market



contracts were the most dynamic in the year with trades amounting to COP 75.2 trillion, 40% more than in 2016 and comprising 57% of the total annual volume. Throughout 2017, trades were made on exchange rate futures contracts amounting to COP 45 trillion, 34% of the total traded. The Overnight Index Swap (OIS) on the IBR had trading volumes of COP 9.6 trillion, 7% of the total traded in 2017, and showing a 55% decrease from 2016. Finally, Equity Futures, which include derivative contracts using stocks and derivative contracts using the COLCAP index, had a trading level of COP 1.1 trillion, 1% of the total, with an 11% decrease from 2016.

These results are explained by the reduction in volatility experienced by the exchange rate throughout the year and the expansive cycle of the Central Bank's monetary policy, which had a positive impact on the interest rates, combined with the increase in the foreign investors' appetite for TES securities. In the equity market, despite the good results in terms of asset prices, the use of derivatives did not significantly increase.



New Initiatives and Products

The development strategy of the **bvc** derivatives market focuses on two large areas. On the one hand, on bringing the successful products in the over-the-counter (OTC) market to the standardized market, and on the other, on completing the offer of products that allow the **bvc** to compete in the global market.

Regarding the first area, the Overnight Index Swap on the IBR overnight rate continues to be the chosen product to carry out this strategy. Particularly, progress was made in two aspects:

- the materialization of the change in the market's microstructure with the creation of an exclusive trading module for the market makers in the same line of the OTC microstructure and the start of the Program for OIS Market Makers; and,
- the continuation of the strategy to raise awareness of and train on the Overnight Index Swap as an ideal product to combat the changes in the Central Bank's monetary policy, which is particularly aimed at asset managers.

Regarding the second area, standardized options were listed on the shares in Ecopetrol, Preferencial Bancolombia and Preferencial Grupo Aval. Similarly, we progressed in the listing of standardized options on the representative exchange rate, which we expect to complete in the first quarter of 2018.

In terms of the current portfolio of standardized futures, efforts were based on the list of ten new futures on different stocks in the COLCAP index. This makes a wide range of products on the equity market available, which strengthens the possibility of carrying out investment, arbitration and hedging strategies for the different agents that use this market.

Finally, it is important to mention that efforts were continued in 2017 to build appropriate incentive schemes to attract the market makers in different instruments. Market liquidity continued to be a variable of special attention in the year's work, not only seeking more market makers, but also attracting the products' end users.

The stakeholders' perception of the derivatives market decreased by two points from 2016, to 77 points. This result is explained by:

- the negative perception of the profit of the Inflation Future and of the Government Bond Futures that are currently listed and;
- the negative perception of the liquidity on the trading screen for the different listed instruments.

Therefore, the improvement plans to implement include the following:

- keep developing the possibility of listing a UVR (Real Value Unit) - IBR Swap to replace the current Inflation Future, which is better adapted to the participants' needs; and
- develop market maker schemes that attract more market makers and attract the flow of end users, such as asset managers for example.



5.5. Issuers and listing services

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The bvc has the objective of contributing to Colombia's economic growth and the development of the securities market by channeling savings into productive investment, being an effective means of business funding.

Strategic Objective

The bvc promotes the adoption of best practices in terms of information disclosure and investor relations with the aim to increase the eligibility and attractiveness of the Colombian securities market for local and foreign participants.

Mobilization of Resources through the Colombian Securities Market

In 2017, COP 13.9 trillion were mobilized through the Colombian securities market, with issuances, disposals of state property and acquisitions of listed companies, reaching more than COP 90 trillion in the last five years.

Private Debt Issuances

The issuers obtained funding of COP 12.2 trillion through more auctions (35); the highest amount in both cases since 2012. The share of issuers of the real sector in the total issued amount stands out, which was 50%, as well as the importance of the first issuance of local Grupo de Energía Bogotá bonds for COP 1.3 trillion and the issuance of Cementos Argos bonds for COP 1 trillion. By term, two 30-year placements (GEB and ISA), four 25-year placements (GEB, ISA, CEMARGOS and G. AVAL) and four 15-year placements (B. Caja Social, Credifamilia, Sodimac and B. Occidente) stand out.

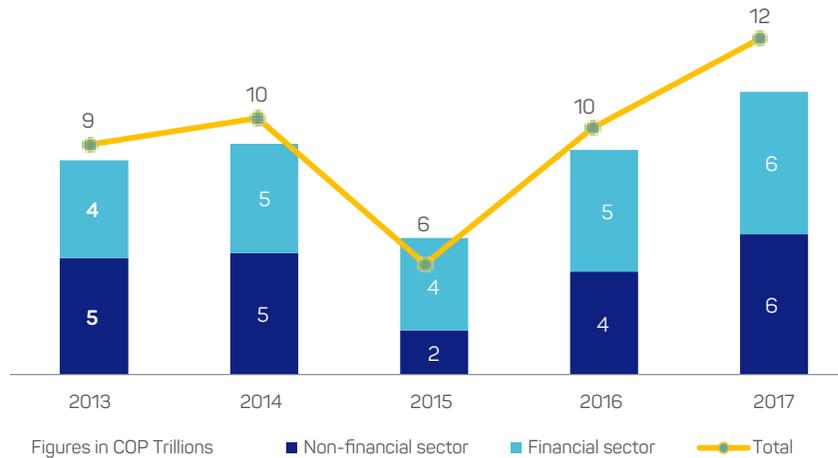


In addition to the above, it is worth highlighting the first issuance of green bonds (sustainable issuance) by Bancoldex directed at the primary market, as well as the listing on the Exchange by Banco Davivienda using the same instrument directed at the secondary market.

The amounts of its shareholding in ISA and Nutresa not granted in the offering made to the solidarity sector were offered to the general public.

In the same year, the sale of the shareholding of the Bogotá District Secretary of Finance in Empresa de Telecomunicaciones de Bogotá S.A. (ETB) and in Grupo de Energía de Bogotá was started. Both processes were directed at the solidarity sector.

Fixed Income Issuances



Issuer Recognition (IR)

The **bvc** celebrated five years since the implementation of Issuer Recognition - IR. Once again, we recognized the effort made by the securities issuers that voluntarily adopted better information disclosure and investor relations practices.

On this occasion, IR Recognition was awarded to 31 entities. It is worth highlighting that all of the issuers that comprise the COLCAP index have IR Recognition.

With the aim to improve the content standards/guidelines in corporate documents that the issuers make available to the market, the **bvc** kept strengthening its partnership with the CESA Business School.

Issuances of Equity Securities

Regarding issuances of equity securities, the two issuances made by Patrimonio Autónomo Estrategias Inmobiliarias (PEI) for COP 603,367 million and COP 626,480 million, respectively, stand out, with which said issuer achieved financing of more than COP 2.24 trillion through the Colombian capital market.

Transfer of Property Transactions through the Capital Market

The year 2017 was very active in terms of transfer processes. Grupo de Energía de Bogotá made public offerings of its shareholding in Promigas, ISA, Nutresa and Banco Popular, directed at the solidarity sector, pursuant to Law 226/1995.

Issuer Recognition (IR) - Issuers Recognition

These are the **31 Issuers** that continue committed with the capital market's development and were renew the **IR - Issuers Recognition** for the period 2017 - 2018



Issuers Committee

Comprised of 12 of the most active issuers on the market and from different sectors of the economy, the Issuers Committee has positioned itself as a formal discussion forum where queries, suggestions and other relevant topics of the securities market are analyzed, and as a result, regulatory and operating amendments are promoted and coordinated with the **bvc** and the authorities.

The work groups formed inside said committee worked on several regulatory proposals, such as changes to the transparency and standardization rules set forth in Decree 2555/2010 to promote the structuring of fixed-income instruments to finance infrastructure projects. As a result of this, Decree 1178/2017 was issued. Decree 1422/2017 established a mechanism to generate a uniform pattern for supplying information in the information prospectuses and granted the Financial Superintendence of Colombia with the legal authority to establish a standardized prospectus.

Innovation and Development of Financing Products

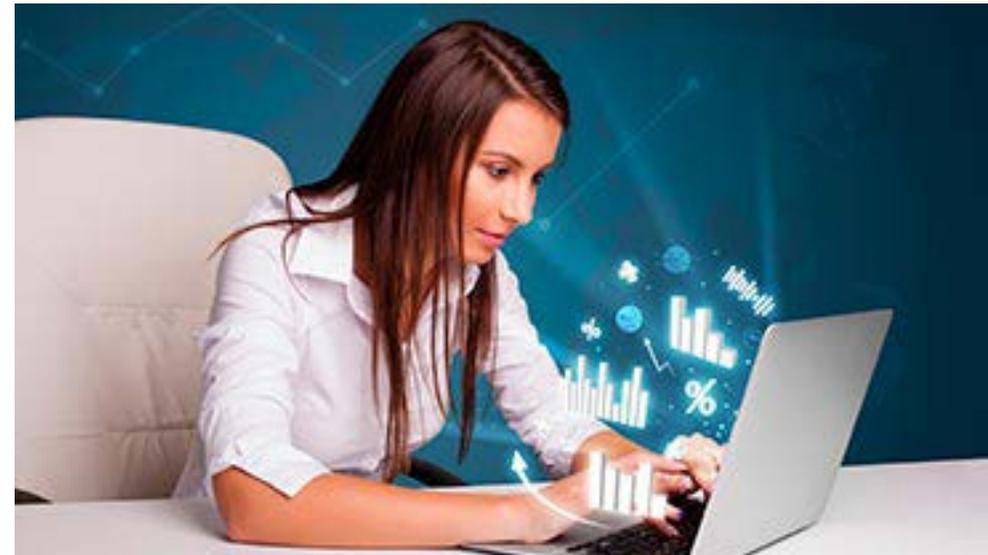
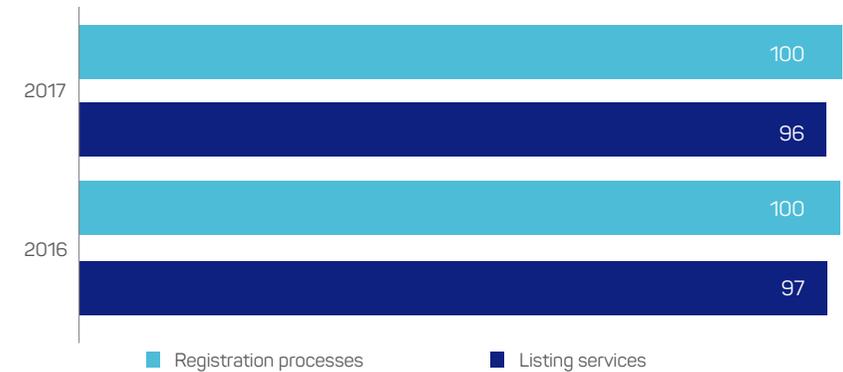
SMEs are essential participants in productive transformation that innovate and contribute to sustainable development. However, these companies' access to funding has been limited.

Taking into account the strategic objective for the Colombian capital market to be an effective means of business funding, the **bvc** is working on the design and development of an initiative aimed at facilitating SMEs' access to funding through the capital market.

Satisfaction Survey

SMEs are essential participants in productive transformation that innovate and contribute to sustainable development. However, these companies' access to funding has been limited.

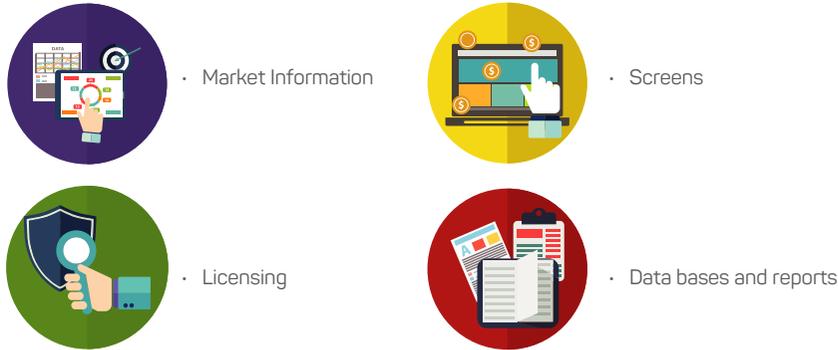
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5.6 Information and electronic media

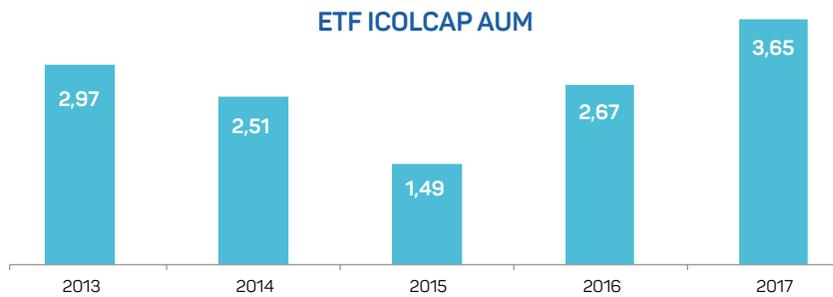
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The information products are divided into four business lines:



Information products are divided into four lines of business: market information, licensing, information screens, and databases and reports. The market information line ended 2017 with 37 vendors, three more than in 2016.

In the licensing line, the value of assets managed by ICOLCAP increased from COP 2.7 trillion in 2016 to COP 3.65 trillion in 2017, reaching a historical record.



Figures in COP Trillions

In the computer screens line, the e-bvc service incorporated the Excel function, the fixed income, derivatives and U.S. dollar markets were included in the portfolio function, the possibility of establishing price variation alerts was activated and end-of-day information on raw materials and currency markets other than the U.S. dollar was included.

Regarding databases and reports, the specialized service of calculating the interbank rate for issuer remuneration was maintained.

The percentage of orders routed through EAS increased 1.91% from 2016, comprising 95.67% of all the orders that entered the market. In turn, the number of trading terminals and communication monitors slightly increased from the previous year.

Finally, in 2017, the satisfaction with information and electronic media products increased to a score of 92 from the result of 85 obtained in 2016. This increase was the result of the improvement in the clients' rating of additional electronic access services and the equity and fixed income indices. The cost of information services and the contingency mechanism for failures in the electronic access services (EAS) are mentioned as areas for improvement.



5.7 Intermediaries commercial management

GRI 103-1, 103-2

Through the Office of the Chief Commercial Officer, we actively worked on enrollment and reinforcing use of the Exchange's products.



The team focused its efforts on enrolling new entities to the fixed income market and development of the new e-**bvc** laboratory line.

The fixed income market had suffered from the withdrawal of participants, with the number of members decreasing from 108 to 91 between 2013 and 2017. The trend reversed in 2017 and four new members enrolled: Fiducomeva, Multibank, Bancompartir and Renta 4 Global Fiduciaria.

In the effort to support the levels of knowledge on financial topics, a determining factor in the market's development, we worked with universities throughout the country, bringing information in real time and academic programs together, where students learn about the advantages of investing. Therefore, with the universities: Corporación Universitaria Minuto de Dios, Fundación Universitaria Unipanamericana and Politécnico Grancolombiano, more than 2,500 students will have finance laboratories available at their universities. This means a 276% increase in e-bvc invoicing in this sector, which can be

seen in the generation of 155 new licenses for the application.

We also continued efforts with some entities to improve operation automation levels, the development of routers and publication of information, enhancing electronic access services (EAS) for Banco de Bogotá, Old Mutual, Infovalmer and Blackrock. The interest of the information providers (vendors) in figures from the Colombian market remains the same. Citi and RDU are now part of this group.

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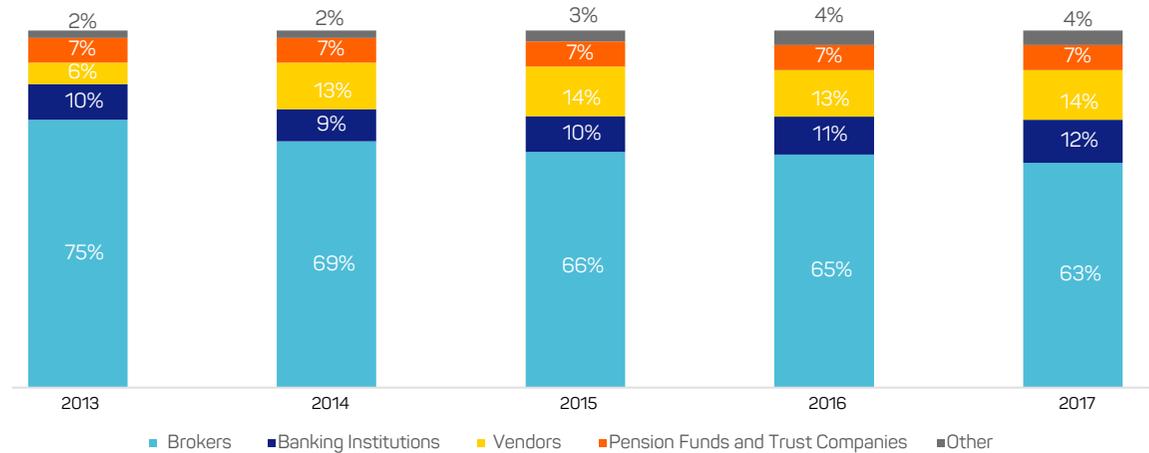
We also carried out a scheme of joint initiatives with our subsidiaries, through which we implemented the sale of technology solutions together with cross-selling work plans for greater penetration and use of the Group's products, achieving sales of more than COP 900 million. Finally, the positioning of Infovalmer (now, Precia) was strengthened as a specialized information and price provider with clients such as BlackRock and Fundación Social.

The bvc made the clearing and settlement of repos available to its equity market clients through the Central Counterparty Risk Clearing House (CRCC, for the Spanish original). In this process, we support the market in raising awareness of the model, preparation and trials. Through this product, we achieved a traded volume of COP 2 trillion by the end of the year. In this same line of work, we launched the options market and introduced ten new stock futures.

A significant part of the sales work was based on the new Master Trader trading platform, through an online training process of more than 1,253 people, together with personalized support for our members in technological and operational preparation in the fixed income market in order to start in 2018.

Finally, the Intermediary Sales Department managed to exceed the results obtained in our customer satisfaction survey once again, which demonstrated our sales support commitment to all our clients.

Revenues per client type



5.8 Colombia capital

GRI 103-2

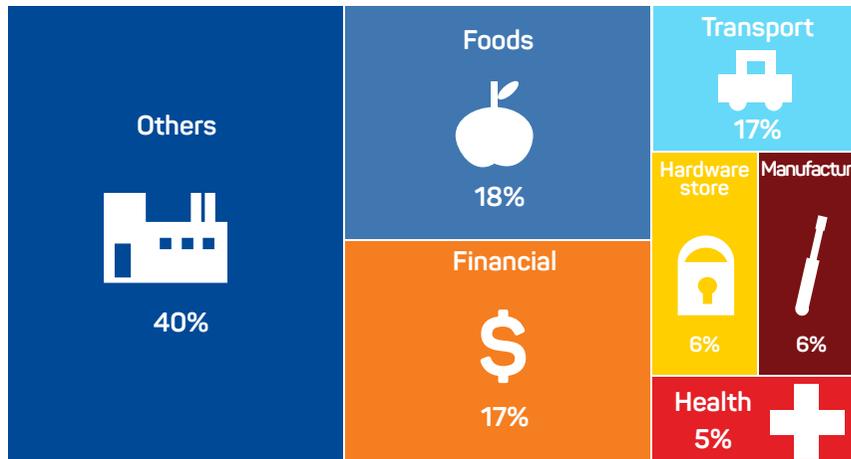
This is the training program for future issuers, which aims to increase the supply of Colombian issuers, and to strengthen and raise awareness of the funding opportunities on the capital market.

Strategic Objective

This is the training program for future issuers, which aims to increase the supply of Colombian issuers, and to strengthen and raise awareness of the funding opportunities on the capital market.

Current Members and Issuances by Companies in the Program

Currently, there are 72 companies in the program from different sectors of the economy: food (18%), finance (17%), transportation (8%), hardware (6%), manufacturing (6%) health (5%), and others (40%). It is worth highlighting the case of Banco W, which made its first bond issuance this year, amounting to COP 100 billion.



Sectores presentes

Vale la pena destacar el caso del Banco W que realizó su primera emisión de bonos ordinarios por COP \$100.000 millones durante el presente año.

Services Offered by the Program

- The program provided personalized support to its companies,
- Online training on the preparation process to join the securities market
- Kept the interested parties informed on a monthly basis of the different markets managed by the bvc.
- Events on topics of interest including corporate governance, economic outlooks, global trends of sustainable management reporting and green bonds.

The events not only had the attendance of members of the Colombia Capital Program, but also of the listed issuers, promoting an opportunity for issuers to share their experiences with companies that intend to access the securities market for the first time.

New Website – financiatebvc.com

The new **financiatebvc.com** website was launched, which aims to offer an online access point to current and potential issuers. The website has two main sections. The first is addressed to companies that are already securities issuers and presents information of interest for this segment, such as the results of issuances, the bvc Issuers Guide, IR Recognition and the COLOMBIA INSIDE OUT event. The second section is addressed to companies looking to become securities issuers and has all the information on the Colombia Capital Program, the benefits of being an issuer, the steps to start the process and the cost simulators.



5.9 Colombia inside out 2017

GRI 103-2

Meeting of the global investment community with investment opportunities and progress of the Colombian economy.

The sixth COLOMBIA INSIDE OUT event was held from June 12 to 16 in London and New York, where we continued to successfully promote the meeting of the global investor community with investment opportunities and the progress of Colombia in the post-conflict. On this occasion, 25 companies and 14 CEOs committed to promoting Colombia as an investment destination attended the event. There were 305 individual meetings with investors and more than 400 investors attended the conferences in both countries

Guest Lecturers in London



Juan José Echavarría
Bank of the Republic Manager



Néstor Osorio
Ambassador of Colombia - United Kingdom



Ana Milena López
Director of Public Credit



Clemente del Valle
Financial President of National Development

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Guest Lecturers in New York



Luis Fernando Mejia
National Planning Director



Roberto Serwaczak
Head of Latin American Equities
Citi



Andres Escobar A.
Deputy Minister of Finance



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Attending Issuers

Avianca	Hernán Rincón	EEB Group	Astrid Álvarez
bvc	Juan Pablo Córdoba	Nutresa Group	Carlos Gallego
Concreto	Juan Luis Aristizabal	SURA Group	David Bojanini
Davivienda	Efraín Forero	PEI	Carlos Angulo
Emgesa	Lucio Rubio	Promigas	Antonio Celia
Fdn	Clemente del Valle	Terpel	Sylvia Escovar
Argos Group	Jorge Mario Velásquez		
Aval Group	Luis Carlos Sarmiento		

25 Issuers:
14 CEOs – 15 CFOs – 7 VPs

305 1x1 Meetings:
London 130 – New York, 175

400 Attendants
London 190 - New York 210



5.10. WFE & FIAB

GRI 103-2

The bvc continued to actively participate in the World Federation of Exchanges (WFE) and the Ibero-American Federation of Stock Exchanges (FIAB, for the Spanish original).

World Federation of Exchanges - WFE



The bvc CEO and Chairman of the WFE, Juan Pablo Córdoba, is one of the 17 members of the WFE Board of Directors

for the three-year term from 2016. He also plays a primary role as a member of the WFE Working Committee and Emerging Markets Working Group, helping to prepare reports for the industry.

The main areas of focus for the WFE's work in 2017 were:

- Positioning with the aim to reinforce the value of securities exchanges and risk clearing houses in economic operation
- Regulatory coherence and equivalence
- Financial technology and decentralized records
- Resilience, recovery and resolution of risk clearing houses
- Information security
- SMEs.

The Emerging Markets Working Group prepared a study and published a report with recommendations to improve individuals' participation in the emerging economies' capital markets. The **bvc** was the only exchange in the continent to participate in the study.

Ibero-American Federation of Exchanges - FIAB



The Company participates as a member of the Executive Committee and Working Subcommittee of the FIAB.

The work plan focused on:

- Clearing and settlement with the aim to develop an Ibero-American clearing and settlement model for fixed income and equity instruments
- Information and liquidity with the aim to map in detail the data generated by the member exchanges according to the vendors' needs
- Maximization of the value of the information generated by the exchanges, detecting the information that is now subject to sale and its specific characteristics, as well as identifying information that it would be appropriate to
- Sustainability, with emphasis on social, environmental and governance topics in order to provide information for the member exchanges to establish policies and strategies based on established standards.

5.11 Progress in the regulatory agenda

GRI 103-1, 103-2

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In 2017 Changes were made to the regulatory framework of the capital market during the year, which aimed to provide greater security and trust to investors and brokers.

The **bvc** together with deceval and the CRCC, drove the creation and standardization of the necessary standards to clear and settle equity market repo transactions through the clearing house, implementing amendments to the bvc's General Regulations and supporting the Colombian Government with the enactment of Decree 2219/2017. Through this new structure, our members will have security in adequate management of the risks implicit to the trading they carry out, particularly, the so-called counterparty risk.

Additionally, with the aim to increase the standards and provide greater security in execution of transactions, we amended the bvc General Regulations, implementing a procedure for cases of non-compliance with tender offers. Likewise, we published the proposal to amend the MEC Regulations, updating the procedure for default on cash, repo, simultaneous and exchange traded fund (ETF) transactions on the fixed income market, specifying the procedure that our members must follow in cases of a contracting party's default due to failure to provide funds to complete the transaction or margin call for guarantees. Additionally, in response to the new rules for untimely payment, the bvc established some specific rules in order to clarify the dividend payout conditions for transactions where untimely payment is requested when the term coincides with the ex-dividend period.

In addition to the above and taking into account the need to have a dynamic and modern market, the bvc supported the Colombian government in the different regulatory developments related to the promotion of products and elimination of restrictions. The bvc and Issuers Committee promoted the enactment of Decree 1178, by means of which, the restrictions that issuers and investors currently



face in the private debt market are reduced, making the standardized conditions more flexible for the design of mixed and credit securities issuances. Likewise, it makes the funding of some projects that encourage the use of this kind of instrument viable.

In addition to the above, together with the market, it promoted the enactment of Decree 2090, through which joint investment vehicles related to real estate assets are promoted and made accessible to everyone. This decree permits the management of the fund by legal entities not overseen by the Financial Superintendence of Colombia. Likewise, the distribution mechanisms are extended for this kind of investment vehicle and assets acceptable for real estate securitization, including trust rights related to real estate projects.

Taking into account the current importance of the trading of equity securities that invest in real estate assets, as well as securities issued by mutual funds and/or asset-backed securities, such as asset-backed trusts, the bvc published an amendment to the bvc's General Regulations, which incorporates equity securities as susceptible to being traded in the equity market system. With this amendment, the bvc hopes to increase the liquidity of these securities, make the

equity market more dynamic, and increase the visibility of this security type for different investors, especially foreign investors.

In terms of projects that foster development and innovation, 2017 was characterized as one of the years with the greatest participation of the Exchange. The Regulations and Bulletin of the MEC were amended during the year with the main objective of implementing and adapting the new items of the INET and Master Trader technology upgrade project. Likewise, we supported the Colombian Government in the proposal of electronic crowdfunding platforms to increase the supply of funding available in the country. Through this project, we aim to increase the alternative funding schemes based on a high technological and innovative component, maintaining high standards of transparency, integrity and consumer protection.

Finally, and with the aim to increase the variety of products on the market, we amended the Derivatives Market Bulletin, adding stock options contracts to the derivatives market. Through this first line of options, we hope to improve the opportunities for investment and extend the range of hedging products to manage market risk.



5.12 Technology management report

GRI 103-1, 103-2

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The bvc oriented its efforts and capabilities in three fundamental fronts: projects, IT management and operation, digital strategy and innovation.

The **bvc** focused its efforts and capacity on three essential areas:

- Development of the INET and Master Trader project, making significant progress in IT preparation to start operating in 2018.
- Stabilization of IT operations to ensure business system availability and mitigate risks of failure in the IT infrastructure.
- Innovation and development of the first initiatives for rollout of the digital strategy.

Projects

Project management and operation assurance carried out 293 rollouts in production with an average quality index of 93.15%, which was mostly aimed at improvements to the critical business applications.

The INET and Master Trader project led to the achievement of great technological challenges, such as:

- Design and construction of an application that integrates trading of the fixed income (public debt), stock and derivatives markets and the MILA.
- Virtualization and centralization of the communication monitor infrastructure required for trading on the fixed income market. Once in operation, this will generate a reduction of COP 400 million in operating costs and improve the management processes, eliminating the physical machines that our members currently have installed.



- Implementation of a new monitoring model based on big data, which improves availability thanks to the timely detection of failures in the systems and constant assessment measures of their use.
- Automation of the validation and synchronization process of user and trading parameters on the technology platforms: X-STREAM, INET, Master Trader and SIOPEL. This increases quality and efficiency.
- Automation of tests on the FIX trading interfaces with the aim to ensure the quality of the new INET platform through the internal development of tools that enable the automation of more than 5,000 tests, generating savings of approximately COP 500 million in funds for testing.

Parallel to this, we made the following changes in production: stock options transactions, post-



trading process of repo transactions through the Central Counterparty Risk Clearing House, activation of the FUTM derivatives trading session for market makers, execution of 48 listing services and 168 adjustments to the systems to resolve daily incidents and requirements.

IT Management and Operation

One of the main objectives of the IT Department is to ensure business system availability, mitigate risks of failure in the IT infrastructure and maintain adequate measures to protect information.

IT Operations Management achieved important objectives for the Exchange, which generated direct benefits for clients, such as: 99.89% business system availability, mitigation of risks of failure in the IT infrastructure and implementation of adequate measures to protect information. The actions implemented are presented in more detail below:

Acybersecurity strategy based on ISO 27001 was established to improve information security over the next five years, achieving 54% compliance of the controls established in the standard, and with an investment of around COP 600 million, it took the first steps to achieve said objective.

The network infrastructure and perimeter security were completely upgraded through the implementation of new IT infrastructure based on applications (ACI Network), expansion of the communication capacity (1 Gbps to 10 Gbps) and improvement of the performance for the transmission of information to and from data centers.

This change reduced the operational risk thanks to the automation of maneuvers for the activation of networks and access to them, the detection and review of online security incidents and the online update of databases of security incidents, threats and attacks.

Regarding **technology contingency**, we conducted disaster recovery and contingency tests for critical business services, such as: FIX, BackOffice, Listing Services, Options Valuator, SIOPEL (Registration), replication network and data center network with the aim to verify the effectiveness of the contingency plans, train participants and identify opportunities for improvement.

New technology mechanisms were activated aimed at strengthening the business continuity strategies through the implementation of mass storage devices with replication and



synchronization between data centers and the acquisition of a stronger and more efficient (50 Mbps to 1,000 Mbps) communication channel, which reduces the probability of loss of data and optimizes the process of data synchronization and backup.

In addition to the strategic business projects and improvement of information security and business continuity, the Technology Department constantly develops solutions to optimize internal processes of IT and all areas of the Organization, achieving a **continuous improvement index of 90.94%** in 2017. The following improvements stand out:

- Use of tools such as JIRA to manage processes, through which the registration, tracking and monitoring of requests are controlled, including user maintenance (100/month), test circuit management (223/month), rollouts in production (25/month) and requests to the Stock Market Information Center (134/month).
- Centralization of the configuration of all bvc computers' operating systems, which enables centralized and massive software updates without interrupting employees' work shifts.
- Implementation of Hangouts integrated with the live transmission service of YouTube to watch events live and for employees of the

offices of Calle 72, as well as bvc subsidiaries and/or training centers, to be able to participate at all times.

- Use of the "convergent" infrastructure in the projects for virtualization, which facilitates the supply process of computers and applications for the projects.

Digital Strategy and Innovation

The Exchange's Technology Team led the development of the operating and technology model to implement **Electronic Invoicing Registration**, including the detailed design of 24 business processes, forms, a technology prototype, the organizational structure, an operating costs model and a technology project costs model. This was carried out together with the New Business Team of **deceval** and with the strategic partner Confecámaras.

We started to consolidate digital marketing for massive products and implemented the digital trading platform (bvc Store). This service made 5,500 sales, amounting to COP 600 million pesos between May and December 2017.

We also optimized and implemented new digital channels, such as:

- Web development and mobile application for free education.
- **Chatbot or online assistant** for bvc customer service. This solution responds to clients' frequently asked questions, guides the user regarding products or physical or online services, and collects information about customer satisfaction.
- Online signposting at bvc Training Centers to provide up-to-date and synchronized information in all centers.
- Renovation of the corporate governance and Board of Directors microsites.

Finally, **human resources capacity-building** is essential to achieve these challenges. Therefore, we encouraged the training of employees through specialized workshops on innovation and leadership, academic programs to close technical gaps and workshops focused on developing skills to provide excellent customer service.



5.13 Development and evolution of projects managed by the PMO in 2017

GRI 103-2, 203-1

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We focused efforts on the management of four projects that transform the Colombian securities market's way of operating. Through significant improvement of the current services and activation of new products, these projects aim to increase the levels of the market's quality, competitiveness and eligibility. Each one is presented in more detail below:

INET + Master Trader project

We started to implement a **latest-generation technology platform** that enables high performance when sending orders and making transactions, as well as the interconnection of the fixed income, equity and derivatives markets and MILA.

Additionally, we progressed in the development of a single professional trading screen, which has multiple functions that will transform the way of participating in these markets.

The new technology solution provides greater efficiency in current services, such as: less lag time in transactions, high-frequency trading, direct access to the market, a risk control module, integration of the different markets' trading services, and tools to develop multi-product and multi-market strategies. With the improvements of services, we aim to standardize the opportunities for the different market participants, giving unified access to all the markets for all operators, greater capacity of trading methods, automatic trading strategies and optimized, secure, available and sponsored access for all members.



We will continue the project in 2018 and the implementation **strategy will be carried out in two phases:**

Phase 1: With 89% progress, this phase aims to implement a single trading screen for the fixed income market (public and private debt), which will enable the entry of new algorithmic trading orders, online portfolio valuation functions, integrations with Excel, automatic trading mechanisms, migration of the fixed income market (public debt) to the new X-STREAM INET trading engine and improvements to the MEC PLUS system, which will keep operating with the private debt segment through the new professional trading screens. These changes will give greater liquidity to the market.

Phase 2: With 2% progress, we aim to migrate the equity and derivative markets and MILA to the new X-STREAM INET trading engine, as well as trading through the Master Trader screen with all its functions.

Equity Market Post-Trading through the CRCC

Giving **continuity to the project of the new clearing and settlement** model through the CRCC for the equity market, we aim to generate efficiency in entities' liquidity management, reduce the counterparty risk thanks to the clearing house's action in all the transactions, and



adopt international standards for the market's clearing and settlement. With these benefits, we also hope to increase the eligibility of the equity markets.

The strategy to implement the project is carried out in two phases.

Phase 1: Completed. The scope of this phase was the implementation of the new model for repo transactions.

Phase 2: With 16% progress, the scope of this phase is the implementation of the new model for cash and exchange traded fund (ETF) transactions.

Options Market

In 2017, the **bvc** continued to **implement the options project**. The implementation involved the activation of the product in the trading system, and integration with the infrastructure entities involved in the operation and development of a specialized application to assess options contracts. Commercial: Training on the new product and strategies focused on hedging, as well as a plan to communicate the product and its features. Legal: Regulatory adjustments and approval by the control entities, and establishment of work agreements with the infrastructure entities and related SLAs.

We plan to activate options on the representative exchange rate in the first quarter of 2018.

Upgrade of e-bvc

The implementation of **new content and functions of the e-bvc web and mobile application** presents information in real time to the markets that it manages: equity, fixed income and derivatives markets. The aim of this is to achieve greater penetration of the individuals segment, taking advantage of the high growth potential seen in the real sector and university segments.

By the end of the year, the project recorded 90% progress, which includes: The incorporation of new content: entry of the U.S. dollar into the application's information. Additional information: other currencies and prices of commodities. The incorporation of new functions: entry of the MEC calculator, fixed income portfolios, derivatives, U.S. dollar, password change, derivatives guarantees, technical analysis and essential information on the MILA, subscription button in access demo, connection to Excel and warnings.

The new pending functions will be implemented in 2018.



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6.1. 2017 Talent Management

GRI 402-1, 103-1

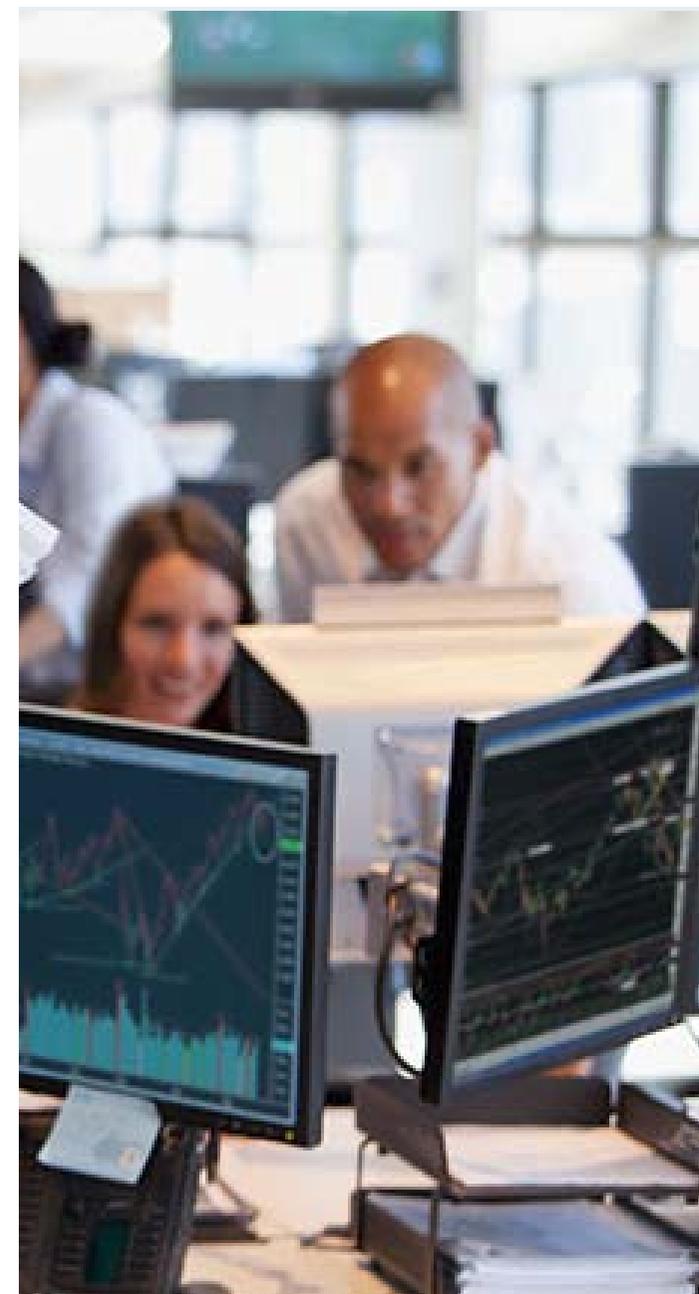
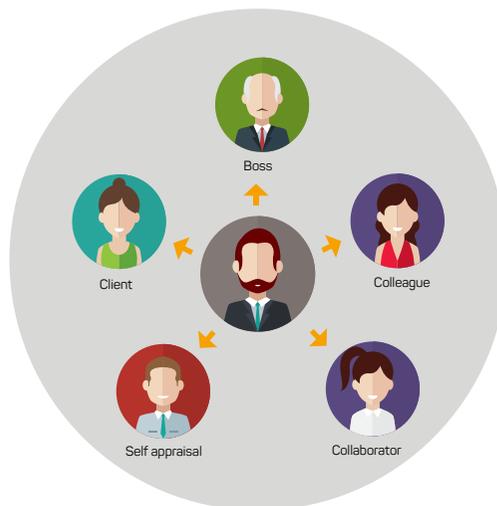
The bvc believes in the growth of its employees and their talent. This contributes to the development of a high-performance corporate culture and adds value to the Grupo bvc Strategy.

Since 2016, we have aligned strategic management with management of people and processes. We update our organizational skills, values, and capacity model to ensure their coherence with the strategic objectives of the **bvc** and its subsidiaries.

Skills are the knowledge, abilities, processes and practices of an organization, and generate a competitive advantage. The **bvc** and its subsidiaries have defined three skills aimed at strategic projection to keep its value promise.

In 2017, we evaluated everyone's skills using the 360-degree feedback process, which measures the adaptation and appropriation of behaviors associated with each variable. Each person prepared their development plan according to the outcomes.

360-degree feedback process



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The skills ensure the execution of the strategy and the achievement of the expected results. Said skills are shown in the behaviors that the leaders and employees must demonstrate, which are characteristic of interactions between members of the Organization.

6.1.1. Principles of Labor Rights

GRI 102-41, 103-2, 402-1

Organizational capabilities	Competencies	Values
<ul style="list-style-type: none"> Strategic cohesion 	<ul style="list-style-type: none"> Passion for vision Joint 	<ul style="list-style-type: none"> Passion
<ul style="list-style-type: none"> Innovation 	<ul style="list-style-type: none"> Expert knowledge Entrepreneurial spirit 	<ul style="list-style-type: none"> Collaboration Reliability
<ul style="list-style-type: none"> Connection with the client 	<ul style="list-style-type: none"> Unsurpassed service Exceeding expectations 	<ul style="list-style-type: none"> Proactivity Commitment

Labor relations are governed by current Colombian legislation¹, and the legal team ensures correct implementation of the laws. Monitoring through internal audits, regular meetings with legal advisors, and implementation of clear policies and procedures of public knowledge fosters clear and dignified working conditions. The aim is to have a healthy and peaceful work environment where employees' rights are protected by their employer.

Additionally, to generate greater employee wellbeing, the **bvc** has implemented a benefits plan and additional policies to the legally required ones, which improve the workplace.

Therefore, employees do not feel the need to form unions to protect or guarantee their labor rights, because they are part of the Company's practice. However, in accordance with legislation, employees are entitled to form unions as part of their legal rights.

¹ The Colombian Constitution, the Substantive Labor Code and the International Agreements of the ILO that are part of the constitution and other legal declarations of the high courts that provide guidelines for the interpretation of legislation.

6.1.2. Work Environment

GRI 103-3

In September 2017, the **bvc** assessed its work environment for the eighth year in a row using the **Great Place to Work**[®] methodology. Under the new assessment model, the result obtained in the Work Environment Index was 69.0 (equivalent to 65.5 under the previous method), maintaining the same "Satisfactory" level as the 2016 assessment.

GPTW



69
Satisfaction level
Labor environment
index **bvc**

- 81% Credibility
- 74% Respect
- 70% Impartiality
- 82% Camaraderie
- 88% Pride

The survey highlights that pride in the Organization was one of the outstanding pillars. "Honesty" and "Fairness" are the variables considered to be the Organization's greatest strengths.

The institute's recommendations are to "Respond to the leaders' queries so that their replicating role has the expected positive outcome". Trust is strengthened when employees perceive that their leaders keep their word; motivate, consider and respect the employees' suggestions and ideas with interest; and promote fair treatment regardless of age. That is why the action plan for 2018 is aimed at generating areas for direct communication with the leaders to identify the gaps in their needs and expectations in order to consolidate a uniform leadership style in the **bvc**.

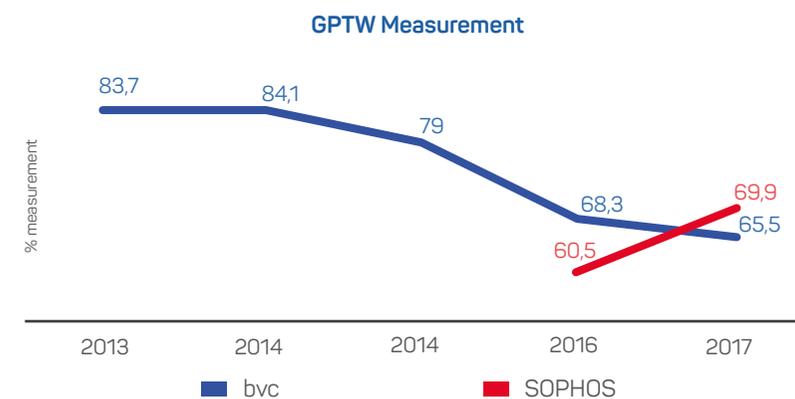
Considering the results obtained by our Sophos subsidiary, the employees' perception generally improved and the proposed Work Environment Index was achieved after 2016. The expected outcome was achieved in most of the variables. We achieved





the target in terms of assessing “Welcoming Atmosphere” and “Pride in Own Work”, which are part of the Camaraderie and Pride dimensions, respectively. However, the target for the “Coordination” and “Honesty” variables in the Credibility dimension was not achieved.

The focus will be on the dimensions of Credibility, Respect and Pride in 2018, for which we are creating a work plan to generate a change in the employees’ perception.



6.1.3. Training Management

GRI 103-2, 404-2

To align our employees with the strategy, values, culture and improvement of the workplace, we have a **training program in three lines** of development:

- Specialization
- Closure of Gaps
- Corporate Training



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Every year, all employees develop a skill from the Strategic Coherence Model (Vita **bvc**) with the 70-20-10 methodology. This facilitates autonomous actions of formal, corporate and experiential learning. As part of this plan, we worked on topics including Assertive Communication, Transformation Management, Teamwork and Productivity.

The **bvc** proposed the Leadership School as a strategic objective in response to one of the objectives for 2017: Maintain a culture based on achievement of objectives, consolidate the implicit organizational skills of the MEGA 2025, and align the values with the culture. Recognize potential in the **bvc** and provide basic strategies and tools to strengthen the New Strategic Cohesion Model, thus aligning the leadership of the **bvc** and its subsidiaries.

Alignment of the Leadership Style of the bvc and its Subsidiaries

Twenty-five employees from the **bvc** and its subsidiaries applied for the Leadership School. The employees who participated met the following criteria:

- SIGD rating: 100 points minimum
- 360° evaluation rating: 83 points minimum
- Not having disciplinary processes
- Minimum age of two years
- Closure of the 2016 development plan: Minimum achievement



SIGD rating 100 points
minimum



360° evaluation rating: 83
points minimum



Not having disciplinary
processes



Minimum age of two years



Closure of the 2016
development plan:
Minimum achievement

Additionally, we have specialized training suggested by employees or leaders for: undergraduate, diploma, postgraduate and master's degree education, with the aim to close gaps in knowledge related to the work carried out. To access this benefit, the application must be accompanied by the approval of the applicable chief officer and meet the requirements established in the training procedure.

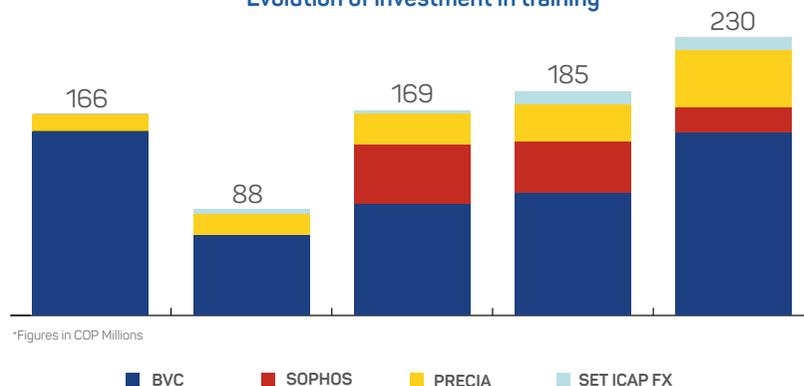
The Company's Training Committee meets once a year and analyzes the training applications. In 2017, COP 151 million were invested, which included support for master's degrees, postgraduate courses and training abroad.





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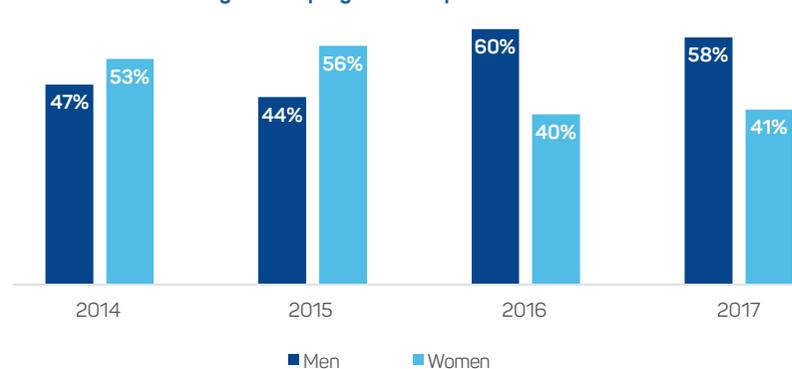
Evolution of investment in training



*Figures in COP Millions

■ BVC ■ SOPHOS ■ PRECIA ■ SET ICAP FX

Percentage of employees with performance evaluations



■ Men ■ Women

6.1.4. Occupational Health Management

GRI 403-1, 103-2

As part of its commitment to reduce risk factors that may generate occupational accidents or diseases among employees, the aims of the **bvc** include integrating safety with quality and productivity in order to improve the quality of work life and reduce the costs generated by occupational accidents and diseases. In turn, this improves care, generates a healthy work environment and achieves customer satisfaction.

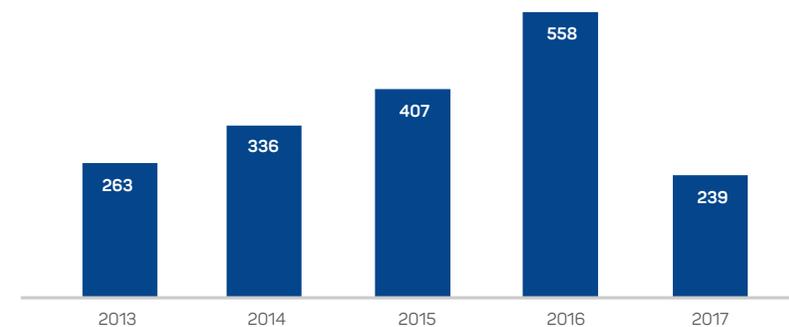
In 2017, we held activities such as Health Month, carrying out occupational medical tests, specialized diagnoses, relaxation activities, workshops, and blood donation campaigns, among other prevention and health promotion activities for employees.

We also established other initiatives, such as health stands, where we promote healthy lifestyles by giving out fruit to employees.

The Organization has the Occupational Health and Safety Peer Committee, which establishes and sustains healthy practices. Through this committee, we encourage our employees to develop safe habits and to work together with executives, as well as the person responsible for occupational health. In turn, the emergency brigade, comprised of 24 employees from all the departments, works to facilitate the company's emergency plan.

The **bvc** has not received reports of occupational accidents or occupational diseases in recent years. Consequently, it has been acknowledged by the Occupational Risk Insurance Company (ARL, for the Spanish original) for its Epidemiological Oversight System.

Investment Occupational Health



*Figures in COP Millions

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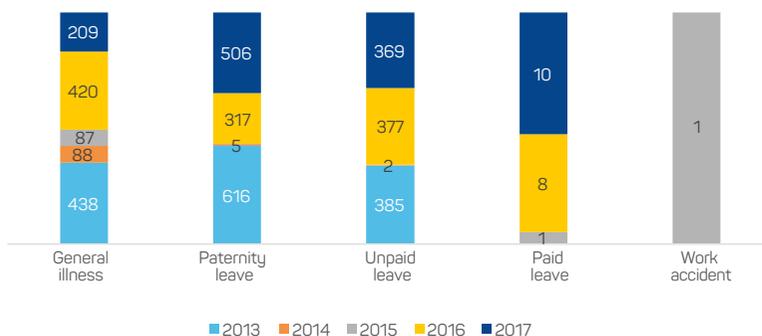




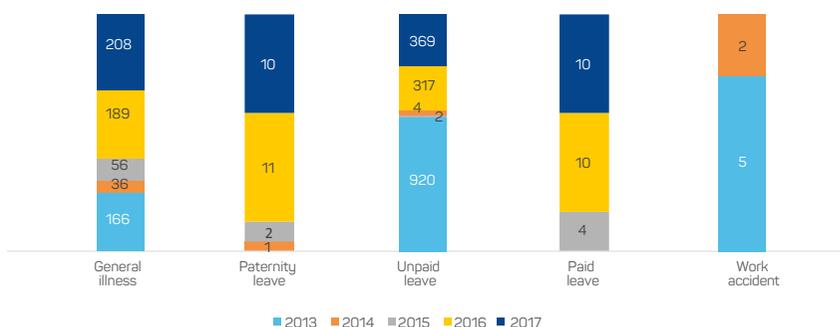
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The change in the rate of absenteeism between 2016 and 2017 is related to the structural failures of the temporary offices at Calle 94, which caused muscular discomfort to employees. To rectify the situation, the bvc transferred all personnel to the offices at Calle 72, combating absenteeism in 2017.

Absenteeism - Women



Absenteeism - Men



6.1.5. Wellbeing Management

GRI 401-2, 103-2

Based on the 2016 results of the survey on the opinion of benefits, perception and assessment, we relaunched the bvc benefits catalog with the slogan "We Are Committed to Taking Care of You", responding to the needs of our internal clients, broken down into the following five categories.

Catalog of benefits
"Our commitment is to take care of you"



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MOTIVATION



We give to your child a birthday present until he is 12 years old



We will celebrate the birth of your child with a gift



Your visual health is important to us: COP \$ 30,000 optical aid



We support you when you need it most: Funeral insurance for the employee and his family



We foresee better assistance with the help of 75% of prepaid medicine for you, your spouse and your children

RETENTION



Discount in mobile phone plan



Affiliation Mutual Investment Fund Fonbolsa



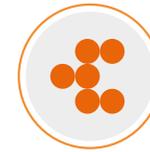
ASOBURSATIL affiliation



Discounts in restaurants



Cultural events



Compensar



Discounts in hotels



Discount in Juan Valdez Pub to bvc Bogota



Discounts in programs of Universidad del Rosario



Agreement to study another language: english, portuguese and french



Gym Discounts



WORK ENVIRONMENT

QUALITY OF LIFE



Let's celebrate Women's day and Men's day



Recreational vacations for your children



+2 vacation days that can be taken in Dec or Jan

Let's celebrate Mother's day and father's day



Share your achievements at the year end party



+15 additional days for maternity leave



Take part in the bvc's family day



Live the magic at children's christmas party



+8 additional home office days for paternity leave

Create bonds in love and friendship day



Surprise day



Celebrate your birthday with the half labor day given by the company



Take care yourself in bvc's health day



Take part in activities and sports



To start this new life stage, you can have 3 labor days to celebrate your marriage

Dress up your costume in Halloween



Different learning courses



RECOGNITION



You can access to the bvc's education lines

We support your growth plans with an education aid abroad (up to USD25.000 per year)



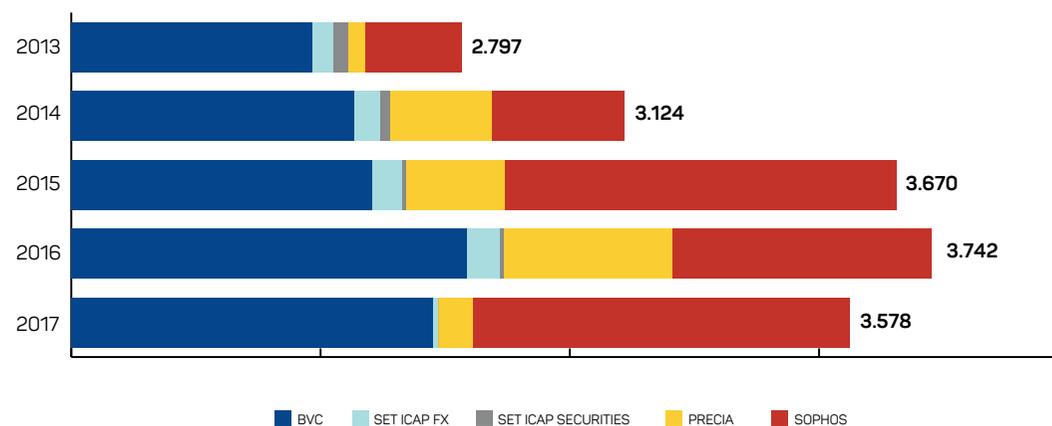
We think in your constant development with an aid in specialized training up to 50%

We reward your effort with the variable compensation by objectives achieving



We promote your rest with 3 additional vacation days and an economic aid in the year of five-year bonus

Evolution of employee benefits



*Figures in COP Millions



6.2. Claim Mechanisms regarding Work Practices

GRI 102-17, 205-1, 103-2

The Work-Coexistence Committee helps protect employees from psychosocial risks that affect their health in the workplace.

This committee is an amiable compositeur and leverages good labor practices to contribute to a positive work environment.

In 2017, the committee met on 9 occasions and addressed issues concerning the monitoring of recommendations about complaints by some employees regarding issues of coexistence. It processed the claim of an employee with actions aimed at recovering said relationship; provided support with Human Resources and specialized consultants; redefined work plans; and aligned objectives, which permitted the recovery and coordination of the work team.

The **bvc** also has an Ethics Hotline to report situations regarding coexistence that employees consider need to be analyzed by the committee in order to provide proper treatment that fosters harmony among employees.

SET ICAP

The Work Coexistence Committee of SET-ICAP FX is comprised of two (2) representatives of the company and two (2) employees, and one (1) representative of each party in SET-ICAP SEC. The meetings are held every quarter, and in the event of special cases, an additional meeting is announced. Although complaints, claims or reports that affect the work environment were not made in 2017, the meetings scheduled in the wellbeing plan were held. At said meetings, the members listened to the recommendations that employees have contributed regarding healthy coexistence.

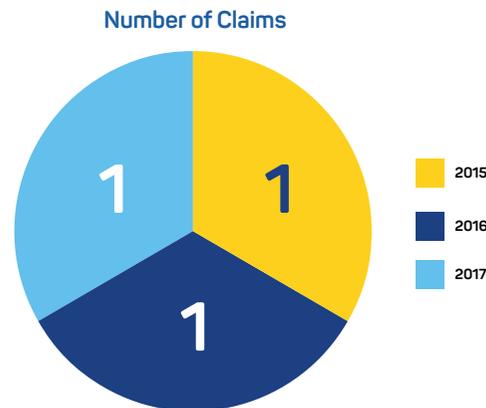
SOPHOS

Sophos Banking Solutions S.A.S. has a committee trained to resolve conflicts that arise inside the company.

Activities Implemented:

- Train the Work Coexistence Committee on duties, responsibilities and conflict resolution.
- Continue the "Revolution of Small Things" campaign.

Only one case occurred in 2017, in which the due processing and closure of the case was carried out. Furthermore, it was fully documented and signed by the committee members and persons involved.



² Work Coexistence Committee created by means of Resolution 652/2012.

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Chapter 6

6.3 bvc Compensation Model

GRI 102-38, 102-39, 103-2

The bvc has a salary payment model based on the methodology of the Hay Group.

The **bvc** has a salary payment model based on the methodology of the Hay Group. This tool permits the development of the Salary Policy and incorporates the analysis of different jobs in the Company's organizational structure and the complexity of obtaining the personnel in the market.

This payment model successfully combines the variables of fairness or internal consistency and competitiveness, generating motivation, attraction and retention of talent. To achieve this result, it includes an analysis of four factors:



Knowledge, experience and skills



Problems Solution



Responsibility



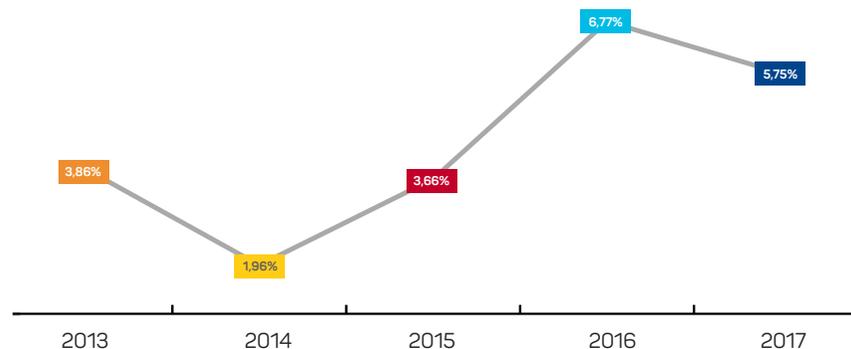
Position Profile

The result rates each bvc job according Hay points and scores.

+	Knowledge and experience	<ul style="list-style-type: none"> • Open mindedness and profoundness (technical knowledge) • Management skills • Human relationships
+	Solutions of problems (intellectual results)	<ul style="list-style-type: none"> • Reference framework (autonomy thinking) • Demand difficulties (complexity / precedents)
=	Responsibility (material results)	<ul style="list-style-type: none"> • Freedom to act (decision autonomy) • Magnitude and impact (scope)
	Work position content (points)	



Salary increases



*Salary increases were made in 2017 in according to the country's inflation.

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6.4 bvc Employees

GRI 102-8, 103-2, 401-1

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In 2017, we made our biggest challenges a reality, focusing on capacity building, leader training, performance management, improvement of the workplace and alignment of the culture.

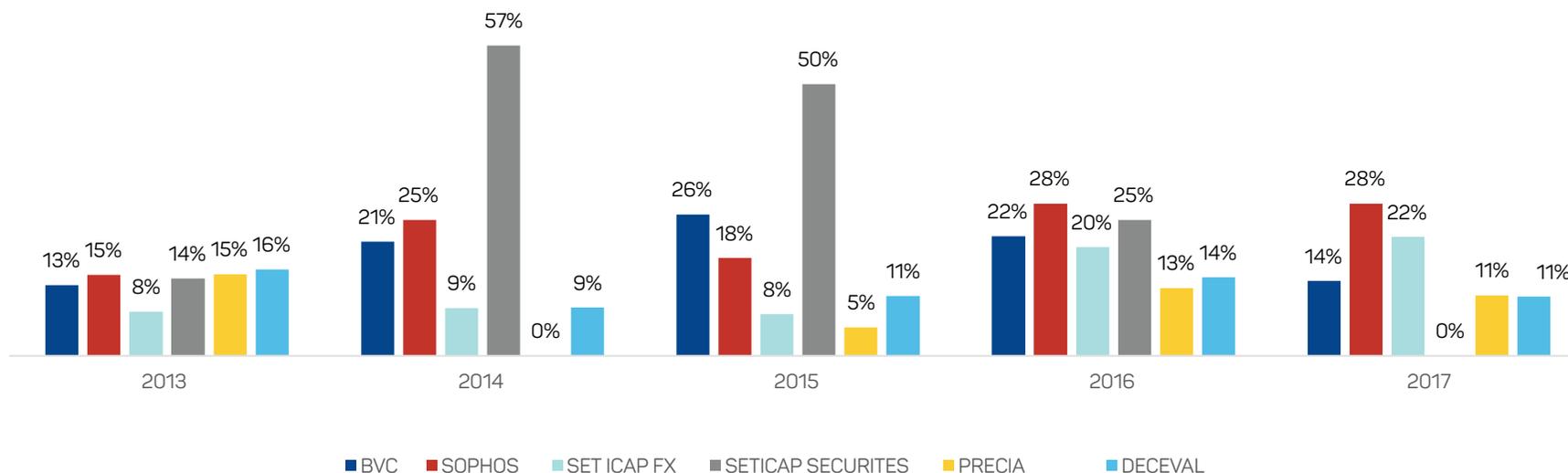
Our professionals demonstrate leadership, initiative, commitment and skills for teamwork. They are target and results-oriented, self-managing, proactive and characterized by their problem-solving skills.

Derived from the projects developed by the bvc the indefinite term contracts decreased with respect to 2016. 6% of the female population has a fixed term contract and the remaining 94% for an indefinite term. On the male side, only 8% of men have a fixed-term contract

Collaborators by type of contract and gender

Type of Contract			BVC	DECEVAL	SOPHOS	PRECIA	SET ICAP FX	SETICAP SECURITES
2013	Permanent	Man	51%	49%	65%	38%	68%	100%
		Woman	41%	49%	2%	54%	32%	0%
	Temporary	Man	4%	2%	32%	0%	0%	0%
		Woman	3%	1%	2%	8%	0%	0%
2014	Permanent	Man	51%	45%	70%	54%	64%	75%
		Woman	41%	51%	1%	46%	36%	25%
	Temporary	Man	4%	3%	27%	0%	0%	0%
		Woman	4%	1%	1%	0%	0%	0%
2015	Permanent	Man	52%	47%	69%	37%	63%	75%
		Woman	39%	50%	2%	63%	37%	25%
	Temporary	Man	5%	3%	28%	0%	0%	0%
		Woman	4%	0%	1%	0%	0%	0%
2016	Permanent	Man	52%	48%	72%	50%	68%	75%
		Woman	38%	51%	2%	50%	32%	25%
	Temporary	Man	6%	1%	24%	0%	0%	0%
		Woman	4%	0%	1%	0%	0%	0%
2017	Permanent	Man	50%	51%	68%	52%	69%	75%
		Woman	36%	49%	26%	41%	28%	25%
	Temporary	Man	8%	0%	6%	7%	3%	0%
		Woman	6%	0%	0%	0%	0%	0%

Staff turnover rate



*In terms of staff turnover, there was a 22% decrease in 2016 and a 14% decrease in 2017. The results are the outcome of the initiatives applied.

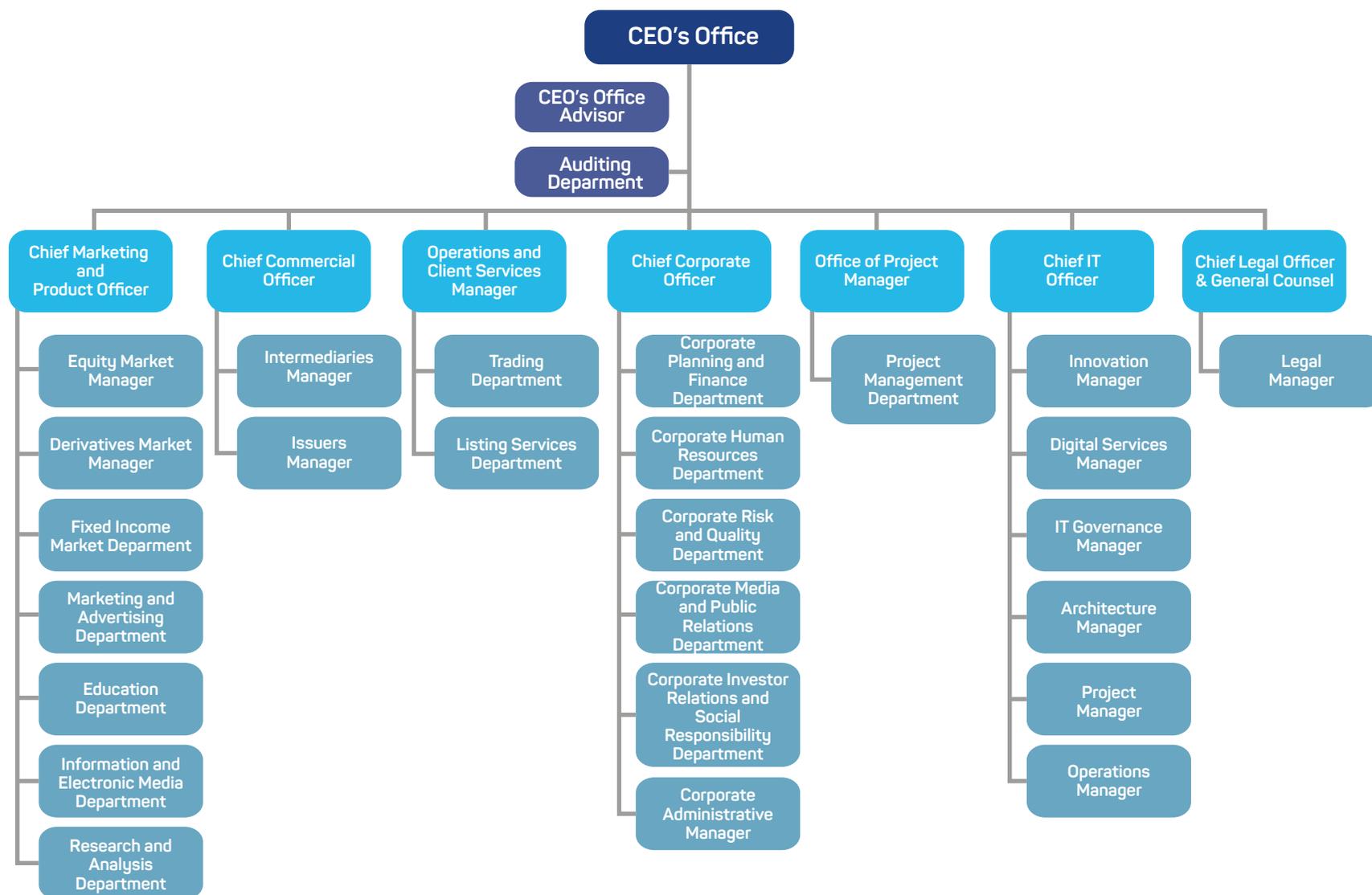
Composition of the bvc structure and subsidiaries

Position	BVC	DECEVAL	SOPHOS	PRECIA	SETICAP FX	SETICAP SECURITIES	TOTAL
CEO	1	1	1	0	1	0	4
Chief Officer	3	4	3	0	0	0	10
Manager	15	5	11	1	4	0	36
Supervisor - Director	30	27	28	2	9	1	97
Coordinator - Leader	38	9	9	4	7	0	67
Senior Consultant	0	0	120	3	2	2	127
Junior Consultant	0	0	206	0	2	1	209
Consultant	1	0	162	0	0	0	163
Analyst - Professional	165	108	40	12	4	0	329
Assistant	9	32	26	5	3	0	75
TOTAL	262	186	606	27	32	4	1117



bvc Structure in 2017

As a result of the integration with the depository, the organizational structure will be modified with the aim to have high-performance teams, and comply with the guidelines and achieve the objectives proposed in the Organization's new strategy. The following is the organizational structure at the end of 2017:



- Letter to shareholders
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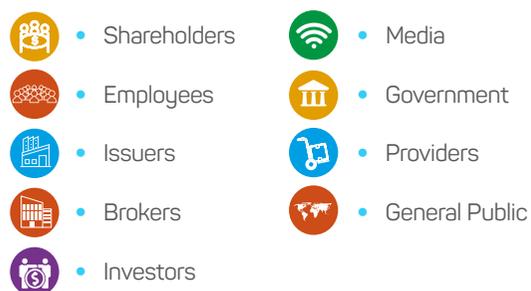
< 174 >



7.1 Identification and Selection of Stakeholders

GRI 102-40, 102-42, 201-1

Likewise, due to the function of public interest associated with the securities market's activity, the following are considered to be stakeholders of the Exchange:



Taking into account how important all of these stakeholders are for the existence and development of the **bvc**, the Exchange recognizes and adopts the following principles:

1. **Respect the rights and recognize the duties** that the law and effective contracts grant to stakeholders.
2. Consider that the proper **flow of relevant information** is an essential element for relations between the Exchange and the different stakeholders. For this purpose, the Exchange will have the information and communication mechanisms indicated in the **bvc** Good Governance Code.
3. Recognize that the **different relationships that the Exchange** has with its stakeholders must be regularly assessed in order to find mechanisms that allow them to be of greater benefit to the Exchange as well as its stakeholders.

The **bvc's** stakeholders are classified according to the type of relationship that their members have with the Exchange.



7.2 Commitment to Stakeholders

GRI 102-43, 102-44, 102-47, 102-48, 102 - 49, 103-3



The Exchange aims to create solid, long-term relations with its stakeholders.

The Exchange aims to create solid, long-term relations with its stakeholders. Therefore, through the Customer Experience Survey, the **bvc** aims to find out clients' opinions, suggestions and expectations about its value proposal. We also conduct surveys on our corporate reputation from the perspective of journalists who influence public opinion through their work. Finally, we applied the methodology of the Great Place To Work Institute to find out the Trust Index of the Exchange and the aspects to improve with our employees. The results obtained from the stakeholders are presented below:

7.2.1. Customer Experience Survey

GRI 103-2, 103-3

Three key components were assessed for this edition of the survey on experience of clients of the bvc (without its subsidiaries).

- Brokers
- Issuers
- Education / Universities

This evaluation was carried out using two quantitative methods.

On this occasion, the survey evaluated the experience of 443 clients of the Exchange, distributed as follows



Brokers
378



Issuers
18



Education / Uni.
47

Intermediarios

The Broker segment was comprised of brokerage firms, banks, commercial financing companies, finance corporations, pension funds, trust funds and insurance companies.



Issuers

In the Issuers segment, comprised of registration and listing services, a score of 91 points was obtained in satisfaction at the end of 2017. This result is comprised of 100 points obtained in the registration process, which maintained its historical levels, 97 points in listing services and 77 points in brand health, demonstrating excellent quality standards and showing a stable positioning among these stakeholders. The total satisfaction indicator of the Issuers segment remains stable with a slight decrease of six percent from the previous year.



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Education / Universities

The Education/Universities segment focused on evaluating the perception, experience and expectations of the deans, administrators and monitors of the universities that are partners of the program and that lead the national bvc Training Centers.



Generally, the recommendations received from the clients in the three segments refer to the need to widen the spectrum of clients and bring new participants that help to make the market more dynamic. They consider that the Exchange has an essential role in

strengthening the industry and, therefore, it needs to keep implementing strategies that help the securities market to broaden its horizons, reaching new people and companies seeking investments and financing.

Finally, the 2017 "Customer Experience" indicator did not achieve the proposed minimum. Bolsa de Valores de Colombia hoped to achieve a level of 71 points or more, but it obtained 67, very close to the target.

**7.2.2. Media Survey**

GRI 103-3

In the annual survey (2017) of media journalists and reporters who frequently cover the bvc, we obtained a score of 4.0 points or more in 11 of the 14 annually assessed variables. The three other variables were in the range of 3.7 to 3.9.

In 2017, we obtained the best rating in the last three years for the question, "What is your perception of the security of the transactions you make through the bvc?" with 4.5/5.0, which reflects the improvements in this area.

Additionally, we highlight the better perception regarding "transparency of transactions", which has constantly improved to obtain a score of 4.38/5.0.

The scores below 4 include: Education and Training for Media, which decreased to 3.76 and will require a special response plan. Similarly, the perception of Leadership showed a slight reduction from 4.04 to 3.96, and "System Availability and Service" which decreased from 3.96 to 3.92.

Results of the perception of media perception on **bvc** corporate reputation.



	2015	2016	2017
Transparency and Integrity	4,24	4,24	4,29
Leadership	3,81	4,04	3,96
Vision	3,95	4,12	4,17
Image and Recognition	3,86	4,56	4,38
Sustained and Diversified Economic Growth and Performance	3,57	3,96	4,04
Education and Training	3,81	3,88	3,79
Internationalization	3,81	3,92	4
System Services and Availability	3,43	3,96	3,92
Application of Good Corporate Governance Practices	3,81	4,16	4,04
Compliance with (Legal) Duties, Maintaining an Organized, Transparent and Honest Market	4,05	4,32	4,29
11. Security of Transactions Made through the bvc	4,05	4,4	4,5
Transparency of Transactions Made through the bvc	4,1	4,32	4,38
Management of Products and Services	3,95	4,2	4,29
Customer Service	3,86	4	4
Average Rating	3,80	4,15	4,14

7.2.3. A Great Place to Work

GRI 103-3

The material aspects evaluated by the employees of the bvc are based on the work environment measurement model of the Great Place To Work Institute:

- **Camaraderie:** fraternity, hospitality of the place, hospitality of the people and sense of team.
- **Credibility:** information, accessibility, coordination, delegation, vision, reliability and honesty.
- **Impartiality:** equity in remuneration, fair treatment, absence of favoritism, fairness in the treatment of persons and ability to appeal.
- **Pride:** of work, team and company.
- **Respect:** development, recognition, participation, work environment and personal.

The Great Place to Work Institute carried out the measurements of the bvc work environment for the eighth time with a 100% participation of the collaborators and for the second time of its subsidiary Sophos with a 95% participation, we exalted the confidence and transparency in the completion of the the tool.

Work environment index

Dimension	Previous	Current	Trend
 Credibility	Media (+)	Media (+)	Estable
 Respect	Media (+)	Media (+)	Estable
 Impartiality	Media (+)	Media (+)	Estable
 Camaraderie	Media (+)	Media (+)	Estable
 Pride	Media (+)	Media (+)	Estable
Apreciación general	Media (-)	Media (-)	Estable
Work environment	70.6	69.0	Unfavorable
Rating stage	Very satisfying	Satisfactory	

For the year 2017, the methodology of the institute changed against the previous measurement, now the dimensions of Credibility (Connection with the leader), Impartiality (Equity and Justice) and Respect (Needs and expectations) are clarified in the Trust and on the other hand the Social Connection that represents the camaraderie and Emotional Connection to Pride. One of the pillars that stood out was Pride who presented a significant growth compared to the measurement in 2016.



Sophos made the measurement for the second time under the methodology of GPTW. Improving the Index against the previous measurement (from 60.5 to 69.9). This was the result of the efforts made to improve the working environment.



7.2.4. 2017 Materiality Matrix

GRI 102-47, 103-1

The results of the stakeholder assessments carried out in 2017 regarding the material aspects put to consideration are presented below:

Material Aspects according to the Level of Impact on Stakeholders	Stakeholders									
	BVC									
	Shareholders	Employees	Issuers	Intermediaries	Investors	Media	Retail Investors	Students	Government	Suppliers
Marketplace										
The bvc			✓	✓	x	✓	x	✓	x	x
	x	x	✓	✓	x	✓	x	✓	x	x
	x	x	✓	✓	x	✓	x	✓	x	x
Corporate governance	x	x	✓	✓	x	✓	x	x	x	x
	x	x	✓	✓	x	x	x	✓	x	x
	x	x	✓	✓	x	✓	x	✓	x	x
Sustainability	x	x	✓	✓	x	x	x	✓	x	x
	x	x	✓	✓	x	✓	x	x	x	x
Company										
	x	x	x	x	x	✓	x	x	x	x
Our employees	x	x	x	x	x	✓	x	x	x	x
	x	x	✓	✓	x	✓	x	✓	x	x
	x	x	x	✓	x	✓	x	✓	x	x
Work environment										
Annual report profile	x	✓	x	x	x	x	x	x	x	x
	x	✓	x	x	x	x	x	x	x	x
Individual F/S	x	✓	x	x	x	x	x	x	x	x
	x	✓	x	x	x	x	x	x	x	x
	x	✓	x	x	x	x	x	x	x	x
RatinG										
	5-4	4-3	3-0							
Assessed Criteria	✓									
Criteria Not Assessed	x									



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7.3 Report profile

GRI 102-55

Scope of the **bvc** Integrated Management Report

Scope GRI 102-45: Corporate and financial performance of Bolsa de Valores de Colombia S.A. And its subsidiaries. From December 2017, as a result of the **bvc-deceval** corporate integration, deceval became one of the Exchange's subsidiaries.

Subsidiaries:

- Depósito Centralizado de Valores S.A. – Deceval
- Sophos Solutions S.A.S
- Infovalmer S.A.
- Invesbolsa S.A.S

Information is also included about the long-term investments and joint ventures that the **bvc** has in companies that are part of the value chain of the Colombian capital market:

Long-Term Investments:

- Cámara de Riesgo Central de Contraparte S.A. CRCC
- Cámara de Compensación de Divisas de Colombia S.A. – CCDC
- XM Expertos en Mercados S.A.

Joint Ventures:

- Set-Icap FX S.A.
- Set-Icap Securities S.A.
- Derivex S.A.

Reporting Period GRI 102-50:	Calendar year from January 1 to December 31, 2017
Frequency GRI 102-52:	Annual
Previous Report GRI 102-51:	Published after its approval by the General Shareholders Meeting on March 28, 2017
Accounting Standards:	IFRS for separate (only the bvc) and consolidated (bvc and its subsidiaries) versions. The financial statements reported according to the IFRS contain comparative information of the previous year.
Sustainability Reporting GRI 102-54:	<p>For the third year in a row, the bvc develops its integrated annual management report aligned with the new standard and indicators of the Global Reporting Initiative (GRI) for 2017.</p> <p>This report has been prepared in accordance with the GRI Standards: Core option.</p> <p>The report presents quantitative and qualitative information about the Company with guidelines on sustainability and stakeholder relations.</p>

Stakeholders:

In 2017, the stakeholders assessed were:

- Employees
- Issuers
- Brokers
- Media
- Students

Material Aspects GRI 102-47

The material aspects assessed in 2017 were as follows:

In the Securities Market:

- Management of Products and Services
- Compliance with Regulation
- Development of the Securities Market
- System Availability
- Internationalization
- Market Transaction Security

Company:

- Sustained and Diversified Economic Growth and Performance
- Corporate Governance
- Image and Recognition
- Customer Service

Workplace:

- Camaraderie
- Credibility
- Impartiality
- Pride
- Respect

Coverage GRI 102-46

The material aspects established for the **bvc** and the market were assessed through the Customer Satisfaction Surveys, focused on assessing three categories of stakeholder (Issuers, Brokers and Educational Institutions); the Media Survey for the media; and the Great Place to Work Institute (GPTW) survey for employees of the **bvc** and the Sophos subsidiary.

For the purposes of this 2017 report and in an effort to increase the presentation of information about its subsidiaries, the **bvc** presents greater scope and coverage of some material aspects with respect to the 2016 report.

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External Assurance

GRI 102-56:

Statutory Auditor: KPMG, the Statutory Auditor selected by the General Shareholders Meeting, independently audited the Separate and Consolidated Financial Statements for the year ending on December 31, 2017.

Scope of Audit of Financial Statements
GRI 102-477:

The Statutory Auditor validates or corroborates that the figures are consistent with the financial information provided by the Company, as contained in its financial statements, and provides an opinion pursuant to Article 38 of Law 222/1995, which indicates: "that the certified financial statements attached to the Statutory Auditor's professional opinion or, in the absence thereof, the opinion of the independent public accountant, have been audited based on the examination thereof in accordance with the generally accepted auditing standards."

When the financial statements are presented together with the managers' Management Report, the Statutory Auditor must include an opinion in its report as to whether they are consistent with each other.

Scope of Audit of the Management Report
GRI 102-47:

The Statutory Auditor, appointed by the General Shareholders Meeting, is responsible for reviewing the Management Report, including the financial statements with the respective notes and disclosures.

The scope of the Statutory Auditor regarding the Management Report is to validate that, as required by Article 47 of Law 222, amended by Law 603/2000, it contains at least "(...) an accurate statement on the evolution of business and the company's economic, administrative and legal situation".

In this context, the Statutory Auditor verifies that it contains information on:

1. Any important events occurring after the period.
2. The Company's foreseeable development.
3. Transactions carried out with partners and managers.
4. The Company's compliance with regulations on intellectual property and copyright.

Process of Preparing and Establishing the Content and its Coverage

GRI 102-46:

Identification of Relevant Issues for Stakeholders

- Identification of the requirements of Colombian regulations.
- Identification of the content required by the bvc Good Governance Code.
- Identification of the content suggested by the Global Reporting Initiative (GRI) in its new standard.
- Identification of the Company's stakeholders.

Determining and Prioritizing the Topics to Report

- Assessment of importance in terms of the significance of the topics that form part of the Management Report with the different areas involved in the process of preparation.
- Definition of the content of the report.
- Definition of the coverage of the topics included in the Management Report.

Preparation, Validation and Presentation of the Topics to Report

- Collection of information regarding the markets managed, financial statements, risk management, corporate governance, sustainability and human resources, among others.
- Selection, compilation and reporting of information.
- Detailed review by Management of the information reported by the different areas involved in the process.
- Review and approval of the Management Report by the bvc's Board of Directors.
- Independent audit by the Statutory Auditor of the financial statements with the accompanying notes to ensure accuracy, reliability and transparency.
- Submission and approval of the Management Report and financial statements by the bvc's General Shareholders' Meeting.
- Publication and disclosure of the Management Report to the Financial Superintendence and on the bvc website.



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Participating Areas

CEO's Office:

- Auditoría

Office of the Chief Corporate Officer:

- Accounting Department
- Investor Relations and Corporate Social Responsibility Department
- Department of Media and Public Relations
- Risk Management
- Human Resources Department
- Administrative Department

Office of the Chief Legal Officer:

- Legal Management

Office of the Chief Marketing and Product Officer:

- Equity Management
- Derivatives Management
- Fixed Income Department
- Information and Electronic Media Department
- Education Department
- Marketing Department

Office of the Chief Commercial Officer:

- Broker Management
- Marketing Department

Office of the Chief IT Officer

Project Management Office

For further information:

Contact:
GRI 102-53

Carlos Barrios, Director of Investor Relations and Corporate Social Responsibility at the **bvc**
Email:

- cbarrios@bvc.com.co
- atencionalaccionista@bvc.com.co
- Telephone: +57 1 3139800 Ext.1167



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7.4 GRI index



BOLSA DE VALORES DE COLOMBIA S.A. - bvc GRI Content Index for "In accordance" - Core

	GRI Standard	Indicator	Page No.	Omissions	BVC Annual Report 2017
	GRI 101: Foundation 2016				
	ORGANIZATIONAL PROFILE				
	102-1	Name of the organization	27		2.1. BVC: The Colombian Securities Exchange
	102-2	Activities, brands, products, and services	27 29 30		2.1. BVC: The Colombian Securities Exchange 2.2 Main Activities, Brands, Products and Services 2.3 BVC Brands
	102-3	Location of headquarters	27		2.1. BVC: The Colombian Securities Exchange
	102-4	Location of operations	29		2.2 Main Activities, Brands, Products and Services
	102-5	Ownership and legal form	27 33		2.1. BVC: The Colombian Securities Exchange 2.4 BVC Shareholders
	102-6	Markets served	27 29		2.1. BVC: The Colombian Securities Exchange 2.2 Main Activities, Brands, Products and Services
	GRI 102: General Disclosures 2016	102-7	Scale of the organization	36 48 50	2.5 BVC Scale 2.6 Important Events after the Period 2.7 Special Report: Most Important Transactions Completed During the Period
		102-8	Information on employees and other workers	56 171	2.9. BVC Employee Profile 6.4 BVC Employees Global Compact: Principles 1 and 2 of Human Rights, Principles 3, 4, 5 and 6 of Labor Rights
		102-9	Supply chain	61	2.10 Supply Chain
		102-10	Significant changes to the organization and its supply chain	61	2.10 Supply Chain
		102-11	Precautionary Principle or approach	64	2.11. Precautionary Principle
		102-12	External initiatives	27	2.1. BVC: The Colombian Securities Exchange
		102-13	Membership of associations	27	2.1. BVC: The Colombian Securities Exchange



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	GRI Standard	Indicator	Page No.	Omissions	BVC Annual Report 2017
	STRATEGY				
Letter to shareholders	102-14	Statement from senior decision-maker	3		Letter to Shareholders
General vision	GRI 102: General Disclosures 2016	Key impacts, risks, and opportunities	19		1.1 Strategic Orientation: Mission, vision
			22		1.2 Outlook and Future Vision
			24		1.3 Monitoring the Strategy in 2017
	ETHICS AND INTEGRITY				
bvc strategy	102-16	Values, principles, standards, and norms of behavior	103		3.8.1. bvc Values, principles, standards and regulations Global Compact: Principle 10 of Anti-corruption
The bvc	102-17	Mechanisms for advice and concerns about ethics	104 169		3.8.2 Ethics hotline and anti-corruption principle 6.2 Claim mechanism regarding work practices Global Compact: Principle 10 of Anti-corruption
	GOVERNANCE				
Corporate governance	102-18	Governance structure	77		3.1.1. Description of the Board of Directors and Management
Sustainability	102-19	Delegating authority	79		3.1.2. Functions of the Board of Directors and Senior Management
	102-20	Executive-level responsibility for economic, environmental, and social topics	87		3.1.7. Assessment of the CEO and Senior Management of the BVC
	102-21	Consulting stakeholders on economic, environmental, and social topics	99 100		3.4 Shareholder Rights 3.5 Good Governance Code Reports
Clients and market	102-22	Composition of the highest governance body and its committees	81		3.1.3. The Board of Directors and its Committees
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	103-3	Evaluation of the management approach	19	1.1 Strategic Orientation: Mission, vision	
		[not applicable. If the material topic is not covered by an existing GRI Standard, it is recommended, but not required, to report other appropriate disclosures]	Strategic Orientation: Mission, vision	19	1.1 Strategic Orientation: Mission, vision
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GRI 103: Management Approach 2016	103-2	The management approach and its components	3	Letter to Shareholders
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[not applicable. If the material topic is not covered by an existing GRI Standard, it is recommended, but not required, to report other appropriate disclosures]

[not applicable. If the material topic is not covered by an existing GRI Standard, it is recommended, but not required, to report other appropriate disclosures]



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STATUTORY AUDITOR'S REPORT

To the Shareholders
Bolsa de Valores de Colombia S.A.:

Report on the financial statements

I have audited the separate financial statements of Bolsa de Valores de Colombia S.A. ("the Company"), which comprise the separate statement of financial position as at December 31, 2017 and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising significant accounting policies and other explanatory information.

Management's Responsibility regarding the separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and presentation of separate financial statements that are free from material misstatement, whether due to fraud or error; select and apply appropriate accounting policies; and, as well as establish the reasonable accounting estimates under the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the separate financial statements based on my audit. I obtained the necessary information and perform my audit in accordance with International Auditing and Assurance Standards accepted in Colombia. Such standards require that I comply with ethical requirements, plan and perform the audit to obtain a reasonable assurance about whether the separate financial statements as a whole are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the separate financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risk of material misstatement in the separate financial statements. In making this risk assessment, the statutory auditor considers internal control relevant to the preparation and presentation of the separate financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the separate financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bolsa de Valores de Colombia S.A. as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The consolidated financial statements as at ended December 31, 2016 are exclusively presented as part of the comparative information, those financial statements, were audited by us, on which expressed an unqualified opinion on March 10, 2017.

KPMG S.A.S.
February 22, 2018
Bogotá D.C.





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determining contributions, has been prepared from the accounting records and supporting documentation. The Company is nothing delay of payment of contributions to the Integral Social Security System.

2. I followed up on the responses to the management letters and there are no outstanding material issues that may affect my opinion.



Gloria Margarita Manjucha Garcia
Statutory Auditor of Bolsa de Valores de Colombia S.A.
Registration 45048 - T
Member of KPMG S.A.S.

February 22, 2018



CERTIFICATION OF FINANCIAL STATEMENTS

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The undersigned Legal Representative and Accountant of **BOLSA DE VALORES DE COLOMBIA S.A.**, in compliance with Law 222 / 1995, Article 37 and Law 964 / 2005, Article 46, hereby declare that the following separate financial statements: Statement of Financial Position, Statement of Income and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow, and the accompanying notes, corresponding to the years ending December 31, 2017 and 2016, were prepared in accordance with the International Financial Reporting Standards (IFRS) and the Generally Accepted Accounting Principles in Colombia, ensuring that they reasonably present the financial position, the results of its operations and changes in equity and in the financial position, as well as the cash flows for the years ending on the aforementioned dates.

We also confirm that:

1. The figures shown in said Financial Statements and the accompanying notes were taken faithfully from the accounting books of BOLSA DE VALORES DE COLOMBIA S.A.

2. There have been no irregularities involving members of Management that may have a material effect on the Financial Statements or the accompanying notes.

3. We ensured the existence of quantifiable Assets and Liabilities, as well as the rights and obligations recorded according to accounting documents at the reporting date, accounting accrual and offsetting of its transactions and assessed using methods of recognized technical value.

4. We confirmed the integrity of the information provided in the sense that all economic data have been recognized in the Financial Statements or the accompanying notes and we have previously verified the assertions contained therein.

5. The economic data have been recorded, classified, described and disclosed in the Financial Statements or the accompanying notes, including the taxes and restrictions on assets, real liabilities and contingencies, as well as the collateral provided to third parties.

6. The information contained in the forms for payments to the general system of comprehensive social security

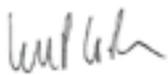
is correct and in compliance with the legal provisions, and BOLSA DE VALORES DE COLOMBIA S.A. is not in arrears on account of payments to said system.

7. We are not aware of any events following December 31, 2017 that require adjustments or disclosure in the Financial Statements or the accompanying notes.

8. The Financial Statements and other relevant reports contain no defects, inaccuracies or errors that could prevent anyone from knowing the true financial circumstances or operations of BOLSA DE VALORES DE COLOMBIA S.A.

9. In compliance with Article 1 of Law 603/2000, we hereby declare that the software used has the corresponding license and therefore, complies with copyright regulations.

Issued in Bogotá D.C. on February 16, 2018.


Juan Pablo Córdoba Garcés
Legal Representative


Jorge Hernando Martínez Jaime
Public Accountant
License No. 14471-T

BOLSA DE VALORES DE COLOMBIA S.A. SEPARATE STATEMENT OF FINANCIAL POSITION

(Figures in thousands of Colombian pesos)

CONCEPT	NOTE	31/12/2017	12/31/2016 restated *	1/1/2016 restated *
ASSETS				
Current Assets				
Cash and cash equivalents	5	11.024.057	10.958.988	8.151.720
Current financial assets	6	5.674.610	16.966.643	13.620.383
Accounts receivable from related parties	7	325.904	1.210.913	640.035
Trade debtors and other accounts receivable	8	5.670.117	6.722.695	4.756.481
Income tax	13	1.338.381	0	0
Total current assets		24.033.069	35.859.239	27.168.619
Non-current assets				
Non-current financial assets	6	2.998.580	2.490.031	10.596.479
Non-current non-financial assets	9	1.229.237	2.728.485	2.404.824
Investments in associates and joint ventures	10	25.681.136	36.904.780	29.709.811
Investments in subsidiaries	10	415.675.816	39.226.413	36.541.881
Other intangible assets	11	19.218.249	11.527.264	5.644.839
Property and equipment	12	20.223.443	18.995.543	19.773.295
Total non-current assets		485.026.461	111.872.516	104.671.129
TOTAL ASSETS		509.059.530	147.731.755	131.839.748
LIABILITIES				
Current liabilities				
Employee benefits	14	3.735.036	4.050.977	2.604.813
Trade creditors and other accounts payable	15	7.592.230	7.634.294	5.335.721
Income tax	13	0	1.728.461	868.121
Accounts payable to related parties	7	550.582	130.870	26.452
Deferred income		75.000	0	0
Total current liabilities		11.952.848	13.544.602	8.835.107
Non-current liabilities				
Estimated liabilities and provisions	16	5.153.322	10.267.792	9.525.910
Employee benefits	14	855.262	717.708	649.196
Deferred tax liabilities	13	4.519.070	3.703.962	1.722.652
Total non-current liabilities		10.527.654	14.689.462	11.897.758
TOTAL LIABILITIES		22.480.502	28.234.064	20.732.865
SHAREHOLDERS' EQUITY				
Subscribed and paid-in capital		30.256.854	18.672.822	18.672.822
Capital surplus		298.397.252	21.095.896	21.095.896
Reserves	17	48.421.873	41.400.983	34.722.138
Profit of the period	17	103.206.571	24.202.737	22.577.773
Retained profits	17	3.009.082	3.831.023	4.514.324
Other comprehensive income	17	3.287.396	10.294.230	9.523.930
Total equity attributable to the Parent Company owners		486.579.028	119.497.691	111.106.883
TOTAL SHAREHOLDERS' EQUITY		486.579.028	119.497.691	111.106.883
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		509.059.530	147.731.755	131.839.748

 (*) See Note 3
See the accompanying notes of the financial statements.

Juan Pablo Córdoba Garcés
Legal Representative
(See certification attached hereto)

Jorge Hernando Martínez Jaime
Public Accountant
Professional License No. 14471-T
(See certification attached hereto)

Gloria Margarita Mahecha García
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BOLSA DE VALORES DE COLOMBIA S.A. SEPARATE STATEMENTS OF INCOME AND OTHER COMPREHENSIVE INCOME

(Figures in thousands of Colombian pesos, except the net profit per share)

For the years ended December 31, 2017 and 2016

CONCEPT	NOTE	2.017	2016 restated *
Revenue		64.826.356	70.104.268
Revenue from ordinary activities	18	61.610.633	66.922.346
Revenue from investment activities	19	1.070.261	2.136.740
Earnings or other revenue	20	2.145.462	1.045.182
Expenses		(54.322.528)	(50.340.820)
Expenses of ordinary activities	21	(53.940.814)	(49.994.576)
Expenses of non-ordinary activities	22	(381.714)	(346.244)
Profit from operating activities		10.503.828	19.763.448
Profit from equity method - subsidiaries	23	9.022.866	8.517.414
Profit or loss from equity method - associates and/or joint ventures	23	5.258.559	7.447.911
Other revenue from controlled companies and associates	26	84.027.542	-
Financial costs	24	(1.406.555)	(1.947.529)
Profit before taxes		107.406.240	33.781.245
Income tax	13	4.199.669	9.578.507
Net profit of the period		103.206.571	24.202.737
Other comprehensive income			
Entries that will not be reclassified after the income statement			
Investments accounted under equity method - share			
in other comprehensive income	17	(398.840)	798.555
Other comprehensive income net of taxes		(398.840)	798.555
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		102.807.731	25.001.292
Basic profit per share (COP)	25	3,41	1,30

(*) See Note 3
See the accompanying notes of the financial statements.

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BOLSA DE VALORES DE COLOMBIA S.A SEPARATE STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(Figures in thousands of Colombian pesos)

For the years ended December 31, 2017 and 2016

	SHARE CAPITAL	PREMIUM IN STOCK PLACEMENT	LEGAL RESERVE	MANDATORY RESERVES	TEMPORARY RESERVES	TOTAL RESERVES	NET AND ACCUMULATED PROFIT OF THE YEAR	OTHER COMPREHENSIVE INCOME	TOTAL SHAREHOLDERS' EQUITY
Previously reported balance at January 1, 2016 *	18.672.822	21.095.896	9.336.411	84.484	25.301.243	34.722.138	26.711.728	7.924.029	109.126.613
Profit from equity method - associates and joint venture	0	0	0	0	0	0	380.369	1.599.901	1.980.270
Balance restated at January 1, 2016	18.672.822	21.095.896	9.336.411	84.484	25.301.243	34.722.138	27.092.097	9.523.930	111.106.883
Release of reserves	0	0	0	(84.484)	0	(84.484)	84.484	0	0
Appropriation for constitution of reserves	0	0	0	68.880	6.694.449	6.763.329	(6.763.329)	0	0
Distribution of dividends at COP 0.89 per share	0	0	0	0	0	0	(16.618.811)	0	(16.618.811)
Net profit for the year	0	0	0	0	0	0	24.202.737	0	24.202.737
Equity method - Other comprehensive income	0	0	0	0	0	0	0	798.555	798.555
Other equity entries	0	0	0	0	0	0	36.582	(28.255)	8.327
Balance at December 31, 2016 *	18.672.822	21.095.896	9.336.411	68.880	31.995.692	41.400.983	28.033.760	10.294.230	119.497.691
Increase in share capital (Note 17)	11.584.032	277.301.356	0	0	0	0	0	0	288.885.388
Release of reserves	0	0	0	(68.880)	0	(68.880)	68.880	0	0
Appropriation for constitution of reserves	0	0	0	0	7.089.770	7.089.770	(7.089.770)	0	0
Distribution of dividends at COP 0.90 per share	0	0	0	0	0	0	(16.805.539)	0	(16.805.539)
Net profit for the year	0	0	0	0	0	0	103.206.571	0	103.206.571
Equity method - Other comprehensive income	0	0	0	0	0	0	0	(398.839)	(398.839)
Other equity entries	0	0	0	0	0	0	(1.198.249)	(6.607.995)	(7.806.244)
Balance at December 31, 2017	30.256.854	298.397.252	9.336.411	0	39.085.462	48.421.873	106.215.653	3.287.396	486.579.028

 (*) Ver nota 3
Véanse las notas que acompañan los estados financieros.

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BOLSA DE VALORES DE COLOMBIA S.A SEPARATE STATEMENT OF CASH FLOW

(Figures in thousands of Colombian pesos)

For the years ended December 31

CONCEPT	NOTE	2017	2016
Cash flows used in operating activities			
Types of charges for operating activities:			
Charges from the sale of goods and provision of services		78.196.192	79.035.737
Other charges for operating activities		145.263	147.760
Types of payment in cash from operating activity:			
Payments to suppliers for goods and services		(31.754.221)	(27.253.827)
Payment of taxes on operating activities		(21.002.471)	(16.759.149)
Payments to and from employees		(24.770.541)	(20.808.781)
Other payments for operating activities		(682.315)	(634.870)
Interest received		244.220	146.403
Paid income tax		(3.243.242)	(5.931.193)
Other incoming (outgoing) cash		(189.113)	66.198
Total cash flows used in and from operating activities		(3.056.228)	8.008.278
Cash flows used in investment activities			
Other payments to acquire equity or debt instruments from other entities		0	(3.797.805)
Purchases of property, plant and equipment	5-1	(2.366.228)	(1.818.510)
Purchases of intangible assets	5-1	(674.115)	(1.088.786)
Dividends received	10	16.506.923	11.092.282
Interest received		38.646	14.111
Other incoming cash (portfolio)	5-1	11.678.558	7.478.711
Payment of contingent consideration	5-1	(5.529.920)	0
Total net cash flows from investment activities		19.653.864	11.880.003
Dividends paid	17-1	(16.805.489)	(16.618.761)
Total net cash flows used in financing activities		(16.805.489)	(16.618.761)
Effects of the variation in the exchange rate of cash and cash equivalents		272.922	(462.252)
Net increase (decrease) in cash and cash equivalents		65.069	2.807.268
Cash and cash equivalents at the start of the period		10.958.988	8.151.720
Cash and cash equivalents at the end of the period		11.024.057	10.958.988

See the accompanying notes of the financial statements.

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Bolsa de Valores de Colombia S.A.

Notes to the Financial Statements at December 31, 2017, with comparative figures at December 31, 2016.

(In thousands of Colombian pesos, except for the par value of shares, some figures in U.S. dollars, exchange rates and the salvage value)

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1. General Information

Economic Entity

Bolsa de Valores de Colombia S.A. (the Exchange) was incorporated through Public Deed No. 1234 dated April 17, 2001, of Notary Public Office 4 of Bogotá, D.C., with a duration until 2051, under the corporate name Servicios Integrados Bursátiles S.A. On June 27, 2001, it changed its corporate name through Public Deed No. 2697, and its corporate purpose consists of the organization, regulation, administration and operation of commercial establishments designed to carry out trades of all kinds of assets and securities of stock market transactions in accordance with the legal and regulatory laws that regulate securities exchange activities.

At December 31, 2017 and 2016, the Exchange had 266 and 230 employees, respectively.

The Exchange is under the control and supervision of the Financial Superintendence of Colombia. Its main domicile is in Bogotá D.C. and it has offices in the cities of Medellín and Cali.

The term or duration of the Company is until April 17, 2051.

Through the authorization of the Extraordinary General Shareholders Meeting held on December 11, 2006, the Exchange listed its shares on the National Securities Registry ("Registro Nacional de Valores") and on the Colombian Securities Exchange (self-listing) on June 22, 2007, starting trading on June 28, 2007.

Currently, the Exchange has the following subsidiaries: INFOVALMER S.A. with a direct share of 90.91% and an indirect share through INVESBOLSA S.A.S. of 9.09%; SOPHOS BANKING SOLUTIONS S.A.S. with a 54.187% share; INVESBOLSA S.A.S. with a 100% share; BVC PLUS S.A.S. with a 100% share; BVC PRO S.A.S. with a 100% share; INVERBVC S.A.S. with a 100% share; and DECEVAL S.A. with a 94.71% share.

Control Situation and Business Group Status of Bolsa de Valores de Colombia S.A. as Parent Company:

The control situation and business group status of Bolsa de Valores de Colombia S.A. as Parent Company was registered on January 9, 2018, under number 02291766 of Book IX of the Chamber of Commerce

for the following subsidiaries: (i) Depósito Centralizado de Valores – Deceval S.A., company duly incorporated under the laws of Colombia and domiciled in Bogotá; (ii) BVC PLUS S.A.S., company duly incorporated under the laws of Colombia and domiciled in Bogotá; (iii) INVERBVC S.A.S., company duly incorporated under the laws of Colombia and domiciled in Bogotá; and (iv) BVC PRO S.A.S., company duly incorporated under the laws of Colombia and domiciled in Bogotá.

Likewise, the status of Business Group is maintained over the following companies:

(i) The status of Business Group of the Parent Company, **bvc**, with respect to the INVESBOLSA S.A.S. subsidiary, company duly incorporated under the laws of Colombia and domiciled in Bogotá, was registered on May 6, 2010, under number 01381319 of Book IX of the Bogotá Chamber of Commerce.

(ii) The status of Business Group of the Parent Company, **bvc**, with respect to the PRECIA PROVEEDOR DE PRECIOS PARA VALORACIÓN S.A. subsidiary, company duly incorporated under





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the laws of Colombia and domiciled in Bogotá, and which changed its business name through the by-law amendment formally registered in Public Deed 423 / February 9, 2018, was registered on March 2, 2011, under number 01457301 of Book IX of the Bogotá Chamber of Commerce.

(iii) The status of Business Group of the Parent Company, bvc, with respect to the SOPHOS BANKING SOLUTIONS S.A.S. subsidiary, company duly incorporated under the laws of Colombia and domiciled in Bogotá, was registered on July 2, 2015, under number 01953309 of Book IX of the Bogotá Chamber of Commerce.

Similarly, the indirect control situation and Business Group status are maintained through the company SOPHOS BANKING SOLUTIONS S.A.S. over the companies: (i) SOPHOS TECHNOLOGY SOLUTIONS S.A., company domiciled in Chile, (ii) SOPHOS TECHNOLOGY SOLUTIONS S.A. DE CV., company domiciled in Mexico, and SOPHOS TECHNOLOGY INC., company domiciled in Panama, which are part of the **bvc** Business Group.

The control situation of **bvc** as the Parent Company of the following companies was registered by means of a private document dated September 12, 2016, registered in the Bogotá Chamber of Commerce under number 02139587 of Book IX: (i) SET-ICAP FX S.A., company duly incorporated under the laws of Colombia

and domiciled in Bogotá; and (ii) SET-ICAP SECURITIES S.A., company duly incorporated under the laws of Colombia and domiciled in Bogotá.

As a result of the loss of control, the situation of joint control that Bolsa de Valores de Colombia S.A. exercises simultaneously with ICAP GLOBAL BROKING HOLDINGS LTD. over the SET-ICAP SECURITIES and SET-ICAP FX subsidiaries was registered by means of Private Document No. 02291766 / December 26, 2017, of Book IX of the Bogotá Chamber of Commerce.

The current financial statements do not consolidate the operations with the subsidiaries. The consolidated financial statements of BVC and its subsidiaries are presented separately.

Authorization for the Publication of Financial Statements

These separate financial statements and accompanying notes were approved by the Board of Directors in accordance with Minutes No. 247, dated February 21, 2018, to be presented to the General Shareholders Meeting for its approval, which may approve or modify them.



2. Risk Control and Management Systems - 2017

2.1. Relevant Information in Non-Financial Risk Management during 2017

Risk Management

The Exchange's Risk Management System is focused on the stages of identification, measurement, control and monitoring of its risks, as well as compliance with the regulatory and internal requirements of the Organization, including its policies and procedures. To achieve these objectives, the Exchange uses international best practices in risk management for guidance and support.

We comprehensively carry out risk management, including all the non-financial risks identified in the Exchange's processes, projects and strategic objectives, which allows us to continuously and promptly manage risks related to the development of daily activities, business lines, high-impact alterations and stakeholders that may affect the entity. The Exchange manages the following risk management systems:

- Operative Risk Management System (ORMS)
- Business Continuity Management System
- Information Security Management System

- Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) System
- Anti-Fraud Program

2.1.1 Information Security Management System

In 2017, we established information security as a priority in the Exchange's activities. This was added to throughout the year with initiatives that enabled the strengthening of current controls and minimization of the risks related to information security. As part of this, we carried out training processes for Senior Management and employees on the general policy and risks related to cybersecurity, reinforcing knowledge for the identification of threats and capacity for timely response to incidents.

Additionally, we worked on the following topics:

- Definition and creation of policies adapted to the entity's best practices and needs.
- Implementation, update, strengthening and measurement of controls of the Information Security Management System in accordance with the ISO 27001:2013 Standard.
- Support in the creation and establishment of basic guidelines for subsidiaries, facilitating the establishment of a uniform information security structure. From the above, a work agenda was

established according to the conditions and nature of each subsidiary, which is currently under development.

- Constant support in the definition of information security conditions for the Organization's projects

Likewise, together with the infrastructure providers of the capital and foreign currency markets, we identified and promoted initiatives to strengthen the management and response plans of the value chain, as well as the awareness plan. Similarly, as it is considered critical infrastructure of the sector, the Exchange regularly held meetings with the Armed Forces' Joint Cyber Command (CCOC, for the Spanish original) to define response strategies to cybersecurity incidents.

2.1.2 Operative Risk Management System (ORMS)

Risk management in the Exchange is based on strategic analysis of the business and the processes that comprise it, from which we develop control mechanisms and mitigation actions conducive to minimizing risks and mitigating impacts in the event of materialization of the risks to which the Organization is exposed.

In 2017, we focused a large part of our efforts on capitalizing on lessons learned in previous years in project risk management, taking into account that one of the most important projects in recent years was developed this year with the update of the trading





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systems. Therefore, the methodology was enriched with alerts, controls and additional reports throughout the project's life cycle, which enabled the definition of action plans and mitigation actions. This facilitated the reduction of residual risk as well as timely and satisfactory management of each problem identified in the project.

Additionally, the number of operational risk events that arose in 2017 and 2016 was 102 and 105, respectively, which demonstrates a 2.86% reduction in the events that occurred from one year to the next.

We kept 99% of the risks within the established levels of tolerance, demonstrating the Company's capacity to manage activities with risk exposure, to detect deviations and to apply the necessary corrections for the correct execution of its processes. For the remaining

1%, action plans have been established to implement in 2018, which are based on improving risk assessment. In relation to the strengthening of the Risk and Quality Awareness Plan, awareness and training campaigns were implemented aimed at all levels of the Company and third parties involved. These campaigns were designed to raise awareness regarding the importance of internal control and its role in preventing, detecting and handling risks, and their impact on the Company and the general public.

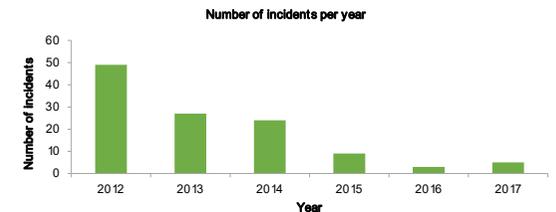
2.1.3 Business Continuity Management System

In 2017, we continued to manage and improve the continuity management system. We conducted the following contingency tests according to the schedule

established at the start of the year.

Graph 1 shows the behavior of incidents over the last six years.

Graph 1 - Incidents per Year, 2012-2017



The accumulated annual downtime above the accepted





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RTO[1] of the platforms that provide critical products and/or services to members was nine hours and one minute, distributed as follows:

Market	Affected process	Assets	Total downtime	Downtime above the RTO
Equity	Equity and derivatives	FIX 4.4	1 h 29 min	29 min
Equity	Equity and derivatives	FIX 4.4	27 min	--
Equity	Equity and derivatives	None, a derivatives contract was affected	2 h 30 min	--
Guarantees	Guarantees	CMS	5 h 14 min	3 h 44 min
Derivatives	Equity and derivatives	X-STREAM	5 h 18 min	4 h 48 min

The technology uptime indicator for 2017 was 99.89%.

The Exchange continued its participation in the Crisis Management Committee of the Colombian Securities and Foreign Currency Market as part of joint work with the other infrastructure providers (DECEVAL, CRCC, CCDC, SET-ICAP, INFOVALMER, Tradition, Enlace and GFI). We completed the work plan, making updates after the incorporation of Tradition, Enlace, GFI and INFOVALMER into the work team.

We published the first edition of the market crisis management protocol, which was communicated to the executive project team, which approved it.

Likewise, the protocol was submitted to the Financial Superintendence and a meeting was held with representatives of said control entity, where they discussed the items for the regulatory body to include in the Bulletin that will be issued shortly in that respect.

The **BVC** participated in the market crisis management roundtable in an office simulation exercise at the facilities of the Central Bank to test the protocol on the market with the scenario of an earthquake in Bogotá, led by the international expert Regina Phelps.



2.1.4 Anti-Money Laundering and Counter Terrorist Financing (AML/CFT) System

In compliance with the regulation to prevent and control the risk of money laundering and terrorist financing (ML/TF), **BVC** is committed to the fight against ML/TF. Therefore, it strictly complies with the applicable laws, especially the Organic Statute of the Financial System, the sanctions lists and the court orders it receives.

[1] RTO: Recovery Time Objective: Maximum time it should take for the system to be available again after a failure.

Bolsa de Valores de Colombia openly rejects any criminal activity or conduct that involves money laundering or terrorist financing (ML/TF) activities. ML/TF risk management facilitates comprehensive risk management and contributes to the processes' decision-making thanks to the unification of the methodology with the Operative Risk Management System (ORMS).

Given the above and as part of the continuous improvement strategy, the procedures and risks associated with ML/TF were updated on the risk maps for the Exchange's different processes in accordance with the new risk management methodology.

With respect to the know-your-customer process, the strengthening of client enrollment controls is ongoing

and a campaign was carried out to update client information.

Regarding training activities, the ML/TF prevention procedures and policies were disclosed to all of the Exchange's employees through the Quality and Risk Awareness Plan, as well as the induction of new employees, thereby promoting a culture for the prevention of ML/TF.

2.1.5 Anti-Fraud Program

Regarding the Anti-Fraud Program and in accordance with the ten principles promoted by the UN Global Compact, **bvc** promotes the development of procedures and controls to promptly prevent, detect and manage any incident of fraud, to encourage the employees' commitment and to drive transparency in its Management. Additionally, it forbids any violation of the laws and regulations, as well as any illegal, unethical or dishonest conduct by its Board members, managers and employees.

To achieve this, **bvc** has a Good Governance Code, an Ethics and Conduct Manual, an Anti-Money Laundering and Counter Terrorist Financing System, an Anti-Fraud Manual and an Internal Control System as tools to minimize and control any risk of fraud and corruption, which are included in **bvc's** corporate risk management.

The Exchange has an Ethics Hotline available to all its employees, providers, and clients, managed by Corporate Risk and Quality Management as a mechanism for anonymous reporting of unethical conduct and fraud. The information that is received through the Ethics Hotline (via telephone or email) is confidential. This is supported by an Anti-Retaliation Policy for the complainants and it is managed through the Exchange's Anti-Fraud Committee, of which the Organization's executives are members.

No complaints related to the aforementioned behaviors were received in 2017.

As part of the Risk Awareness Plan, employees were trained on the Anti-Fraud Program and they were reminded of the anonymous mechanisms for reporting unethical behavior. We reinforce the invitation to employees to use the Ethics Hotline to report events that they consider could constitute an incident of fraud or corruption, unethical behavior or workplace harassment. Information on the Ethics Hotline is available on the Exchange's website for all its stakeholders.



2.2. Relevant Information in Financial Risk Management during 2017

2.2.1 Management of Financial Risks of Products, Issuers and Affiliates

In 2017, in financial risks, we have implemented an agenda focused on monitoring the risks to which our stakeholders are exposed.

Regarding issuers, the Exchange has focused its efforts on improving the amount and timeliness of the information published for the market with the aim to increase the information disclosure standards and facilitate investors' decision-making. The above translates into a review of the existing disclosure requirements and greater control to ensure compliance with them. Similarly, it has reinforced the monitoring and analysis of the listed issuers or those in the listing process. Finally, a risk model applicable to SMEs has been designed to be able to offer them products in the near future that allow them to meet their funding needs.

In turn, regarding products and affiliates, the Exchange has worked on the regular calibration of the risk models applicable to simultaneous trades, repos and ETFs in coordination with the market.

Likewise, we have established the parameters of the equity market model to start the trading of share securities in mutual funds, private equity funds and

asset-backed trusts, once the trading of them is transferred to these systems. Finally, the Exchange has developed new tools to monitor the affiliates' risks, such as monitoring of the quotas or the new risk reports published for the market.

2.2.2 Management of Financial Risks regarding the Investment Portfolio

The management of the different types of risk that the Exchange's investment portfolio is exposed to is based on the establishment of limits and policies that seek to mitigate the exposure and materialization of risk and its impact on the financial statements and return of the liquid assets. The overall objective is to facilitate the effective and efficient management of the uncertainty and risks assumed in the management of financial resources, improving the capacity to generate value for shareholders.

The guidelines for management restrict the portfolio's exposure to three kinds of asset: (i) Treasury securities (TES) denominated in Colombian pesos (TES COP); (ii) TES denominated in real value units (TES UVR); and (iii) local private debt securities (PRIVATE DEBT). The selection of the assets depends on the nature of the company's liquidity requirements, as well as the risk appetite regarding investments.

A benchmark rate is established for each asset. However, there is not a policy that involves indexing of the rates. For the TES COP and TES UVR assets, the benchmark rates are the COLTES and COLTES UVR indices, which are managed and published by the Exchange. For PRIVATE DEBT, the benchmark rate is constructed from the average daily return observed for different terms in the certificate of deposit (CD) market.

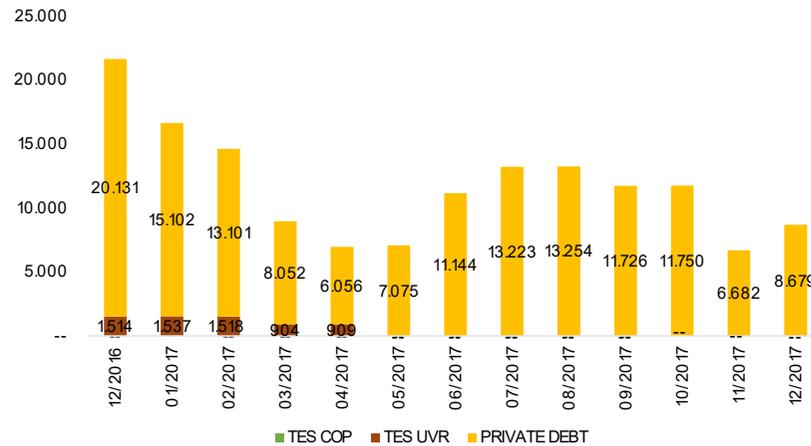
In accordance with that approved by the Administration and Finance Committee, a transitional management system was adopted for the **bvc** portfolio in October 2016. This aims to cover the liquidity requirements that are generated during the years 2016 and 2017, mainly explained by expenses related to projects. The temporary strategy involved the gradual liquidation of the positions in TES and the reinvestment of these resources in CD for short terms established according to the projected cash flow.

At the close of December 2017, the Exchange's invested portfolio (TES COP, TES UVR and PRIVATE DEBT) was at COP 8,679 million. The liquidity requirements of **bvc** in 2017 reduced the value of the invested portfolio by COP 12,966 million from December 2016.

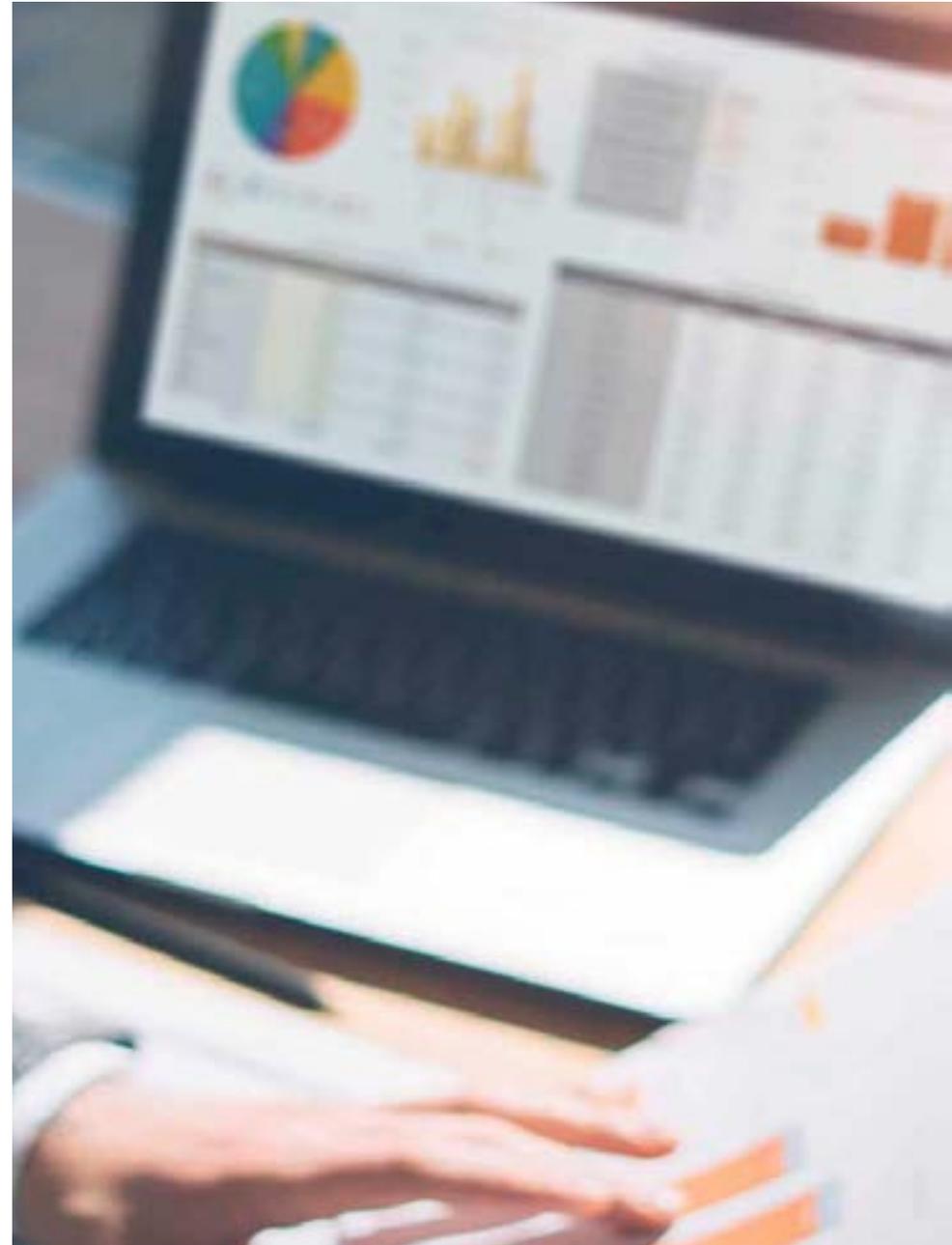


The evolution of the Exchange's invested portfolio during the year is shown below:

Evolution of the Invested Portfolio by Type of Asset



The Exchange values the investment portfolio at market prices on a daily basis, for which it has the support of an automatic process executed by a third party that mitigates possible inconsistencies and ensures the reflection of securities at fair exchange prices in the financial statements.



MARKET RISK

Market Risk of the Investment Portfolio

Market risk is defined as the probability of incurring losses of market value in an entity's portfolio of financial instruments in response to adverse changes in the variables of the financial markets.

To date, in line with the transitional system, the portfolio is exposed to short and long-term fixed income instruments indexed to the DTF (fixed-term deposit rate), CPI, IBR and simple fixed rate in local currency. The market risk that the portfolio is exposed to is related to the possible losses generated by changes in interest rates, which may entail its devaluation and consequently, a lower return. The exposure at the close of December 2017 by benchmark rate is as follows:

Portfolio Composition by Type of Rate

RATE	Market value (Billions of COP) 2017	Share %	Market value (Billions of COP) 2016	Share %	Δ Market value
Fixed Rate	5.657	65%	6.487	30%	(830)
DTF	1.014	12%	1.008	5%	6
CPI	-	0%	7.111	33%	(7.111)
IBR	2.009	23%	7.038	33%	(5.029)
Total	8.679	100%	21.645	100%	(12.966)

* Cut-off date: Dec. 31, 2017

* Cut-off date: Dec. 31, 2016

The share of indexed securities decreased, leading to the fixed-rate securities having greater importance in the portfolio, increasing from 30% to 65.18%. This was in response to the market conditions observed during 2017, of which the Central Bank's constant reductions of interest rates and the performance of inflation stand out.



Value at Risk (VaR):

The measure established to estimate the market risk is the VaR, which establishes the expected loss of value of the portfolio in a horizon under conditions of stress from a normal distribution and 99% confidence level.

A threshold of reference for the VaR at a level of 2% has been defined through risk management. During 2017, the average VaR was 0.64%. The estimation of this indicator is made from the standard deviation of the portfolio's daily returns. The evolution of the VaR at the end of every month during 2017 is shown below, and the individual VaR of each asset that comprises the portfolio is shown for informative purposes:



Evolution of the Portfolio's Value at Risk (VaR)

CUT-OFF DATE	Portfolio	TES UVR	PRIVATE DEBT
31/12/2016	1,14%	1,61%	0,44%
31/01/2017	1,11%	1,61%	0,43%
28/02/2017	1,07%	1,94%	0,45%
31/03/2017	1,01%	1,88%	0,42%
30/04/2017	0,98%	1,82%	0,41%
31/05/2017	0,94%	--	0,41%
30/06/2017	0,92%	--	0,34%
31/07/2017	0,27%	--	0,33%
31/08/2017	0,27%	--	0,32%
30/09/2017	0,26%	--	0,17%
31/10/2017	0,28%	--	0,16%
30/11/2017	0,27%	--	0,16%
31/12/2017	0,26%	--	0,27%

The portfolio has not been exposed to TES COP in the year.

Another measure established to estimate the portfolio's sensitivity to changes in interest rates is the modified duration. This is estimated from the Macaulay duration, which reflects the weighted average of the different payments granted by each security of the portfolio. These measures are calculated and published by the price provider selected by Management (INFOVALMER), which, in the case of indexed securities, assumes that the benchmark rates to which some securities are indexed remain constant over time. While the Macaulay duration is a measure that reflects the average maturity of the investment flows, the modified duration is a measure of price sensitivity to changes in interest rates.

At the close of December 2017 and 2016, the modified duration of the invested portfolio was 0.43 and 0.37, respectively.

Portfolio Composition by Type of Asset

Details of Macaulay Duration (Figures in years)

ASSETS	Macaulay Duration 2017	Share %	Macaulay Duration 2016	Share %
TES UVR	0,00	0%	2,37	7%
PRIVATE DEBT	0,45	100%	0,22	93%
Total Macaulay Duration	0,45	100%	0,39	100%

* Cut-off date: Dec. 31, 2017

* Cut-off date: Dec. 31, 2016

Details of modified duration

ASSETS	Modified duration 2017	Share %	Modified duration 2016	Share %
TES UVR	0,00	0%	2,43	7%
PRIVATE DEBT	0,43	100%	0,24	93%
Total modified duration	0,43	100%	0,37	100%

* Cut-off date: Dec. 31, 2017

* Cut-off date: Dec. 31, 2016

From the modified durations presented above, the estimated loss from an increase of 100 basis points in the interest rate on the invested portfolio value at the close of December would be as follows:

Estimated Loss from an Increase of 100 Basis Points in the Interest Rate by Type of Asset

ASSETS	Market value (Billions of COP) 2017	Market value (Billions of COP) 2016	Modified duration 2017	Modified duration 2016	Estimated Loss (Billions of COP) 2017	Estimated Loss (Billions of COP) 2016
TES UVR	-	1.514	-	2,43	-	36,79
PRIVATE DEBT	8.679	20.131	0,43	0,24	37,45	48,60
TOTAL	8.679	21.645	0,43	0,37	37,45	81,00

* 2017 cut-off date: December 31

* 2016 cut-off date: December 31

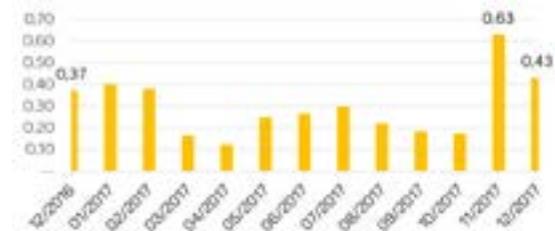
* Fecha de corte 2016: 31 diciembre



However, these losses only materialize in the event the securities are sold. As long as they remain in the portfolio until their date of maturity, the return obtained will be the one corresponding to the purchase IRR. In 2017, the modified duration of the invested portfolio had an average value of 0.29%. The maximum duration was recorded at the end of January 2017.

In 2017, the portfolio duration records an increase from November. This is explained by a new investment in a security issued by the securities company.

Evolution of the Modified Duration of the Invested Portfolio



The Exchange integrally manages the risks to which the portfolio is exposed through the generation of internal reports with different frequencies. Additionally, the Administration and Finance Committee regularly reviews the guidelines for portfolio management.

CREDIT RISK

The Exchange is exposed to credit risk, understood as the possibility that the entity will incur financial losses and the value of its assets will decrease as a result of a debtor, issuer or counterparty not meeting its contractual obligations. Its effect is measured by the cost of recovery of cash flows if the other party fails to meet its obligations. Credit risk may also lead to losses when the issuers' rating is downgraded by the risk rating agencies, thus generating a decline in the securities' market value.

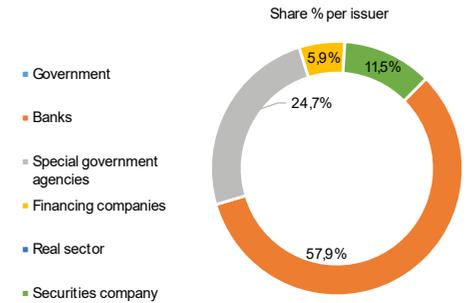
Credit Risk of the Investment Portfolio

The portfolio's credit risk is managed by setting counterparty and issuer quotas individually and by economic group as a control measure on the concentration of the portfolio that fosters its diversification.

Additionally, with the aim to maintain high quality assets in the investment portfolio, the treasury may only make transactions on assets with a minimum rating of A+, a policy which is equally aimed at minimizing credit risk through very strong counterparties. The composition of the portfolio by rating and by type of issuer is shown

below:

Portfolio Distribution



Share % per rating



In the worst case scenario, the credit risk would materialize with the complete failure to fulfill the expected cash flows from the issuers in which the portfolio is invested.

The exposure by each issuer, as well as its rating and the consumption of the approved quota thereof, are shown below:



Portfolio Exposure by Issuer

ISSUER	Rating	Consumed quota (%)	Market value (Billions of COP) 2017	Market value (Billions of COP) 2016	Share 2017 (%)	Share 2016 (%)
MINISTRY OF FINANCE AND PUBLIC CREDIT	COLOMBIAN GOVERNMENT	0,00%	--	1.514	0,00%	6,99%
LEASING BANCOLDEX	AAA	12,71%	2.147	1.545	24,73%	7,14%
BANCO BBVA COLOMBIA	AAA	17,88%	1.014	1.509	11,68%	6,97%
TITULARIZADORA DE COLOMBIA	AAA	23,53%	996	--	11,48%	0,00%
BANCOLOMBIA	AAA	17,88%	994	1.944	11,45%	8,98%
G.M.A.C. COLOMBIA	AAA	2,59%	508	1.008	5,85%	4,66%
BANCO DAVIVIENDA	AAA	0,00%	--	2.022	0,00%	9,34%
Banco de Bogotá	AAA	0,00%	--	6.063	0,00%	28,01%
BANCO COLPATRIA RED MULTIBANCA	AAA	0,00%	--	1.505	0,00%	6,95%
BANCO AV VILLAS	AAA	0,00%	--	1.012	0,00%	4,68%
CORPORACION FINANCIERA COLOMBIANA	AAA	0,00%	--	1.007	0,00%	4,65%
BANCOLDEX	AAA	0,00%	--	505	0,00%	2,33%
LEASING BANCOLOMBIA S.A.	AAA	0,00%	--	503	0,00%	2,32%
BANCO POPULAR	AAA	0,00%	--	500	0,00%	2,31%
BANCO CORPBANCA	AA+	12,71%	1.012	--	11,66%	0,00%
BANCO PICHINCHA	AA	12,71%	2.009	1.008	23,14%	4,65%
Total			8.679	21.645	100%	100%

* Quota consumed cut-off date (%): December 31, 2017

Final market value expressed in millions of COP.

Credit Risk of Accounts Receivable

With the aim to mitigate the credit risk that debtors could generate, **bvc** has policies and procedures that contain the items considered by the Company to maintain a healthy portfolio according to its operation, with respect to the revenue generated from the different services **bvc** provides to its clients.

Likewise, at December 31, 2017 and 2016, through the Portfolio Committee, the Company analyzed and reviewed the overdue accounts receivable, which allows it to make optimistic decisions for collection or impairment according to the approved policies (see Note 31.2 - subsection e).

To see the information related to the client portfolio, consult the *Trade Debtors and Other Accounts Receivable* note, taking into account that the value of the accounts receivable is the amount that best represents these assets' maximum level of credit risk exposure.

LIQUIDITY RISK

Liquidity Risk of the Investment Portfolio

The liquidity risk is the contingency of not being able to fully, promptly and efficiently meet the expected and unexpected, current and future cash flows, without affecting the course of daily operations or financial conditions of the Exchange. This contingency (funding liquidity risk) is expressed in the insufficiency of liquid assets available and/or the need to assume unusual funding costs. In turn, the Exchange's capacity to

Letter to shareholders

General vision

bvc strategy

The bvc

Corporate governance

Sustainability

Clients and market

Our employees

Annual report profile

Individual F/S

Consolidated F/S

Appendix - Country code

3. Restatement of Financial Statements

3.1. Changes in Accounting Policy

In 2017, Bolsa de Valores de Colombia S.A. restated its financial statements at December 2016 and January 1, 2016, to reflect the impact of the update of the securities that had been disclosed during said periods as a result of the records due to recognition using the equity method for investments in associates and joint ventures, because of a change in the accounting policy applied to date, in which the subsequent measurement of the investments at cost was recorded. Said change was effective from January 1, 2017, and subsequent measurement using the equity method is applied.

The aforementioned in accordance with IAS 27, paragraphs 10 and 18J, and IAS 8.

The investments recorded under the equity method from January 1, 2017, are as follows: Derivex S.A., Cámara de Compensación de Divisas, Cámara de Riesgo de Contraparte S.A. and Deceval S.A. These investments were recorded at cost until 2016.

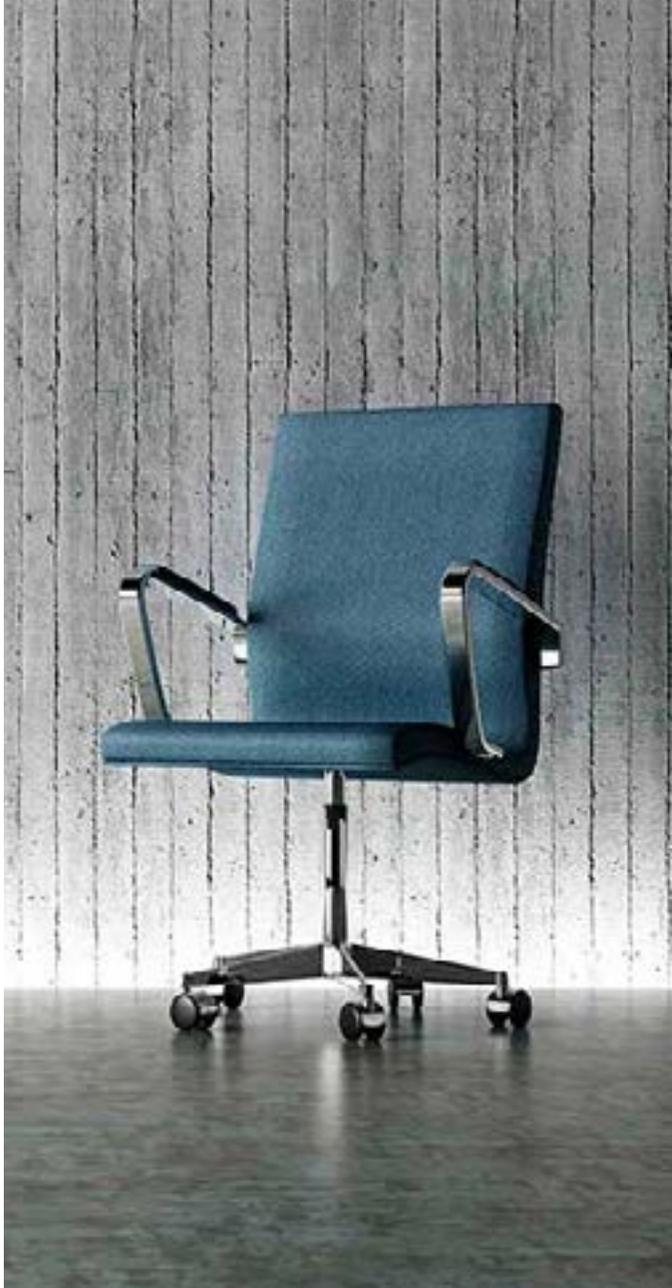
3.2. Recognition of the Amortization of Intangible Assets by Application of the Equity Method Due to Changes in Accounting Policy

Intangible assets other than goodwill were recognized in the business combination carried out with Sophos Banking Solutions in 2015, which presented the following balances at December 31, 2016:

INTANGIBLE ASSETS	Initial balance	Accumulated amortization	Balance at December 31, 2016
Client relations	8.540.108	4.270.054	4.270.054
Technology	5.495.806	1.648.742	3.847.064
Total	14.035.914	5.918.796	8.117.118

In accordance with IAS 28, paragraphs 26 and 32, in the equity method procedures, adequate adjustments to the income of the period must be made in the investment part after accounting for the combination. Therefore, for the purposes of the equity method, bvc recorded the impact of the amortization on the intangible assets of the acquisition of 51% of Sophos Banking Solutions, as follows:

YEAR	Accumulated amortization	Recognition in the equity method
Year 2015	1.972.932	1.006.195
Year 2016	3.945.864	2.012.391



The accounting effects of Section 3.1 and 3.2 on the bvc Separate Financial Statements at December 31, 2016, are as follows:

STATEMENT OF FINANCIAL POSITION

Figures in thousands of Colombian pesos

CONCEPT	Previously reported balances at January 1, 2016	Adjustments	Balances restated at January 1, 2016
ASSETS			
Investments in associates and joint ventures (1)	26.648.879	3.060.932	29.709.811
Investments in subsidiaries (2)	37.548.076	(1.006.195)	36.541.881
Total assets affected	64.196.955	2.054.737	66.251.692
LIABILITIES			
Income tax (3)	3.468.955	74.467	3.543.422
Total liabilities affected	3.468.955	74.467	3.543.422
SHAREHOLDERS' EQUITY			
Retained profits (4)	3.414.071	1.100.253	4.514.324
Results for the period (5)	23.297.657	(719.884)	22.577.773
Other equity interests and OCI (1)	7.924.029	1.599.901	9.523.930
Total shareholders' equity affected	34.635.757	1.980.270	36.616.027

SEPARATE STATEMENT OF INCOME AND OTHER

COMPREHENSIVE INCOME

Figures in thousands of Colombian pesos

CONCEPT	Previously reported balances at January 1, 2016	Adjustments	Balances restated at January 1, 2016
Revenue			
Revenue by investment	(10.076.201)	5.943.607	(4.132.594)
Profit from equity method - associates	0	(6.304.385)	(6.304.385)
Profit from equity method - subsidiaries	(6.425.036)	1.006.195	(5.418.841)
Income tax (2)	9.417.968	74.467	9.492.435
Profit of the period	23.297.657	(719.884)	22.577.773

1) The increase in the investment line item was generated from the adjustment of the calculation of the equity method in the investments in associates and joint ventures until January 1, 2016, as indicated below:

COMPANY	Previously reported investment value at January 1, 2016	Equity method - Results for the period	Equity method - Other comprehensive income	Dividends	Investment at January 1, 2016 under equity method
Deceval S.A.	15.671.738	22.927.587	732.905	(23.451.822)	15.880.408
Central Counterparty Risk Clearing House	8.927.964	1.997.428	443.069	0	11.368.461
FX Clearing House	1.673.480	1.297.437	2.251	(763.686)	2.209.482
Derivex S.A.	375.697	(545.913)	421.676	0	251.460
	26.648.879	25.676.539	1.599.901	(24.215.508)	29.709.811

The accounting effect is as follows:

Equity method at January 1, 2016 - Accumulated income	25.676.539
Accumulated dividends received at January 1, 2016	(24.215.508)
Equity method at January 1, 2016 - Accumulated OCI	1.599.901
Net impact on results from prior periods	3.060.932

2) The reduction in investments in subsidiaries refers to recognition using the equity method of the effect of amortization of intangible assets created in the acquisition of Sophos Banking Solutions in 2015, which was included in the initial value of the transaction, amounting to COP 1,006,195.

3) The increase in income tax corresponds to the adjustment of deferred tax recognized because of the difference in investments in associates and joint ventures between the tax costs and the accounting costs that are affected by the equity method.

4) The effect on the accumulated profits is as follows:

Equity method at January 1, 2015 - Accumulated income	19.372.154
Accumulated dividends received at January 1, 2015	(18.271.901)
Net impact on results from prior periods	1.100.253

5) The effect of activity related to the equity method and the recognition of the amortization of the intangible assets on the income of the period is as follows:

Reversal of dividends received in 2015 - deceval	(5.673.671)
Reversal of dividends received in 2015 - CCD	(269.936)
Recognition in the equity method in 2015 - deceval	4.920.739
Recognition in the equity method in 2015 - Derivex	398.874
Recognition in the equity method in 2015 - CCD	382.686
Recognition in the equity method in 2015 - CCRC	602.086
Amortization of intangible assets SOPHOS BANKING SOLUTIONS	(1.006.195)
Income tax	(74.467)
Net impact on income statement	(719.884)

STATEMENT OF FINANCIAL POSITION AND INCOME

STATEMENT

Figures in thousands of Colombian pesos

CONCEPT	Previously reported balances at December 31, 2016	Adjustments	Restated balances - 2016
ASSETS			
Investments in associates and joint ventures (1)	30.838.136	6.066.644	36.904.780
Investments in subsidiaries (2)	42.244.999	(3.018.586)	39.226.413
Total assets affected	73.083.135	3.048.058	76.131.193
LIABILITIES			
Income tax (3)	3.468.955	235.006	3.703.962
Total liabilities affected	3.468.955	235.006	3.703.962
SHAREHOLDERS' EQUITY			
Retained profits (4)	3.450.653	380.369	3.831.022
Results for the period (5)	23.826.429	376.308	24.202.737
Other equity interests and OCI (1)	8.237.855	2.056.374	10.294.230
Total shareholders' equity affected	35.514.937	2.813.051	38.327.989

SEPARATE STATEMENT OF INCOME AND OTHER

COMPREHENSIVE INCOME

Figures in thousands of Colombian pesos

CONCEPTO	Saldos previamente informados 31 diciembre 2016	Ajustes	Saldos reexpresados 2016
Ingresos			
Ingresos por inversión	(7.035.414)	4.898.674	(2.136.740)
Utilidad método de participación asociadas	0	(7.447.912)	(7.447.912)
Utilidad método de participación subsidiarias	(10.529.805)	2.012.391	(8.517.414)
Impuesto a las ganancias (2)	9.417.968	160.539	9.578.507
Utilidad del ejercicio	23.826.429	376.308	24.202.737

1) The increase in the investments line item refers to the effect due to the adjustment of the calculation of the equity method in investments in associates and joint ventures at December 31, 2016, including the accumulated adjustments at January 1, 2016, with the adjustment for 2016 being COP 3,048,058.

COMPANY	Previously reported investment value at 2016	Equity method - Results for the period	Equity method - Other comprehensive income	Dividends	Investment at 2016 under equity method
Deceval S.A.	15.671.738	28.474.941	981.574	(27.993.658)	17.134.595
Central Counterparty Risk Clearing House	12.765.397	3.288.764	656.893	0	16.711.054
FX Clearing House	1.875.455	2.005.509	2.224	(1.120.524)	2.762.664
Derivex S.A.	525.546	(644.762)	415.683	0	296.467
	30.838.136	33.124.452	2.056.374	(29.114.182)	36.904.780

The accounting effect is as follows:

Equity method at December 31, 2016 - Accumulated income	33.124.452
Accumulated dividends received at December 31, 2016	(29.114.182)
Equity method at January 1, 2016 - Accumulated OCI	2.056.374
Net impact on results from prior periods	6.066.644

2) The reduction in investments in subsidiaries refers to recognition using the equity method of the effect of the amortization of accumulated intangible assets created in the acquisition of Sophos Banking Solutions in 2015, which was included in the initial value of the transaction, amounting to (COP 2,012,391) in 2016.

3) The increase in income tax corresponds to the adjustment of accumulated deferred tax recognized because of the difference in investments in associates and joint ventures between the tax costs and the accounting costs that are affected by the equity method, being COP 160,539 in 2016.

4) The effect on the accumulated profits is as follows:

Equity method at January 1, 2016 - Accumulated income	25.676.539
Accumulated dividends received at January 1, 2016	(24.215.508)
Amortization of intangible assets SOPHOS BANKING SOLUTIONS 2015	(1.006.195)
Income tax	(74.467)
Net impact on results from prior periods	380.369

5) The effect of activity related to the equity method and the recognition of the amortization of the intangible assets in the income of the period is as follows:

Reversal of dividends received in 2016 - deceval	(4.541.836)
Reversal of dividends received in 2016 - CCD	(356.838)
Recognition in the equity method in 2016 - deceval	5.547.354
Recognition in the equity method in 2016 - Derivex	(98.850)
Recognition in the equity method in 2016 - CCD	708.072
Recognition in the equity method in 2016 - CCRC	1.291.336
Amortization of intangible assets SOPHOS BANKING SOLUTIONS 2016	(2.012.391)
Income tax	(160.539)
Net impact on income statement	376.308

4. Acquisition and Creation of Subsidiaries

4.1. Acquisition of Deceval S.A.

On December 14, 2017, Bolsa de Valores de Colombia S.A. acquired 71.73% of the share in Deceval S.A., increasing the share that it had in 2016 of 22.98%. The transfer of 5.29% for the first months of 2018 is pending.

The transaction was executed as a result of the formal acceptance of the Share Subscription Framework Agreement by all of the shareholders of Depósito Centralizado de Valores S.A. - Deceval S.A. This document regulates the transaction of the corporate integration that was completed between **deceval** and Bolsa de Valores de Colombia

This acceptance occurred after the Financial Superintendence of Colombia, through Resolution 0785 / June 1, 2017, approved the regulation of share issuance and placement

With the acceptance of the Subscription Framework Agreement, the full participation of all the shareholders in the corporate integration process carried out by Bolsa de Valores de Colombia and **deceval** was guaranteed. This gave the Exchange the power to make a private offering of shares to the **deceval** shareholders, who accepted the Subscription Framework Agreement.

On December 5, 2017, the Financial Superintendence of Colombia issued an authorization through Official Memorandum 2017096459-027 to acquire up to 371,274 shares in Depósito Centralizado de Valores Colombia, Deceval S.A., which authorized us to be the beneficial owner of up to 100% of deceval's share capital. This meant the closing date of the corporate integration between Bolsa de Valores de Colombia and Depósito Centralizado de Valores de Colombia, Deceval S.A. could be established for Thursday, December 14, 2017.



The following steps were taken to execute and close the transaction:

1. The issuance of 12,437,679,000 **bvc** shares for the exchange of shares held by the **deceval** shareholders.
2. The offering of shares to be subscribed is not subject to pre-emptive rights and the shares were offered exclusively to **deceval** shareholders who signed the Subscription Framework Agreement.
3. The issued shares were listed on the National Securities and Issuers Register (RNVE, for the Spanish original) and on the Colombian Securities Exchange.
4. The subscription of the shares that **bvc** issued is exchanged for **deceval** shares at a ratio of 33,500 **bvc** shares for each **deceval** share. The price for each share to be issued by **bvc** was the average closing price of the **bvc** share in the ninety (90) calendar days prior to the closing date. For the purposes of this transaction, this was the fifth business day after the preceding conditions established in the Subscription Framework Agreement were met, and the share price was established at COP 25.12.
5. The note regarding the new shareholders in **bvc**'s books and **bvc**'s ownership of **deceval** was made on December 14 and December 28, 2017.
6. The control of **bvc** over **deceval** and the Business Group status were registered in the commercial registry in the Bogotá Chamber of Commerce on January 9, 2018, having been configured on December 14, 2017.

From December 14, Bolsa de Valores de Colombia S.A. and Depósito Centralizado de Valores de Colombia, Deceval S.A. operate as a single organization after the successful completion of the transaction and the exchange of shares. As a result

of the integration, **deceval** is now the main subsidiary of Grupo Bolsa de Valores de Colombia S.A., and it will be responsible for comprehensively managing the capital market's post-trading solutions.

Now, as a single organization and with the integration of their processes, they will optimize, transform and develop the Colombian capital market with a single client focused strategic vision in the framework of global competitiveness to become the main partner of all its participants.

Therefore, **bvc** will focus its efforts on products and services that add to the funding options for small, medium and large companies, and it will generate new investment opportunities for everyone and a permanent value proposal for the financial and securities industry.

The integration allows the shareholders to participate in the significant creation of value with the combined synergies in costs and revenue. The estimated synergies in costs will be achieved in 2019 once the restructuring expenses have been executed.

These were initially calculated at between approximately COP 7,000 million and COP 8,000 million, equivalent to 8% and 9% of the consolidated operating expenses of the two companies in 2017. From 2018, the Exchange will transfer 35% of the profits from the synergies to the market participants, mainly in its transaction services.

The greater financial solidity and scale that **bvc** now achieves gives the capital market confidence to revitalize the growth that the Colombian economy needs, channeling investments in productive projects available to all.



The effects of the integration with **deceval** on the 2017 bvc Separate Financial Statements are as follows:

a) Consideration Transferred (IFRS 3. B64 (f, i), IAS 7. 40(a))

The consideration transferred is based on the exchange of shares that the Exchange issued for shares in **deceval** at an exchange ratio of 33,500 bvc shares for each **deceval** share. The following value was established on December 14, 2017, the date on which the transaction was made.

Figures in thousand of Colombian pesos

DECEVAL S.A.	Value
Previously acquired share (1)	93.205.157
Interest to acquire (2)	21.429.793
bvc share value (3)	290.990.884
Total consideration transferred	405.625.834

(1) Previously Acquired Share

In accordance with paragraph 32b of IAS 28, the fair value is established of the investment recorded in the separate financial statements on the transaction date. This means that the value of **bvc's** previous share in **deceval**, which was 22.98%, amounted to COP 16,610 million, which is updated to the fair value on the day of the transaction, which was COP 93,205 million. This generated a difference of COP 76,583 million, which was recognized as a profit from said update of the fair value and it is reflected in the Comprehensive Income Statement as extraordinary revenue for **bvc** (see Note 31.7.2.3).

BVC'S INVESTMENT IN DECEVAL

Initial cost	15.684.483
Accumulated profit from equity method at 2016 - Income	28.474.941
Accumulated profit from equity method at 2016 - Other comprehensive income	746.934
(-) Accumulated dividend at 2016	(27.993.659)
Total 2016	16.912.699
Accumulated profit from equity method at November 2017 - Income	5.221.646
Accumulated profit from equity method at November 2017 - Other comprehensive income	34.804
(-) Dividend received in 2017	(5.546.898)
Total November 2017	16.622.251
Fair value adjustment - Investment in acquisition	76.582.906
Previously acquired share	93.205.157

(2) Interest to Acquire

At the close of 2017, the transfer of 5.29% for the first months of 2018 by Bancolombia was pending, with which **bvc's** 100% shareholding is reached. This percentage at the fair value of the transaction amounts to COP 21,429,793.

(3) bvc Share Value

Bolsa de Valores de Colombia S.A. transferred 11,584,032,000 **bvc** shares to the shareholders of DECEVAL S.A. in exchange for **deceval** shares at the ratio of 33,500 **bvc** shares for every **deceval** share, with a price per share of COP 25.12, equivalent to COP 290,990,884.

The effects of the exchange transaction with the transfer of **bvc** equity and the value of the direct investment in **deceval** through the acquisition are shown below:

BVC'S INVESTMENT IN DECEVAL

	Debit	Credit
Investment in subsidiaries - deceval	290.990.884	
Exchange capital		11.584.032
Premium in stock placement		279.406.852
	290.990.884	290.990.884



b) Acquisition Related Costs

In the acquisition of **deceval**, costs were incurred related to valuation processes, due diligence costs, legal fees and calculation of the purchase price allocation (PPA), which were recorded in expenses of the period in accordance with IFRS 3, paragraph 53, and IFRS 3, B64.

In accordance with IAS 32, paragraphs 35 and 37, the costs can be directly related or attributed to the share issuance, and they are accounted or recorded as a deduction from equity, net of any related tax incentive. The established costs that are applicable in this reclassification, as well as the aforementioned, include the related costs for determining the exchange ratio of the trade in order to establish the shares to issue. In 2017, due to the aforementioned expenses, we made a reclassification, reducing the value of the premium in share placement by COP 2,105,497, net of taxes.

4.2. Creation of Subsidiaries

Bolsa de Valores de Colombia S.A. created three new companies owning 100% of them as investment vehicles, through which it exchanged the shares issued by these companies for 5% of the shares that **bvc** held in **deceval**.

The shares in said companies and their equity composition at the close of 2017 are listed below:

COMPANY	SHARE VALUE	AUTHORIZED CAPITAL	# SHARES	SUBSCRIBED AND PAID-IN CAPITAL IN EACH COMPANY	PREMIUM IN STOCK PLACEMENT
bvc PLUS S.A.S.	10.000	2.000.000	200	1.000.000	83.150.378
bvc PRO S.A.S.	10.000	2.000.000	200	1.000.000	83.150.378
INVERBVC S.A.S.	10.000	2.000.000	200	1.000.000	83.150.378

5. Cash and Cash Equivalents

CONCEPT	December 31, 2017	December 31, 2016
General cash in foreign currency	29.672	37.034
Petty cash	5.533	5.171
Local currency banks	3.477.218	4.370.491
Foreign currency banks	5.376.314	1.855.235
Ordinary common funds	126.760	643.907
Cash equivalents	2.008.560	4.047.150
Total	11.024.057	10.958.988

At December 31, 2017 and 2016, there were no restrictions on the balances of cash and cash equivalents.

(1) The balance in banks in foreign currency has the Banco de Bogotá Miami Agency at the close of December 31, 2017 and 2016, at a closing representative exchange rate of COP 2,984.00 and COP 3,000.71, respectively

BANK	Type of currency	December 31, 2017	December 31, 2016
Banco Bogotá	Balance in USD	1.801.714	618
	Balance in COP	5.376.314	1.855.235

In 2016, there was a balance in Banco Bogotá Miami Agency of USD 618 and 2017 ended with a balance of USD 1,801,714. The increase is due to the provision of liquidity requirements in foreign currency for the payment of projects such as INET and Master Trader, and the integration in 2018. A time deposit was created for this purpose amounting to USD 500,000 in October 2017.

The reconciliation entries of banks at December 31, 2017 and 2016, which amounted to COP 135,399 and COP 94,380, respectively, are presented below:

CONCEPT	2.017		2.016	
	Amount	Value	Amount	Value
Deposits	5	14.210	9	29.919
Written, non-collected checks	1	39.899	3	80
Accounting debits	0	0	1	3.727
Portfolio applications	19	81.200	50	60.654
Total Cash	25	135.309	63	94.380



(2) At December 31, 2017 and 2016, ordinary mutual fund balances correspond to securities deposited in trusts.

Concept	December 31, 2017	December 31, 2016
Fiduciaria Corficolombiana	74.346	70.399
Fiduciaria Previsora	52.414	573.508
Total ordinary common funds	126.760	643.907

The balances of the trust funds increased in value with the update of the units that the respective trust funds sent for the closures, and corresponded to the fair value or market value of said investments. In 2017, there was a total balance in Funds of COP 126,760 and in 2016, the final balance was COP 643,907. The difference is due to the resources being used for payments of the INET project scheduled for January 2017, and the minimum balances required in the funds being left for 2017.

(3) They are private debt securities (CD) with a maturity period of less than 90 days taken from the date of their creation in accordance with the policy of the Colombian Securities Exchange.

Security	Issuer	Market value	Maturity
CD	Banco Pichincha	2.008.560	08/01/2018

5.1 Cash Flow Explanatory Notes

5.1.1 The purchases of property, plant and equipment line item reflected in the cash flow of COP 2,366,228 for 2017 and of COP 1,818,510 for 2016 corresponds to the money effectively paid for the acquisition of these assets owned by **bvc**.

The property, plant and equipment additions correspond to the new acquisitions the Company made during the year. The **bvc** recognizes the asset at the time it is delivered, which does not imply that the provider has been paid, because our provider payment plan is 30 days prior to registration of the invoice.

5.1.2 The purchases of the intangible assets line item reflected in the cash flow of COP 674,115 for 2017 and of COP 1,088,786 for 2016 corresponds to the money effectively paid for the acquisition of the intangible assets owned by **bvc**.

Bolsa de Valores recognizes the intangible asset at the time it is delivered, which does not imply that the provider has been paid, because our provider payment plan is 30 days prior to registration of the invoice.

The capitalized projects have payroll charges that are reflected in the cash flow in the payment to employee accounts line.

5.1.3 The other cash inflows from investment activities line item referenced in the cash flow in 2017 includes the maturity of capital on the portfolio securities of COP 9,669,998 and the certificate of deposit (CD) with a maturity period of less than 90 days of COP 2,008,560. In 2016, the maturity of capital on portfolio securities is COP 3,341,561 and the maturity of the CD of less than 90 days is COP 4,047,150.

5.1.4 The first installment of the contingent consideration with Sophos was made on March 29, 2017, of COP 5,529,920.

6. Current and Non-current Financial Assets

The **bvc** manages the portfolio at prices listed on active markets. For these assets, **bvc** values the portfolio through a valuation provider, which can access the information supplied by the price provider authorized by the Financial Superintendence of Colombia daily and on the closing date, which allows the update of the **bvc** investments to market prices or fair value.

The financial assets correspond to investments made at fair value with the trading business model.



6.1 Financial Assets Measured at Fair Value

The investments at December 31, 2017 and 2016, are listed below:

Concept	December 31, 2017	December 31, 2016
Tradable investments in internal public debt securities		1.513.982
Tradable investments in private debt securities	5.674.610	16.083.645
Tradable investments in mortgage securities	996.218	
Tradable investments in equity securities (1)	2.002.362	1.859.047
Total tradable investments	8.673.190	19.456.674
Less restricted short-term investments	993.696	925.980
Total	7.679.494	18.530.694

The recomposition of the investment portfolio was completed in 2017, selling the Internal Public Debt Securities in real value units (UVR, for the Spanish original). With these funds, purchases of the same value were made in Private Debt Securities of the financial sector with terms of no more than 180 days. The above in compliance with the transitional system, which aims to meet the necessary liquidity requirements for the projects that **bvc** is carrying out.

There was a decrease of 65% in the tradable investments in private debt securities, because the securities were short term (less than one year) with the aim to cover the liquidity requirements for payments to suppliers of the INET and Master Trader projects.

1) This corresponds to the investment in Fondo Inversor of COP 1,986,677, restricted value, not cash, and the investment in XM Cía de Expertos en Mercados of COP 15,685.

2) The private debt investments in 2017 include investment in a certificate of deposit (CD) equivalent to the value received with a specific payment destination amounting to COP 993,696 for the business combination in the acquisition of Sophos Banking Solutions S.A.S. at fair value.

There are no restrictions on the Exchange's investment portfolio other than those mentioned in the previous paragraphs.

The structure of the tradable investments in debt securities at December 2017 and 2016, is presented below:

Breakdown of tradable private and internal public debt securities		
Type of security	December 31, 2017	December 31, 2016
CDs	4.662.470	14.061.695
Bonds	1.012.140	2.021.950
TIPS UVR	996.218	0
TES UVR	0	1.513.982
Total	6.670.828	17.597.627

Short-Term Portfolio Breakdown		
Type of security	December 31, 2017	December 31, 2016
CDs	4.662.470	14.061.695
Bonds	1.012.140	2.021.950
TES UVR	0	882.998
Total	5.674.610	16.966.643

Long-term portfolio breakdown		
Type of security	December 31, 2017	December 31, 2016
TIPS UVR	996.218	0
TES UVR	0	630.984
Total	996.218	630.984

The credit ratings of the assets are AAA, AA and A+, as indicated in Section 2.1.2 Credit Risk.

Below is the summary of the tradable investments' maturity at December 31, 2017:

Securities at December 2017	Maturity in 0-1 Year	Maturity in 1-3 Years	Maturity in 3-6 Years	Maturity in More than 6 Years	Total
CDs	4.662.470	0	0	0	4.662.470
Corporate bonds	1.012.140	0	0	0	1.012.140
TIPS UVR		0	0	996.218	996.218
	5.674.610	0	0	996.218	6.670.828

Below is the summary of the tradable investments' maturity at December 31, 2016:

Securities at December 2016	Maturity in 0-1 Year	Maturity in 1-3 Years	Maturity in 3-6 Years	Maturity in More than 6 Years	Total
CDs	14.061.695	0	0	0	14.061.695
Corporate bonds	2.021.950	0	0	0	2.021.950
TES UVR	882.998	0	630.984	0	1.513.982
	16.966.643	0	630.984	0	17.597.627

6.2 Financial Assets Measured at Fair Value Hierarchy:

The level of fair value hierarchy of the securities and investments that **bvc** held at December 31, 2017, is listed below.

Description	December 2017	Prices listed on active markets Level 1	Other significant entry data Level 2	Non-observable significant entry data Level 3
Other securities or equity securities (a):				
Energy sector	15.685			15.685
Private equity funds	1.986.677			1.986.677
Total securities or equity securities	2.002.362	0	0	2.002.362
Debt securities:				
Securities guaranteed by entities of the financial sector	6.670.828	0	6.162.796	508.032
Total debt securities:	6.670.828	0	6.162.796	508.032
Total	8.673.190	0	6.162.796	2.510.394

The investments in financial sector and public debt securities are at Level 2, despite belonging to active markets that are classified below this level, because on December 31, there were no transactions as the securities market was closed, but the securities were valued at December 31, 2017 and 2016. The valuation is made with the support of a price provider that is an expert in the valuation of investments, which uses the information of a price provider authorized by the Financial Superintendence.

At December 31, 2017, there was a CD with the issuer GM Financial Colombia maturing on December 29, 2017. However, as this was not a trading day, its maturity was postponed to the next business day. Therefore, the valuation of this security at December 31 was at the purchase IRR and it is classified as Level 3.

The investment in the Private Equity Fund is represented by share units and they are valued monthly at fair value or market price directly by the fund. However, the fund's investments are in companies that are at Level 3, because they are equity investments that do not have an active market and the inputs are unobservable.

The securities on the spot market correspond to securities that have no activity on the market for assets or liabilities on the measurement date and are classified at Level 3.



The level of fair value hierarchy of the securities and investments held by bvc at December 31, 2016, was as follows:

Description	December 2016	Prices listed on active markets Level 1	Other significant entry data Level 2	Non-observable significant entry data Level 3
Other securities or equity securities (a):				
Energy sector	15.685	0	0	15.685
Private equity funds	1.843.362	0	0	1.843.362
Total securities or equity securities	1.859.047	0	0	1.859.047
Debt securities:				
Securities guaranteed by entities of the financial sector	16.083.645	0	16.083.645	0
Public debt securities of the Colombian Government	1.513.982	0	1.513.982	0
Total debt securities:	17.597.627	0	17.597.627	0
Total	19.456.674	0	17.597.627	1.859.047

The inputs are measured taking the following into account:

Level 1 Inputs

Level 1 inputs are quoted prices (non-adjusted prices) in active markets for identical assets or liabilities to the ones that the entity can access at the measurement date.

Level 2 Inputs

Level 2 inputs are different inputs to the quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. In 2017, **deceval** disclosed available-for-sale investments in this level, which consist of private debt securities.

Level 3 Inputs

Unobservable inputs shall be used to measure fair value when relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.

In 2017 and 2016, **bvc** disclosed the equity investments, which are measured at fair value using the equity method. See Note 10.



7. Accounts Receivable and Accounts Payable with Related Parties

These refer to any transfer of resources, services or obligations between related parties.

Transactions between related parties and **bvc** are those that meet the following conditions: (i) they are between entities of the same group - subsidiaries. (ii) they are with entities (associates or joint ventures) in which the reporting entity has a significant influence; and iii) they are with a key member of management of the reporting entity. Transactions with related parties are made at the fair value or market price at the time of the transaction.

At December 31, 2017 and 2016, the balances from transactions between related parties or companies amounted to:

Figures in thousand of Colombian pesos

Entity	Relationship	2017		2016	
		Accounts Receivable	Accounts Payable	Accounts Receivable	Accounts Payable
deceval	Subordinate	63.863	19.331	85.955	0
Central Counterparty Risk Clearing House	Associate	100.629	0	83.731	0
Invesbolsa	Subordinate	0	0	300	0
Infovalmer	Subordinate	0	4.722	12.689	8.601
Derivex S.A.	Joint Venture	1.104.209	2.409	971.229	0
Impairment of Derivex S.A. (1)		(1.104.209)	0	0	0
Set-Icap Securities	Joint Venture	16.425	0	21.060	0
Set-Icap FX	Joint Venture	144.987	14.416	35.949	7.020
Sophos Banking	Subordinate	0	504.256	0	109.932
Other	Shareholders	0	5.448	0	5.317
		325.904	550.582	1.210.913	130.870

The nature of the transactions is mainly for the provision of services, leases and loans.

1.- When analyzing the portfolio of Derivex S.A., we decided to carry out full impairment of the portfolio corresponding to the portfolio balances and loans granted due to the postponement of the payment dates. This was formalized by signing the payment agreement, which granted a term to pay the capital and interest starting in 2023. The aforementioned extension helps Derivex to have sufficient cash flow for its business continuity in the upcoming years.

The accounts receivable of Derivex include a loan of COP 175,000 disbursed in 2016 and a loan of COP 160,000 disbursed in 2015, which were renewed with an interest rate of DTF 2.5% and a term to pay capital and interest starting in 2023.

Due to the above, the flows to **bvc** for the owed concepts do not comply with the recovery parameters in the initially established terms and it can be established that there are impairment rates. Therefore, **bvc** makes the respective impairment.

2.- a) The **deceval** company is presented as a subsidiary. However, during 2016 and until 2017, it was classified as an associate.

b) SET-ICAP FX and SET-ICAP SECURITIES are presented as a joint venture. However, during 2016 and until 2017, they were classified as subsidiaries.

Third party	Total	Not Past Due	2017 Accounts Receivable				
			Between 0 and 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 90 and 180 days	Between 180 and 360 days
Derivex S.A.	1.104.209	1.104.209	0	0	0	0	0
Impairment of Derivex S.A. (1)	(1.104.209)	(1.104.209)	0	0	0	0	0
deceval	63.863	63.863	0	0	0	0	0
Central Counterparty Risk Clearing House	100.629	49.208	51.421	0	0	0	0
Set-Icap Securities	16.425	8.544	7.881	0	0	0	0
Set-Icap FX	144.987	9.701	135.286	0	0	0	0
Total	325.904	131.316	194.588	0	0	0	0

1) See subsection 1 of the previous table, which applies in the same way.

2016 Accounts Receivable							
Third party	Total	Not Past Due	Between 0 and 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 90 and 180 days	Between 180 and 360 days
Derivex S.A.	971.229	30.240	2.449	10.109	74.554	198.497	655.380
deceval	85.955	85.955	0	0	0	0	0
Central Counterparty Risk Clearing House	83.731	27.125	56.606	0	0	0	0
Invesbolsa	300	300	0	0	0	0	0
Infovalmer	12.689	12.689	0	0	0	0	0
Set-Icap Securities	21.060	17.128	3.932	0	0	0	0
Set-Icap FX	35.949	35.949	0	0	0	0	0
Total	1.210.913	209.386	62.987	10.109	74.554	198.497	655.380

Accounts payable of **bvc** with related parties and their terms for 2017 and 2016 are as follows:

2017 Accounts Payable							
Third party	Total	Not Past Due	Between 0 and 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 180 and 360 days
Derivex S.A.	2.409	2.409	0	0	0	0	0
deceval	19.331	19.331	0	0	0	0	0
Infovalmer	4.722	4.722	0	0	0	0	0
Set-Icap FX	14.416	7.208	7.208	0	0	0	0
Sophos Banking	504.256	504.256	0	0	0	0	0
Other	5.448	80	26	0	0	25	5.317
Total	550.582	538.006	7.234	0	0	25	5.317

2016 Accounts Payable							
Third party	Total	Not Past Due	Between 0 and 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 90 and 180 days	Between 180 and 360 days
Infovalmer	8.601	8.601	0	0	0	0	0
Set-Icap FX	7.020	7.020	0	0	0	0	0
Sophos Banking	109.932	109.932	0	0	0	0	0
Other	5.317	0	0	0	0	0	5.317
Total	130.870	125.553	0	0	0	0	5.317



Letter to shareholders

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bvc strategy

The bvc

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Our employees

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Appendix - Country code

Transactions with related parties and their effects on the income statements are presented below.

Company	Relationship	Transaction	2017	2016
			Effect on Results (Income) / Expenses	Effect on Results (Income) / Expenses
Central Counterparty Risk Clearing House	Associate	Administrative services	(97.859)	(186.117)
		IT services	(93.922)	0
		Lease of Alternate Operation Center (AOC)	0	(42.360)
FX Clearing House	Associate	Lease of Alternate Operation Center (AOC)	0	(18.590)
		In-person courses	0	0
		Information charges	(113.686)	0
Set-Icap FX S.A.	Joint Venture	IT services	(97.827)	(97.827)
		Lease of Alternate Operation Center (AOC)	0	(12.000)
		Special communication services	75.216	75.216
		Mandate agreement	0	(1.957)
		Administrative services	(2.000)	(2.000)
		IT services	(40.004)	(105.092)
		Lease of Alternate Operation Center (AOC)	(5.280)	(11.622)
Derivex S.A.	Joint Venture	Loan interest	(17.239)	(14.539)
		Administrative services	(38.622)	(51.033)
		Services on information supply and management	2.167	0
		System applications	536	297
		Legal services	(31.995)	(31.995)
		Clearing and settlement service	(85.369)	(89.037)
		Variable custody charges	(428)	(203)
Set-Icap Securities S.A.	Joint Venture	Administrative services	0	(6.189)
		Information screens	(14.820)	(16.212)
		IT services	(45.811)	(57.571)
		Administrative services	(274.060)	0
		Securities custody	62.338	56.718
deceval S.A.	Subsidiary	Lease of buildings	117.732	11.234
		Lease of Alternate Operation Center (AOC)	0	(16.528)
		Alternate Operations Center	0	16.363
		Electrical installations	0	6.333
		In-person courses	0	0
		Databases and reports	(185.196)	(175.260)
		IT services	(76.320)	(80.799)
Infovalmer S.A.	Subsidiary	Lease of Alternate Operation Center (AOC)	0	(24.000)
		Administrative services	(172.123)	(90.986)
		Financial services	0	(90.000)
		IT consultancy	0	6.485
		Certificates	0	680
		Portfolio valuation	39.915	15.284
		IT consultancy	2.614.310	582.456
Sophos Banking Solutions S.A.S.	Subsidiary	IT consultancy estimation	21.981	144.171
		Lease of buildings	100	0
		Administrative services	(1.980)	(18.789)
		System applications	209.480	169.556
		Total		1.749.234

The main change in expenses and income in the related companies arose from the development of the internal INET and Master Trader project, which generates greater expenditure with our company related to Sophos Banking Solutions.

Establishing bvc Key Personnel

Name of Member	Status in Board of Directors
Rafael Aparicio Escallón	Chairman - Non-Independent Board member
Aura Marleny Arcila Giraldo	Non-Independent Board member
Juan Luis Franco Arroyave	Non-Independent Board member
Diego Jiménez Posada	Non-Independent Board member
Mauricio Rosillo Rojas	Non-Independent Board member
Germán Salazar Castro	Non-Independent Board member
Sergio Clavijo Vergara	Independent Board member
Name of Member	Status in Board of Directors
Julián Domínguez Rivera	Independent Board member
Carlos Eduardo Jaimés J.	Independent Board member
Javier Jaramillo Velásquez	Independent Board member
Roberto Junguito Bonnet	Independent Board member
Santiago Montenegro Trujillo	Independent Board member
Juan Camilo Vallejo Arango	Independent Board member

The fees paid to the members of the Board of Directors at December 2017 were COP 1,155,113, and in 2016, they were COP 1,067,814.

The remuneration of **bvc's** key management team (CEO, Chief Officers and Managers) charged to income amounts to COP 8,154,432 for the period ended on December 31, 2017, and amounts to COP 7,381,433 at December 2016, for salaries, vacations, vacations taken and non-salary bonuses. The **bvc** has established an incentive plan for its executives for the achievement of personal targets that contribute to the companies' results. These incentives are structured in a minimum and maximum of gross remunerations, and are paid once a year.

8. Trade Debtors and Other Accounts Receivable

At December 31, 2017 and 2016, the balances of the account are as follows:

Concept	2.017	2.016
Clients (1)	2.771.010	2.846.473
Securities exchange brokers (2)	1.375.325	2.220.814
Securities issuers (3)	1.204.448	1.089.337
Advance payment of suppliers	64.764	225.496
Prepaid taxes	8.886	18.057
Accounts receivable from employees (4)	174.341	241.184
Sundry debtors	71.343	81.334
Doubtful accounts receivable	425.955	229.300
Impairment of trade debtors and other accounts receivable (5)	(425.955)	(229.300)
Total	5.670.117	6.722.695

1) The client account is comprised of the affiliates connected to the electronic and trading systems for the fixed-income, equity and standardized derivatives markets. This balance includes accounts receivable in U.S. dollars amounting to USD 254,285.35 and USD 386,185.68, equivalent to COP 758,787 and COP 1,158,831 at the end of December 2017 and 2016, respectively, which correspond to the sale of information.

2) The accounts receivable decreased due to the revenue of the equity market decreasing by COP 845,489 from 2016. The lower revenue was related to a 5% decrease in the trading volumes on the spot market (-COP 1.9 trillion), and a lower share in the volume from proprietary trading of the brokerage firms, retail investors and the real sector.

3) The accounts receivable balance for services to securities issuers, which are the securities listing and maintenance services, corresponds to the balances of the market issuers registered with the Exchange.

4) The details of accounts receivable from employees are listed below.

Concept	2.017	2.016
Allianz private health insurance policy	157.775	115.364
Med pluss private health insurance	-	42.057
Wellness activities	10.866	16.210
Corporate TC discount on travel and consumption	5.700	3.171
Other		64.382
Total	174.341	241.184

5) The impairment and allowance for doubtful accounts were calculated based on **bvc's** internal policy, authorized in December 2014, applied under the IFRS, as described in Note 31.2. e).

The activity of the accounts receivable impairment value is presented below:

Concept	2.017	2.016
Initial balance	229.300	297.864
Impairment of the period - trade debtors (1)	196.655	63.801
Derecognition during the period	0	(38.100)
Recoveries	0	(94.265)
Total	425.955	229.300

1. The Portfolio Committee established that the trade accounts receivable were subject to impairment. This analysis is based on the reports submitted by the Portfolio Department and on the monitoring of the proceedings carried by the Legal Department. The impairment is made on the non-chargeable, unrecoverable amounts according to objective evidence (clients in bankruptcy process, recurring clients in default and clients with a default of more than 360 days).

The increase in portfolio impairment is due to the individual application of the aforementioned to clients.

In 2016, the difference in impairment between the value of accounts receivable and expenses was COP 740. This value was directly recorded in accounts receivable from employees in assets and not against the impairment.

The details of changes in impairment charged to the income of each period at December 2017 and 2016 corresponding to trade debtors are provided below:

Third party	2.017	2.016
Deutsche Börse (Germany)	44.760	0
J.P. Morgan Chase & Co	37.565	0
Data IFX S.A.S.	17.497	0
Fondo Ganadero del Tolima S.A.	14.935	13.746
Servitrust GNB Sudameris S.A.	14.363	0
BNP Paribas Securities Services Sociedad Fiduciaria S.A.	13.528	0
Fundacion Universitaria Los Libertadores	7.389	0
Administradora de Fondos de Pensiones y Cesantia Proteccion S.A.	6.641	0
Fondo Nacional del Ahorro	5.643	0
Capitalizadora Colmena S.A.	5.104	0
Banco W S.A.	5.104	0
Banco Cooperativo Coopcentral	4.721	0
Old Mutual Sociedad Fiduciaria S.A.	4.415	0
Banco Citibank Colombia S.A.	3.538	0
Banco Popular S.A	3.468	0
Banco Davivienda S.A	916	0
Fiduciaria la Previsora S.A.	789	749
Fiduagraria S.A.	641	0
Fondo de Cesantias Porvenir	630	0
Fondo Voluntario de Pensiones Colseguros	626	0
Caja Promotora de Vivienda Militar y de Policia	581	0
Fiduciaria de Occidente S.A.	580	0
Fiduciaria Colpatría S.A.	543	0
Itau Asset Management Colombia S.A	505	0
Banco Caja Social S.A.	466	0
GT Trading S.A.S.	423	0
Titularizadora Colombiana S.A. Hitos	284	0
Alianza Fiduciaria S.A.	249	0
Fondo Nacional de Garantias S.A.	227	49
Fiduciaria Central S.A.	223	0
Serfinco S.A. Comisionista de Bolsa	221	0
BBVA Asset Management S.A.	154	0
Credicorp Capital Colombia S.A.	74	0
Jose Gerardo Carreño Rodriguez	22	0
Helm Fiduciaria S.A.	0	127
Fiduciaria Bogotá S.A.	0	75
Fiduciaria GNB S.A.	0	1.009
Citivalores S.A. Broker	0	115
Servivalores GNB Sudameris S.A. Broker	0	49
Banco GNB Colombia S.A.	0	821
Construcciones Civiles S.A.	0	13.804
Pasivos Pensionales Porvenir	0	1.856
JPMorgan Corporacion Financiera S.A.	0	150
Maria Mercedes Arango Uribe	0	780
Credicorp Capital Fiduciaria S.A.	0	7
Six Financial Information Ltd.	-23	4.010
Exchange Data Intl.	-147	26.454
Total	196.655	63.801

The negative values correspond to the exchange difference from the revaluation of the currency of the impairment of the accounts receivable in U.S. dollars from these clients.

Derecognition

Derecognition occurs with the express authorization of the Board of Directors and applies when the contractual benefits on the cash flows of the financial asset have expired, which is equivalent to the existing uncollectible accounts process on said asset.

Stratified Portfolio:

The details of the portfolio by terms at December 31, 2017 and 2016, are listed below:

2017	Total	Not Past Due	Between 1 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
Trade debtors	5.776.738	4.733.970	438.051	57.406	187.167	360.144
Other accounts receivable	319.334	9.203	181.922	0	64.764	63.445
Provisions - impairment	(425.955)	0	0	0	(120.519)	(305.436)
Total	5.670.117	4.743.173	619.973	57.406	131.412	118.153

2016	Total	Not Past Due	Between 1 and 90 days	Between 91 and 180 days	Between 181 and 360 days	More than 360 days
Trade debtors	6.467.258	5.376.741	474.436	143.736	201.773	270.572
Other accounts receivable	484.737	311.094	162.306	0	4.016	7.321
Provisions - impairment	(229.300)	0	0	(13.804)	(40.200)	(175.296)
Total	6.722.695	5.687.835	636.742	129.932	165.589	102.597

9. Non-current Non-financial Assets

At December 31, 2017 and 2016, the account balances break down as follows:

Concept	2017	2016
Services - software maintenance (1)	546.438	1.779.337
Subscriptions	51.774	0
Guarantees and deposits (2)	73.011	387.642
Stock rights in social clubs	100.000	100.000
Pieces of art	14.816	14.816
Other assets (3)	443.198	446.690
Total	1.229.237	2.728.485

(1) Services mainly correspond to software maintenance contracts and software licenses with a term of one year or more and those that at the end of December were pending expiry or were due to expire.

(2) The insurance policies acquired in October 2016 have a term of 18 months.

(3) We have the following most representative line items in the Other assets line:

a) They include COP 204,200 as a result of the business combination from the acquisition of Sophos. They also correspond to the collateral pending receipt from compensation assets for the future payment of contingent liabilities of said operation.

b) There is a value of COP 195,728, which corresponds to the prepaid expenses of the Allianz insurance policy, according to the proportion that bvc assumes as an expense.



10. Investments in Associates, Joint Ventures and Subsidiaries

10.1. Investments in Associates and Joint Ventures

CONCEPT	2017	2016 restated *	January 1, 2016 restated *
deceval S.A. (1)	0	17.134.595	15.880.408
Central Counterparty Risk Clearing House	18.329.716	16.711.054	11.368.461
FX Clearing House	2.311.110	2.762.664	2.209.482
Derivex S.A.	139.979	296.467	251.460
Set Icap FX S.A. (1)	3.688.619	0	0
Set Icap Securities (1)	1.211.712	0	0
TOTAL	25.681.136	36.904.780	29.709.811

At December 31, 2017 and 2016, the account balances break down as follows:

(1) See Note 3.

The changes shown in the companies Deceval, SET-ICAP FX and SET-ICAP SECURITIES correspond to the changes in the investment category; in the case of Deceval from associate to subsidiary, and in the case of SET-ICAP FX and SET-ICAP SECURITIES from subsidiaries to joint ventures.

The shareholding in these companies was as follows:

COMPANY	2017		2016		SHARE CAPITAL 2017
	SHARE %	SHARES	SHARE %	SHARES	
deceval S.A.			22,98%	110.763	12.050.925
Central Counterparty Risk Clearing House	32,63%	13.173.209.671	32,63%	13.173.209.671	40.366.665
FX Clearing House	30,79%	856.327.780	34,25%	856.327.780	2.781.465
Derivex S.A.	50%	301.698	50%	301.698	604.000
Set Icap FX S.A.	49,82%	548			330.000
Set-Icap Securities	50%	428.500			1.667.722

In 2017, **bvc** changed the valuation policy of associates and joint ventures from the cost method to the equity method (see Note 3).

Until 2016 in **bvc**, the value of associates was established by the cost method in accordance with IAS 27 or IAS 28, as applicable, taking into account External Bulletin 034/2014 of the Financial Superintendence of Colombia, which indicates that in the absence of a standard against application at cost, the aforementioned International Accounting Standards must be applied.

The associates have their main domicile in Bogotá.

The details of the activity of the equity method in investments in associates and joint ventures are as follows:

Company	Investment value at January 1, 2016*	Additions	Equity method - Results for the period	Equity method - Other comprehensive income	Dividends	Investment 2016 restated*
deceval S.A.	15.880.408		5.547.354	248.669	(4.541.836)	17.134.595
Central Counterparty Risk Clearing House	11.368.461	3.837.432	1.291.336	213.825	0	16.711.054
FX Clearing House	2.209.482	201.975	708.071	(27)	(356.837)	2.762.664
Derivex S.A.	251.460	149.850	(98.849)	(5.994)	0	296.467
	29.709.811	4.189.257	7.447.912	456.473	(4.898.673)	36.904.780

Company	Investment value 2016	Additions	Equity method - Results for the period	Equity method - Other comprehensive income	Dividends	Change in investment category	Investment 2017
deceval S.A.	17134.595	0	5.221.646	34.804	(5.546.898)	(16.844.147)	0
Central Counterparty Risk Clearing House	16.711.054	222.195	1.608.712	(212.245)	0	0	18.329.716
FX Clearing House	2.762.664	(583.804)	655.628	0	(523.378)	0	2.311.110
Derivex S.A.	296.467	149.850	(306.338)	0	0	0	139.979
Set Icap FX S.A.	0	479.216	3.209.403	0	0	0	3.688.619
Set-Icap Securities	0	982.137	229.575	0	0	0	1.211.712
	36.904.780	1.249.594	10.618.626	(177.441)	(6.070.276)	(16.844.147)	25.681.136

The financial and transaction information of associates is presented below:

2017					
COMPANY	SHARE %	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE PERIOD
Central Counterparty Risk Clearing House	32,63%	45.166.718.836	45.120.827.997	45.890.839	5.268.737
FX Clearing House	30,79%	8.387.803	1.180.323	7.207.480	2.129.564
Derivex S.A.	50%	2.178.750	1.550.467	628.283	-691.715
Set Icap FX S.A.	49,82%	11.617.504	4.431.732	7.185.772	6.442.230
Set-Icap Securities	50%	2.608.584	200.330	2.408.254	182.308

2016					
COMPANY	SHARE %	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE PERIOD
deceval S.A.	22,98%	104.093.940	22.963.797	81.130.143	24.139.920
Central Counterparty Risk Clearing House	32,63%	34.332.352.452	34.291.730.351	40.622.101	4.221.336
FX Clearing House	34,25%	7.585.817	1.311.356	6.274.460	2.167.529
Derivex S.A.	50%	2.442.309	1.422.161	1.020.148	-197.698

CÁMARA DE RIESGO CENTRAL DE CONTRAPARTE S.A. (CRCC). Acting as a central counterparty of transactions, it clears and settles by reducing or eliminating the risks of non-compliance with obligations of all **bvc** standardized derivative transactions. The **bvc** increased its shareholding from 27,64% to 32,63% between 2015 and 2016.

CÁMARA DE COMPENSACIÓN DE DIVISAS S.A. (CCDC). It manages the foreign currency clearing and settlement systems for compliance with cash transactions between exchange market brokers, reducing the risks related to compliance of liquidity, market, operating and legal exchange transactions. In 2017 and 2016, **bvc** maintained its shareholding of 30,79%.

DERIVEX S.A. It was incorporated on June 2, 2010, through Public Deed No. 718 of the Sole Notary Public Office of Sabaneta, Antioquia, dated June 2, 2010, registered on June 10, 2010, with the Bogotá Chamber of Commerce. It manages the first standardized derivatives market of energy commodities in association with XM Compañía de Expertos en Mercados S.A. E.S.P. as a strategic partner. DERIVEX started operations in October 2010. Bolsa de Valores de Colombia has a 50% share, and it remained with a 49,95% direct share for 2017 and 2016, and an indirect share of 0,05% through Invesbolsa.

Based on independent analyses and support of Derivex's management, Derivex's Board of Directors has concluded that there are sufficient elements to consider that



Derivex's business model continues to be viable. This position was confirmed with the verification of viability of the tax credit that Derivex has recorded in the financial statements since the conversion for the first time (Opening Statement of Financial Position) and which it still records at the end of 2017, according to the future business viability.

In 2016, **bvc** made a loan to Derivex of COP 175,000 paid out in 2016 with an interest rate of DTF +3.35% and a term of 18 months.

In 2015, **bvc** made a loan to Derivex of COP 160,000 paid out in 2015 with an interest rate of DTF +2.5% and a term of 18 months, which was renewed.

Through Minutes no. 019 of December 22, 2016, the Extraordinary Shareholders Meeting authorized the write-off of accumulated losses at December 15, 2015, with a decrease in the capital payments of the company of COP 740,000 for December 2016, aiming to weaken the grounds for dissolution, in accordance with Article 459 of the Code of Commerce.

In 2016, authorized capital was increased by Resolution 1591 / December 23, 2016, through which the Financial Superintendence of Colombia authorized the regulation of issuance and placement of the four thousand (4,000) common shares that Derivex had in reserve with a par value of one thousand pesos (COP 1,000), Colombian legal tender, and a premium in stock placement amounting to five hundred and ninety-six thousand pesos (COP 596,000), Colombian legal tender, per share, aiming to increase the equity account called "premium in stock placement".

An extension agreement was signed with **bvc** in 2017 for the value of the trade debts and loans granted to start their payment from 2023.

To date, there is no certain evidence that this deal is not viable, however, due to the extensions granted, the return of cash flows to **bvc** is not permitted in the initially

agreed terms, and in accordance with the IFRS, we proceed to carry out the impairment of the borrowings that **bvc** had with Derivex at the close of 2017.

10.2. Investments in Joint Ventures from Loss of Control

The loss of **bvc**'s control of the companies SET-ICAP FX S.A. and SET-ICAP SECURITIES S.A. was generated in December 2017, which involved no longer consolidating with these companies from December 2017.

This was completed by signing the agreement with the shareholders, which agreed the following:

"**bvc** shall not longer consolidate the Company's financial statements and, therefore, by signing this addendum, it hereby agrees to exercise joint control of the Company with TP ICAP. This situation shall be executed from the registration of the control situation in the commercial registry in accordance with the applicable legislation in Colombia." and

"The Parties agree to exercise control of the Company in accordance with the applicable legislation."

Due to the above, the loss of control over the companies SET-ICAP FX and SET-ICAP SECURITIES is presented because these companies were being consolidated with **bvc** until November, and from this agreement and in compliance with regulation, it is necessary to apply IFRS 10, paragraph 25, regarding loss of control.

Additionally, from now on, **bvc** shall apply the equity method for companies over which it has started to exercise joint control.

As a result of the loss of control, the information is presented of the two companies after applying the adjustments due the equity method applied while they were



controlled companies, and the equity method was applied to them upon changing the policy from the cost method to the equity method, retroactively. The final value that they had until the loss of control is presented in the second table, which is converted into the initial value for December 2017 as joint ventures.

Company	Investment value at January 1, 2016	Equity method - Results for the period	Equity method - Other comprehensive income	Dividends	Investment 2016	Investment 2017
Set Icap FX S.A.	3.251.703	3.134.999	0	(2.772.489)	3.614.213	0
Set-Icap Securities	1.263.768	194.338	(12.749)	(149.894)	1.295.463	0
	4.515.471	3.329.337	(12.749)	(2.922.383)	4.909.676	0

Company	Investment value 2016	Equity method - Results for the period	Equity method - Other comprehensive income	Dividends	Loss of control	Investment 2017
Set Icap FX S.A.	3.614.213	2.926.422	0	(3.134.998)	(3.405.637)	0
Set-Icap Securities	1.295.463	102.672	0	(174.905)	(1.223.230)	0
	4.909.676	3.029.094	0	(3.309.903)	(4.628.867)	0

SET ICAP FX S.A. It is the leader of the exchange market through the operation of 100% of the transaction market, registration and information of the spot market and foreign currency forwards, positioning itself as the model for the foreign currency market in Colombia.

Bolsa de Valores de Colombia holds 49.82% as a direct investment and 0.09% as an indirect investment through INVESBOLSA S.A.S., and another of 0.09%.

The SET-ICAP FX S.A. company was created through Public Deed No. 1140 of Notary Public Office 21 of the Bogotá Circle, dated March 29, 2012, registered in the Bogotá Chamber of Commerce on April 27, 2012, and started integrated operations from November 1, 2012.

SET ICAP SECURITIES S.A.

On March 16, 2015, Bolsa de Valores de Colombia S.A. acquired 50% of the shares in SET-ICAP SECURITIES, which will provide fixed-income and OTC derivative trading services with world-class market practices and will also allow it to access offshore flows interested in Colombian securities.

The **bvc** agreed to pay the selling shareholders a one-time payment of COP 982,137 on the date of the transaction.

10.3. Investments in Subsidiaries

In compliance with External Bulletin 034/2014, issued by the Financial Superintendence of Colombia, applicable from January 1, 2015, the **bvc's** equity investments shall be valued by the equity method. Said bulletin was included in Section 9.3, paragraph a, Chapter 1-1 of Bulletin 100 / 1995 of the Financial Superintendence. The above also applies in accordance with IAS 27 of 2015.

At December 31, 2017 and 2016, the account balances break down as follows:

CONCEPT	2017	2016 restated *	January 1, 2016 restated *
deceval S.A. (1)	364.299.728	0	0
Set Icap FX S.A. (1)	0	3.614.213	3.251.703
Set Icap Securities (1)	0	1.295.463	1.263.768
Invesbolsa S.A. (2)	20.353.076	260.290	246.496
InverBVC (2)	84.151	0	0
bvc Plus (2)	84.150	0	0
bvc Pro (2)	84.150	0	0
Infovalmer S.A.	2.387.397	2.077.208	1.649.940
Sophos Banking Solutions	28.383.164	31.979.239	30.129.974
TOTAL	415.675.816	39.226.413	36.541.881

* See Note 3.

1) The increase of the investment in subsidiaries amounts to COP 364,299,728. This is generated because of the change of investment category of **deceval** from associate to subsidiary, and the decreases in the investments of SET-ICAP FX and SET-ICAP SECURITIES amounting to COP 3,614,213 and COP 1,295,463, respectively, which correspond to the change in investment category from subsidiaries to joint ventures. (See details in the tables at the end of this note.)

2) The increase of INVESBOLSA amounting to COP 20,092,786 corresponds to the exchange of INVESBOLSA shares with shares that **bvc** held in **deceval**.

Bolsa de Valores de Colombia S.A. created three new companies (INVERBVC, BVC PLUS and BVC PRO) with 100% ownership of them as investment vehicles (see NOTE 4.2).

The shareholding in these companies was as follows:

COMPANY	2017		2016		SHARE CAPITAL 2017
	SHARE %	SHARES	SHARE %	SHARES	
deceval S.A.	89,71%	387,670			12.050.925
Set Icap FX S.A.			49,82%	548	330.000
Set-Icap Securities			50%	428.500	1.667.722
Invesbolsa S.A.	100%	28.802	100%	5.000	288.020.000
InverBVC	100%	200			2.000.000
bvc Plus	100%	200			2.000.000
bvc Pro	100%	200			2.000.000
Infovalmer S.A.	100%	100.000.000	100%	100.000.000	510.004
Sophos Banking Solutions	54,19%	1.083.739	51%	1.020.000	808.000

The subsidiaries have their main domicile in Bogotá.

The financial and transaction information of **bvc's** subsidiaries for 2017 and 2016 is presented below:

COMPANY	SHARE %	2017			
		ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE PERIOD
deceval S.A.	89,71%	93.997.265	21.511.055	72.486.210	23.212.282
Invesbolsa S.A.	100%	20.279.563	263	20.279.300	150.302
InverBVC	100%	84.150	0	84.150	0
bvc Plus	100%	84.150	0	84.150	0
bvc Pro	100%	84.150	0	84.150	0
Infovalmer S.A.	100%	4.611.381	1.955.446	2.655.935	1.890.928
Sophos Banking Solutions	54,19%	26.096.869	12.218.107	13.878.762	7.554.933

COMPANY	SHARE %	2016			
		ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE PERIOD
Set Icap FX S.A.	49,82%	11.564.483	4.528.064	7.036.419	6.292.878
Set-Icap Securities	50%	2.825.644	249.889	2.575.755	388.677
Invesbolsa S.A.	100%	187.865	1.351	186.514	96.654
Infovalmer S.A.	100%	4.047.761	1.733.034	2.314.727	1.465.022
Sophos Banking Solutions	51%	36.355.788	19.445.841	16.909.948	10.567.127

In 2017, **bvc** recognized the amortization of intangible assets from the application of the equity method due to the effect of a change in accounting policy of subsequent measurement of the investments. The above in application of IAS 28, paragraphs 26 and 32, and the impact of COP 1,006,195, COP 2,012,391 and COP 2,242,967 is recognized for the years 2015 (January 1, 2016), 2016 and 2017, respectively.

The Company carries out a standardization process with its subsidiaries regarding the policies used in similar transactions and those with similar characteristics. Additional adjustments are not required in the subsidiaries' separate financial statements, because they adhere to the Accounting and Financial Reporting Standards Accepted in Colombia (NCIF, for the Spanish original), applying the accounting policies and valuation criteria applied by the Exchange.

The changes of the equity method on **bvc's** investments in subsidiaries for 2017 and 2016 are indicated below:



Company	Investment value 2016	Additions	Equity method - Results for the period	Equity method - Other comprehensive income	Dividends	Change in investment category	Investment 2017
deceval S.A.	0	347,057,225	463,810	(65,454)	0	16,844,147	364,299,728
Set Icap FX S.A.	3,614,213	0	2,926,423	0	(3,134,999)	(3,405,637)	0
Set-Icap Securities	1,295,463	0	102,672	0	(174,905)	(1,223,230)	0
Invesbolsa S.A.	260,290	20,029,473	150,302	0	(86,989)	0	20,353,076
InverBVC	0	84,151	0	0	0	0	84,151
bvc Plus	0	84,150	0	0	0	0	84,150
bvc Pro	0	84,150	0	0	0	0	84,150
Infovalmer S.A.	2,077,208	0	1,719,026	0	(1,408,837)	0	2,387,397
Sophos Banking Solutions (1)	31,979,239	(2,142,417)	4,093,792	78,697	(5,626,147)	0	28,383,164
	39,226,413	365,196,732	9,456,025	13,243	(10,431,877)	12,215,280	415,675,816

Company	Investment value at January 1, 2016*	Additions	Equity method - Results for the period	Equity method - Other comprehensive income	Dividends	Investment 2016 restated*
Set Icap FX S.A.	3,251,703	0	3,134,999	0	(2,772,489)	3,614,213
Set-Icap Securities	1,263,768	0	194,338	(12,749)	(149,894)	1,295,463
Invesbolsa S.A.	246,496	0	96,654	8,326	(91,186)	260,290
Infovalmer S.A.	1,649,940	0	1,331,838	14,277	(918,847)	2,077,208
Sophos Banking Solutions (1)	30,129,974	(2,012,391)	5,771,976	340,554	(2,250,874)	31,979,239
	36,541,881	(2,012,391)	10,529,805	350,408	(6,183,290)	39,226,413

* See Note 3.

1) The value of the additions in Sophos correspond to the decrease due to amortization of the intangible assets created after its acquisition in 2015, in proportion to bvc's share in Sophos.

10.3.1. Investment in Subsidiaries - General Information

The **bvc's** investment in subsidiaries and companies over which it has control at December 31, 2017 and 2016, is presented below:

DECEVAL S.A. maintains, manages, records, clears and settles all transactions on the securities traded at **bvc** through a high-tech security, computerized system, mitigating all risks related to the physical handling of transfers, registrations and the exercise of equity rights. In 2017, **bvc** directly acquired this company, which is described in Note 4.

INFOVALMER S.A. is a price provider for valuation. Its main corporate purpose

includes: 1) Management of valuation systems, which includes the creation and issue of valuation methodologies and regulations for valuation systems; 2) Provision of services for the calculation, establishment and supply of information for investment valuation; 3) Provision of services for calculation and analysis of variables or risk factors; and 4) Development of additional activities to the provision of prices in the financial markets.

It officially started operations on March 4, 2013, after the Financial Superintendence of Colombia, through Resolution 1531 / September 28, 2012, granted the certificate of authorization as provider of prices for valuation.

Currently, INFOVALMER offers prices for valuation for fixed-income and equity instruments, OTC and CVA derivatives, structured notes, companies that are not listed on the Exchange and private equity funds. All the prices are the result of the



application of own valuation methods, which have no objection from the Financial Superintendence of Colombia.

By means of the by-law amendment formally registered in Public Deed No. 423 / February 9, 2018, the company changed its business name to **PRECIA PROVEEDOR DE PRECIOS PARA VALORACIÓN S.A.**

INVEBOLSA S.A.S. was incorporated through a private document of the sole shareholder, dated March 10, 2010, registered on March 12 under number 01368350 at the Bogotá Chamber of Commerce, with the main corporate purpose of incorporating and participating in companies and entities that are directly related to the activities and services rendered by **bvc**, in order to facilitate, extend or supplement the corporate business of the latter. The company may invest in the share capital of companies in which **bvc** is also legally allowed to invest. Likewise, it may conduct any other legitimate economic activity both in Colombia and abroad.

In December 2017, INVEBOLSA S.A.S. increased its share capital with a share issuance amounting to COP 230,020 and an increase in the premium in share placement at COP 19,791,453, as a result of an exchange of **deceval** shares that were the property of the Exchange.

SOPHOS BANKING SOLUTIONS S.A.S.

Sophos is a company that provides consulting services, implementation of core banking, test manufacturing and software manufacturing mainly for companies of the financial and securities sector. It has the support of consultants brought directly from India, granting security and trust to its clients with respect to knowledge and experience of the service.

On June 18, 2015, Bolsa de Valores de Colombia S.A. acquired 51% of the share in Sophos Banking Solutions. With the entry of this new subsidiary, **bvc** continues to strengthen its income diversification strategy, expanding and diversifying its regional

base of products and clients. The **bvc** now enters the industry of technology services in Latin America with a strong portfolio that will be integrated into its current lines of business, allowing it to improve its strategy of expanding its technology services for agents of the financial market, diversify its revenue and increase the generation of value for its shareholders. It also makes a great step in compliance with the **bvc**'s long-term strategy, as together they can enter the market of facilitating services for the capital market.

The company was created through Public Deed No. 000279 of Notary Public Office 49 of the Bogotá Circle dated February 8, 2006, registered on February 21, 2006, under number 01039977 of Book IX, with an indefinite duration of the company in the Bogotá Chamber of Commerce.

The **bvc** now enters the industry of technology services in Latin America with a strong portfolio that will be integrated into its current lines of business, allowing it to improve its strategy of expanding its technology services for agents of the financial market, diversify its revenue and increase the generation of value for its shareholders.

The **bvc** agreed to pay the selling shareholders of Sophos Banking Solutions S.A.S. additional amounts to the initial payments of COP 19,335,000 made on June 18, 2015, payable on March 31, 2017, and April 1, 2019, as an additional consideration of COP 6,248,000 and COP 5,341,000, respectively. This shall be positively or negatively adjusted on each date, provided that the financial statements have been duly approved by the competent corporate bodies and that the conditions are met on the variation of the 2015 EBITDA added to the 2016 EBITDA, and the variations of the 2017 EBITDA added to the 2018 EBITDA, respectively, where the value may be increased or reduced according to the conditions agreed in the contract.

In accordance with the above, the final remuneration was established in the following way under IFRS 3, after making a purchase price allocation to establish the fair values of the transaction.



In thousands of Colombian pesos

Sophos Banking Solutions S.A.S.	Value
Cash	19.335.000
Assets for compensation	(1.056.213)
Contingent consideration	9.398.147
Total consideration transferred	27.676.934

In 2017, the first installment of the contingent consideration was paid, which amounted to COP 5,529,920 and was effective on March 29, with prior approval of the Board of Directors in fulfillment of the conditions regarding variations in the 2015 and 2016 EBITDA agreed in the contract.

With respect to the value incurred, which amounted to COP 6,248,000, there was a saving of COP 718,080, due to the withdrawal of one of the partners present at the time of acquisition.

This is in accordance with Article 3.2.2.1 of the Good Governance Code of Bolsa de Valores de Colombia (**bvc**), which establishes the obligation to report the executed businesses or contracts that because of their amount required the authorization of the **bvc** Board of Directors, indicating the subject of the business or contract, as well as the name or business name of the contractor in the case of contracts with related parties.

INVERBVC S.A.S. was incorporated through a private document of the sole shareholder, dated December 06, 2017, registered on December 07 under number 02282751 at the Bogotá Chamber of Commerce, with the main corporate purpose of incorporating and participating in companies and entities with a corporate purpose directly or indirectly related to the activities and services rendered by Bolsa de Valores de Colombia S.A., in order to facilitate, extend or supplement the corporate business of the latter. The company may have shares in companies that have the corporate purpose of being central securities depositories of Colombia.

BVC PLUS S.A.S. was incorporated through a private document of the sole shareholder, dated December 06, 2017, registered on December 07 under number

02282745 at the Bogotá Chamber of Commerce, with the main corporate purpose of incorporating and participating in companies and entities with a corporate purpose directly or indirectly related to the activities and services rendered by Bolsa de Valores de Colombia S.A., in order to facilitate, extend or supplement the corporate business of the latter. The company may have shares in companies that have the corporate purpose of being central securities depositories of Colombia.

BVC PRO S.A.S. was incorporated through a private document of the sole shareholder, dated December 06, 2017, registered on December 07 under number 02282743 at the Bogotá Chamber of Commerce, with the main corporate purpose of incorporating and participating in companies and entities with a corporate purpose directly or indirectly related to the activities and services rendered by Bolsa de Valores de Colombia S.A., in order to facilitate, extend or supplement the corporate business of the latter. The company may have shares in companies that have the corporate purpose of being central securities depositories of Colombia.

11. Other Intangible Assets

Concept	2017			
	Initial balance	Charges	Amortization	Final balance
Software license (1)	1.760.737	72.032	(719.841)	1.112.928
SAP-ERP (2)	339.681	0	(172.667)	167.014
Software projects (3)	3.818.216	966.834	(1.206.990)	3.578.059
Development phase disbursements (4)	5.608.630	8.751.617	0	14.360.247
Total	11.527.264	9.790.483	(2.099.498)	19.218.248

(1) The software licenses acquired are amortized over the time in which they have been acquired without exceeding three years, by the straight-line method, except when the contract indicates a different time to the one indicated.

(2) The larger developed software that does not correspond to the core business and that corresponds to projects, such as SAP, is amortized by the reducing balance method for three years, while the other values are for three years using the straight-line method.



(3) The developed software that corresponds to the core business is capitalized as projects and amortized by the straight-line method for five years. This value corresponds to the activations to date.

(4) The other projects underway at December 31 are listed below:

Projects	2017	2016
Software for Dutch Auctions	0	669.475
Master Trader project	3.069.382	1.116.697
Options project	973.586	503.384
e-bvc Dollar project	665.606	321.084
X-Stream INET project	9.651.673	2.997.990
Total projects	14.360.247	5.608.630

The Dutch Auctions project was activated in 2017.

The changes in intangible assets in 2016 are listed below:

Concept	2016			
	Initial balance	Charges	Amortization	Final balance
Software license (1)	1.110.067	1.205.321	(554.651)	1.760.737
SAP-ERP (2)	197.852	314.500	(172.671)	339.681
Software projects (3)	1.568.200	3.113.269	(863.253)	3.818.216
Development phase disbursements (4)	2.768.720	2.839.910	0	5.608.630
Total	5.644.839	7.473.000	(1.590.575)	11.527.264

At December 31, 2017 and 2016, indications of impairment did not arise for this type of asset. The residual value for these assets is zero.

12. Property and Equipment

These represent the Exchange's set of assets with a permanent nature for the normal development of its business. Property and equipment are recorded at acquisition cost or at the attributable cost by the fair value assigned at the time of conversion to the IFRS. Property and equipment are adequately insured.

The depreciation method used for all property and equipment is the straight-line method.

The activity of property and equipment at December 31, 2017 and 2016, is presented below:

Concept	2017			
	Attributable Cost	Depreciation	Impairment	Net
Buildings	11.145.566	(1.480.061)	0	9.665.505
Land	4.008.050	0	0	4.008.050
Communications and computer equipment	15.162.667	(9.613.300)	(1.254)	5.548.113
Computer equipment available for sale	1.763	0	0	1.763
Furniture and fixtures	1.420.944	(964.073)	(140)	456.731
Electronic equipment	1.370.045	(1.155.634)	(3.137)	211.274
Transportation equipment	389.692	(207.855)	0	181.837
Leasehold improvements	474.180	(324.010)	0	150.170
Total	33.972.907	(13.744.933)	(4.531)	20.223.443

Concept	2016			
	Attributable Cost	Depreciation	Impairment	Net
Buildings	10.616.904	(1.224.524)	0	9.392.380
Land	4.008.050	0	0	4.008.050
Communications and computer equipment	12.104.253	(7.401.332)	(587)	4.702.334
Computer equipment available for sale	1.763	0	0	1.763
Furniture and fixtures	1.415.881	(1.048.416)	(1.450)	366.015
Electronic equipment	1.417.795	(1.084.242)	(4.418)	329.135
Transportation equipment	179.880	(179.880)	0	0
Leasehold improvements	449.209	(253.343)	0	195.866
Total	30.193.735	(11.191.737)	(6.455)	18.995.543

The useful lives established for 2017 and 2016 are included in Note 31.8., which at the end of December 2017, did not present variations during the year from those assigned in 2016.

At December 31, 2017, there were signs of impairment for property and equipment, established by physically taking the fixed assets. These amounted to COP 4,531 at the close of December 2017 and to COP 6,455 at December 2016. The residual value of equipment was zero for furniture and fixtures, because no recovery is expected at the end of their useful life.

The activity of property and equipment in 2017 was as follows:

	2.017								
Change in property and equipment	Buildings	Land	Computer and communications equipment	Available for sale	Furniture and fixtures	Electronic equipment	Leasehold improvements	Transportation equipment	Property and equipment
Initial balance at January 1, 2017	9.392.380	4.008.050	4.702.334	1.763	366.015	329.135	195.866	0	18.995.543
Additions	550.458	0	3.298.863	0	170.890	8.534	114.211	209.812	4.352.768
Retirements	(21.796)	0	(32.837)	0	(7.577)	0	(89.240)	0	(151.450)
Depreciation expenses	(255.537)	0	(2.418.947)	0	(72.596)	(125.444)	(70.667)	(27.975)	(2.971.166)
Impairment	0	0	(1.299)	0	0	(953)	0	0	(2.252)
Total changes	273.125	0	845.780	0	90.717	(117.863)	(45.696)	181.837	1.227.900
Balance at December 31, 2017	9.665.505	4.008.050	5.548.114	1.763	456.732	211.272	150.170	181.837	20.223.443

During 2017, assets were derecognized with a net value amounting to COP 573,594, with a depreciation that amounted to COP 422,144.

The activity of property and equipment in 2016 was as follows:

	2.016								
Change in property and equipment	Buildings	Land	Computer and communications equipment	Available for sale	Furniture and fixtures	Electronic equipment	Leasehold improvements	Transportation equipment	Property and equipment
Initial balance at January 1, 2016	9.639.222	4.008.050	5.111.363	1.763	382.161	464.120	166.616	19.773.295	
Additions	0	0	1.635.190	0	65.909	3.200	223.265	1.927.564	
Retirements	0	0	(3.459)	0	(9.213)	(458)	(143.232)	(156.362)	
Depreciation expenses	(246.842)	0	(2.042.187)	0	(73.565)	(142.702)	(50.783)	(2.556.079)	
Impairment	0	0	1.427	0	723	4.975	-	7.125	
Total changes	(246.842)	0	(409.029)	0	(16.146)	(134.985)	29.250	(777.752)	
Balance at December 31, 2016	9.392.380	4.008.050	4.702.334	1.763	366.015	329.135	195.866	18.995.543	

The **bvc** has 2,988 fully depreciated assets, which are distributed as follows: 1) for computing and communications equipment, there are 1394 computers; and 2) for office equipment, there are 1594 items.

In 2017, renovations and improvements were made to the Medellín office amounting to COP 208,455 and to the Bogotá Calle 72 office amounting to COP 342,003.

There are no restrictions, pledges or deliveries as collateral of debts on the assets belonging to **bvc**.

The Exchange has a global insurance policy in effect for the protection of its property and equipment that covers loss or damage caused by theft, vandalism or malicious damage, fire, earthquake, breakage and civil liability.

The Company conducted a technical appraisal of the real estate in May 2016 and the real estate owned by **bvc** does not show signs of impairment.

13. Income Tax

To compare the financial statements of 2017 and 2016, the current tax assets are offset with the current tax liabilities in accordance with IAS 12, paragraph 71. Similarly, the value of industry and commerce tax is reclassified to trade creditors and other accounts payable, which was presented in 2016 as current tax liabilities.

Current tax assets and current tax liabilities at December 31, 2017 and 2016, break down as follows:

	2.017	2.016
Current tax assets		
Prepaid income	599.388	1.238.646
Self-withholding tax	3.145.087	3.415.268
Withholding tax	62.976	38.015
Prepaid CREE surcharge	1.069.010	1.161.543
Total current tax assets	4.876.461	5.853.472
Current tax liabilities		
Income tax	(3.538.080)	(7.581.933)
Current tax liabilities	(3.538.080)	(7.581.933)
Total current tax assets and liabilities	1.338.381	(1.728.461)

The variation of (COP 3,066,842) in the net value of the current tax between 2017 and 2016 corresponds to a decrease in current tax assets (prepaid tax and withholdings) of COP 977,011, and a decrease in current tax liabilities (income tax provision) of (COP 4,043,853).

The value of the income tax provision at December 31, 2017 and 2016, was established based on the liquid income at the rate of 40%, which includes 34% for income tax and 6% for the income tax surcharge. The latter applies only for 2017, with prior establishment of the commercial profit for income tax.

The base to establish income tax may not be less than 3.5% of the liquid assets on the last day of the previous tax period. The surcharge for income tax for 2017 and

subsequent years was eliminated in accordance with the new Tax Reform pursuant to Law 1819 / December 29, 2016.

The expenses of income tax and deferred tax of the years ended on December 31, 2017 and 2016, are as follows :

Concept	2.017	2.016
Income Tax Expenses		
Income tax	3.048.168	4.754.365
CREE fair tax	0	1.725.341
CREE surcharge	0	1.102.227
Income surcharge	489.912	0
Total current CREE and income tax	3.538.080	7.581.933
Adjustment of deferred tax from previous period	0	1.105.763
Deferred tax from current period	815.108	875.546
Adjustments of income from previous year	(153.519)	15.265
Total income tax expenses	4.199.669	9.578.507

Changes in Deferred Tax by Type of Temporary Difference

The differences between the book value of assets and liabilities and their tax bases lead to temporary differences that generate deferred tax, calculated and recorded at December 31, 2017 and 2016, based on the current tax rates for the years on which said temporary differences will be reversed.



Deferred tax assets	2.017	Effects on Income Statement	2.016
Client provision	67.832	(67.832)	0
Industry and commerce tax	0	57.529	57.529
Other assets	18.092	0	18.092
Employee benefits	924.926	273.358	1.198.284
Fixed assets	297.125	(108.534)	188.591
Intangible assets	3.752	(3.752)	0
Total previously reported deferred tax assets	1.311.727	150.769	1.462.496

Deferred tax liabilities	2.017	Effects on Income Statement	2.016
Portfolio investments	(5.469)	(7.661)	(13.130)
Property, plant and equipment	(2.951.671)	(19.078)	(2.970.749)
Intangible assets	(118.018)	56.038	(61.980)
Investments in stocks	(643.860)	(427.076)	(1.070.936)
Deposits received	(67.386)		(67.386)
Amortization of goodwill	(2.035.565)	1.094.717	(940.848)
Accounts receivable allowance of revenue	(8.828)	(16.887)	(25.715)
Client provision	0	(15.714)	(15.714)
Total previously reported deferred tax liabilities	(5.830.797)	664.339	(5.166.458)
Total deferred tax assets and liabilities	(4.519.070)	815.108	(3.703.962)

At December 31, 2017, the change in deferred tax assets was (COP 150,769) and the change in deferred tax liabilities was COP 664,339, which generates a net effect on the results of income tax expenses amounting to COP 815,108.

In 2016, the change in deferred tax assets of (COP 716,738) and the change in deferred tax liabilities of COP 1,264,571 generated a net effect on the results of income tax expenses amounting to COP 1,981,309.

The **bvc** offset the deferred tax assets and liabilities pursuant to paragraph 74 of IAS 12, considering the application of the current tax provisions in Colombia regarding the legal right to offset current tax assets and liabilities. Due to the above, and in accordance with the asset and liability position of each company, their values are reflected in the Statement of Financial Position.

Reconciliation of the Effective Rate

The details of the reconciliation between the total tax expenses and the earnings calculated at the current tax rates in force and the tax expenses effectively recorded in the income statement (effective rate) are as follows:

Concept		2.017		2.016
Profit before taxes		107.406.240		33.781.245
Income and CREE tax at nominal rate	40,0%	42.962.496	40,0%	13.512.498
Effects on effective rate				
Non-deductible expenses	0,8%	901.206	4,0%	1.335.256
Non-deductible taxes	0,1%	124.396	1,0%	333.581
Non-taxed dividends and shares	(6,1)%	(6.542.560)	(13,0)%	(4.384.965)
Non-tax revenues	(0,1)%	(153.437)	(0,2)%	(71.917)
Different tax base for special surcharge	0,0%	(48.000)	(0,1)%	(48.000)
Other effects	(0,4)%	(482.070)	(1,8)%	(591.557)
Adjustments of income from previous year	(0,1)%	(153.519)	0,0%	15.265
Adjustment of deferred tax from previous period	0,0%	0	3,3%	1.105.763
Difference between Tax Profit and Accounting Profit				
Revenue and expenses by equity method	(5,3)%	(5.712.570)	(13,1)%	(4.426.661)
Difference of dividends	6,1%	6.600.861	7,3%	2.473.316
Fair value of deceval investment	(31,3)%	(33.611.017)	0,0%	0
Fair value of contingent consideration	0,3%	313.883	1,0%	325.928
Income tax expenses and effective rate	3,9%	4.199.669	28,4%	9.578.507

The following most significant line items are in the Other effects line: Amortization of deductible goodwill (COP 1,326,929), portfolio impairment COP 530,730, deferred assets COP 815,108, depreciations, five-year periods and income tax provision COP 225,489, and other revenue (unpaid contingent consideration value) (COP 264,610).

At December 31, 2017 and 2016, the Exchange did not have effects of current or deferred taxes on the other comprehensive income component.

At December 31, 2017 and 2016, the Exchange did not present tax uncertainties that would generate a provision.



The income tax returns of 2016 and 2015 can be reviewed by the tax authorities within the two years following their filing.

At December 31, 2017 and 2016, the Exchange did not constitute deferred tax liabilities on the taxable temporary differences of COP 358,598,575 and COP 37,091,884, respectively, corresponding to the investments that it has in subsidiaries in accordance with paragraph 39 of IAS 12, because **bvc** has the capacity to control the reversal of said temporary differences and it is not likely that they will be reversed in the near future. The variation occurs because **deceval** becomes a subsidiary.

Due to the issuance of **deceval** shares, an adjustment was made to the investment's fair value, which generated a significant impact on the effective rate.

14. Employee Benefits

Concept	2017	2016
Consolidated vacations	1.167.298	1.011.713
Consolidated severance pay funds, current portion	635.934	460.114
Labor compensation	123.058	123.058
Interest on severance pay	71.746	52.492
Additional benefits to those required by law (1)	1.737.000	2.403.600
Five-year period bonuses	855.262	717.708
Total	4.590.298	4.768.685
Less long-term benefits (2)	855.262	717.708
Total	3.735.036	4.050.977

Labor obligations present the consolidation of social benefits, which were made pursuant to the internal policies in accordance with current labor law.

(1) These correspond to the value of **bvc's** variable remuneration, which is established based on the objectives for the year and the achievements made by each employee.

(2) The **bvc** has signed agreements of long-term (five-year) labor benefits for its employees in addition to those required by law. As a result, it has established that in future periods, it is probable that it will release its own resources to honor the corresponding payments of said debts, which have an undetermined due date.

With the available information and by virtue of the increase in the probability of payment with the passing of time, the values that best represent the debt in question have been estimated through actuarial calculation procedures. .

The assumptions included in the calculation procedure made by the accountant were: type of salary, salary, age, gender, time worked in the Company, possible working life to date of pension, number of five-year periods completed during this time, staff turnover factors, and the information that is used to establish the values of the forecast five-year period bonuses. Finally, the value of the five-year period bonuses is brought to the current value with a 7.15% effective annual discount rate and this value is affected by the proportion earned by the time worked of each employee.

15. Trade Creditors and Other Accounts Payable

Concept	2017	2016
Costs and expenses payable (1)	3.718.224	2.685.565
Other (2)	135.437	127.912
Sundry creditors (3)	3.618.014	4.618.023
Payroll deductions and payments	120.555	202.794
Total	7.592.230	7.634.294

(1) The line item of costs and expenses payable includes obligations in foreign currency at December 31, 2017, amounting to USD 145,311.19 and EUR 3,500, and at December 31, 2016, amounting to USD 683,018.73, which at the exchange rate, was equivalent to COP 445,493 (thousands) and COP 2,049,541 (thousands), respectively.

(2) The balance due for fees, general services and other concepts



(3) Sundry creditors are presented below.

Concept	2017	2016
VAT	901.531	691.638
Withholding tax	771.041	1.113.718
ICA tax withheld	128.577	143.983
Other creditors	1.816.865	2.668.684
Total	3.618.014	4.618.023

The list of accounts payable by terms is as follows:

2017	Total	Between 0 and 30 days	Between 31 and -60 days	Between 61 and -90 days	More than 180 days
Costs and expenses payable	3.718.224	3.699.540	17.710	0	974
Other	135.437	175	0	11.655	123.607
Sundry creditors	3.618.014	3.617.984	0	0	30
Payroll deductions and payments	120.555	120.140	398	0	17
Total	7.592.230	7.437.839	18.108	11.655	124.628

2016	Total	Between 0 and 30 days	Between 31 and -60 days	Between 61 and -90 days	More than 180 days
Costs and expenses payable	2.685.565	2.501.947	135.542	33.352	14.724
Other	127.912	28.833	0	0	99.079
Sundry creditors	4.618.023	4.566.504	619	34.062	16.838
Payroll deductions and payments	202.794	99.949	0	0	102.845
Total	7.634.294	7.197.233	136.161	67.414	233.486

16. Estimated Liabilities and Provisions

Concept	2017	2016
Contingent future payments (1)	4.805.231	10.212.966
Disassembly services (2)	54.826	54.826
Legal payment provision (3)	140.000	0
Restructuring provision (4)	153.265	0
Total	5.153.322	10.267.792

(1) (1The estimated value of COP 4,805,231 corresponds to the contingency provision that was assigned as a result of the purchase price allocation (PPA) at the time of acquisition of Sophos Banking Solutions S.A.S., equivalent to the fair value for future payment commitments, according to the future income established in the purchase and sale agreement, and the fair value adjustment at the end of 2017. It is estimated that said value will be paid in March 2019.

(2) The estimate of COP 54,826 corresponds to the value of disassembling the office that the **bvc** has leased (one-year renewable contract from 2016) on the first floor of the building in which it is located.

(3) The estimate of COP 140,000 corresponds to the payment of the penalty imposed by the Financial Superintendence for the unavailability of the systems.

(4) The provision of COP 153,265 corresponds to the estimated value that would be paid for the restructuring of human resources according to the integration carried out by **bvc** with **deceval**.

17. Equity

Subscribed and Paid-in Capital

The authorized share capital of **bvc** is COP 35,000,000,000 in 35,000,000,000 registered common shares at a par value of COP 1 each.

In 2017, 11,584,032,000 shares at a par value of COP 1 each were issued, with the total issued shares at December 2017 being 30,256,854,217. There was subscribed and paid-in capital of COP 30,256,854 and COP 18,672,822 for 2017 and 2016, respectively. Likewise, said shares have been outstanding during 2017 and 2016.

The shares issued have been used to exchange with the **deceval** shares in the acquisition process (see Note 4).

Premium in Stock Placement

On December 14, 2017, as a result of the exchange of shares for **deceval** shares, there is a greater paid-in value with respect to the par value resulting from said transaction. The accumulated value for 2017 increased to COP 279,406,851 and at the same time, it decreased from the transfer of expenses related to stock issuances by COP 2,105,495 to end 2017 with COP 298,397,252, while it amounted to COP 21,095,896 in 2016.

17.1 Reserves

Concept	2017	2016
Legal reserve	9.336.411	9.336.411
Mandatory reserves	0	68.880
Temporary reserve	39.085.462	31.995.692
Total	48.421.873	41.400.983

Legal Reserve

According to current legal provisions in force in Colombia, a legal reserve must be created, which shall amount to at least 50% of the subscribed capital, formed with 10% of the net profits of each period. The reduction of the reserve below the minimum limit shall be applied whenever the purpose is to write off accumulated losses in excess of retained earnings of previous periods or whenever the amount released is assigned to capitalize the entity through the distribution of share dividends.

For 2017, it was not necessary to make a legal reserve on the earnings of 2016, because the legal reserve had reached 50% of the subscribed capital since 2009. At

December 31, 2017, and December 31, 2016, the accrued amount of the legal reserve was COP 9,336,411.

Mandatory Reserves

At an ordinary meeting held on March 28, 2017, the General Shareholders Meeting approved the creation and release of the mandatory reserve in compliance with Decree 2336/1995, because the profits generated at the accounting year end as a result of the application of market price valuation systems that have not been realized are carried to a reserve. This reserve may only be affected when those profits are capitalized or the revenue is taxed. By virtue of the foregoing, with respect to 2016, the Exchange released an amount of COP 68,880 pursuant to the decision of the General Shareholders Meeting.

Temporary Reserves

The accumulated temporary reserves for working capital at December 31, 2017, amounted to COP 39,085,462, while at December 31, 2016, they amounted to COP 31,995,692. The variation of COP 7,089,770 corresponds to the increase in temporary reserves appropriated from the profit of 2016.

There is no restriction to these reserves, and once said reserves are released, they are at the free disposal of the shareholders.

Profit Distribution

On March 28, 2017, the Ordinary General Shareholders Meeting declared an ordinary dividend per share of COP 0.90 amounting to COP 16,805,539 payable in two installments: ordinary dividend (COP 0.45 per share) on April 28, 2017; and (COP 0.45 per share) on November 30, 2017, from the profits obtained by the Company



in the 2016 period. The value of COP 50 was left in the 2016 and 2017 accounts of dividends payable.

At an ordinary session on March 31, 2016, the General Shareholders Meeting declared an ordinary dividend per share of COP 0.89 amounting to COP 16,618,811 payable in two installments: ordinary dividend (COP 0.45 per share) on April 29, 2016; and (COP 0.44 per share) on June 30, 2016, from the profits obtained in the Company in 2015

17.2. Net and Accumulated Profit of the Year

The net profit amounts to COP 103,206,571 for 2017.

The changes in accumulated profits were from the distribution of dividends amounting to COP 16,805,539; the release and appropriation of reserves of COP 68,880 and COP 7,089,770, respectively; a variation of COP 1,198,249 from the accumulated recognition using the equity method on investments in associates of COP 4,451,841; the deferred tax of the methods of (COP 235,006); and the amortization of the accumulated intangible assets of Sophos of (COP 3,018,586) due to the restatement of the financial statements.

17.3. Other Comprehensive Income

Concept	2017	2016 restated *	January 1, 2016 restated*
Initial balance	10.294.230	9.523.930	7.924.029
Additions	(7.006.834)	770.300	1.599.901
Total	3.287.396	10.294.230	9.523.930

The initial balance at December 31, 2017, and December 31, 2016, corresponds to effects on other comprehensive income due to the implementation of the conversion to IFRS for the first time (2012 Opening Statement of Financial Position) when bvc carried out the advance conversion. The subsequent records of this correspond to the

other comprehensive income of the subsidiaries, associates and joint ventures from the application of the equity method.

The details of the other comprehensive income activity by company is listed below for 2017 and 2016:

Company	2017	2016 restated *	January 1, 2016 restated*
Additions - Changes in OCI due to Equity Method			
Infovalmer	0	14.276	0
Set-Icap Securities	0	(12.749)	0
Sophos Banking Solution	78.697	340.554	0
deceval S.A.	(265.291)	248.669	732.905
Central Counterparty Risk Clearing House	(212.245)	213.825	443.069
FX Clearing House	0	(27)	2.251
Derivex S.A.	0	(5.993)	421.676
Total changes in OCI from equity method	(398.839)	798.555	1.599.901
Other			
Other equity entries	(6.607.995)	(28.255)	0
Total other	(6.607.995)	(28.255)	0
Total additions	(7.006.834)	770.300	1.599.901

1. The value of Other in 2016 corresponds to the payment of interest on loans by a **bvc** employee. The value was from the adoption of the IFRS for the first time, and consequently, its effect on the OCI line item is negative.

In 2017, there is a decrease due to an entry of other comprehensive income made by **deceval** from the use of the attributable cost to measure the investment in the opening balance. In accordance with IFRS 10 and IFRS 3, once the valuation of the investments by the equity method is carried out in the separate financial statements, at the time of acquisition of control, the entries that are in other comprehensive income must be reclassified to the income statement. There are only two exceptions to this rule, in which the other comprehensive income entries generated by revaluations of property, plant and equipment or intangible assets would have to be recycled to the income statement.



In any case, because this entry was generated in the process of adoption, even if it is recycled to the income statement, its distribution as dividends continues to be restricted until it is realized.

The details of entries comprised by the other equity shares are shown below:

Company	2017	2016 restated *	January 1, 2016 restated*
OCI due to equity method			
FX Clearing House	2.225	586.027	586.054
Central Counterparty Risk Clearing House	444.648	434.698	220.873
Set-Icap FX	32.674	32.673	32.673
Derivex S.A.	415.682	(936.529)	(930.536)
Invesbolsa	153.071	153.071	153.071
Set-Icap Securities	118.678	118.678	131.427
Infovalmer	365.166	365.165	350.889
Sophos Banking Solution	1.349.933	1.271.236	930.682
deceval	716.284	1.135.538	886.869
Total OCI due to equity method	3.598.361	3.160.557	2.362.002
First-time adoption adjustment			
Attributable cost - deceval	0	7.444.637	7.444.637
Attributable cost - CCD	171.197	171.197	171.197
Attributable cost - CRCC	(3.853.658)	(3.853.658)	(3.853.658)
Attributable cost - Set-Icap FX	226.977	226.977	226.977
Attributable cost - Derivex	(1.064.295)	(1.064.295)	(1.064.295)
Attributable cost - Invesbolsa	(4.255)	(4.255)	(4.255)
Attributable cost - Infovalmer	(35.549)	(35.549)	(35.549)
First-time adoption - bvc	4.248.618	4.248.619	4.276.874
Total first-time adoption adjustment	(310.965)	7.133.673	7.161.928
Total other equity interests	3.287.396	10.294.230	9.523.930

18. Revenue from Ordinary Activities

The revenue for 2017 and 2016 is broken down as follows:

Concept	2.017	2.016
Equity market transactions	15.307.638	16.709.982
Fixed-income transactions	10.889.606	10.870.764
Listing and maintenance of securities	13.237.816	12.486.890
Market data publications and subscriptions	8.589.301	8.497.368
Listing services	3.195.609	7.939.523
Terminals	2.761.941	2.567.282
Derivatives	3.965.332	3.940.633
Transactions through connection to EAS	1.731.335	1.717.646
Education	1.160.902	1.411.737
Other revenue	697.745	697.793
Securities lending	73.408	82.728
Total	61.610.633	66.922.346

The revenue from the Company's ordinary activities decreased by COP 5,262,639 or 7.86% from December 2016. This decrease is mainly reflected in the equity market revenue, which decreased 7.89%; listing services with a 59.75% reduction; education, which decreased 17.77%; and ETFs, which decreased 11.27%.

Equity Market Transactions

The revenue of the equity market corresponds to transacted securities that do not have a pre-established return, with stocks being a characteristic security of this market. The revenue of the equity market decreased 8.4% from 2016. The lower revenue was related to a 5% decrease in the trading volumes on the spot market (-COP 1.9 trillion), and a lower share in the volume from proprietary trading of the brokerage firms, retail investors and the real sector.

The COLCAP index increased 12% in 2017: The good performance in prices was general across the market and was in line with the region's performance.



Fixed Income Transactions

Fixed income instruments are debt issuances that the government and companies make aimed at participants of the capital market. The revenue from the fixed income market was stable in 2017 compared to 2016 (0.17% annual variation) due to the different performance of the trading volumes in the different market segments, which ultimately generated a net positive marginal effect on the revenue from this market. Therefore, while the volumes in the spot market transaction system on treasury securities (TES) reduced to an annual rate of -10%, the repo market on TES and the spot market and repo transactions on private debt showed increases of 33% and 20% from the previous year, respectively.

Securities Listing and Maintenance

The increase in revenue from listing and maintenance is the result of a recovery in access to corporate financing through the capital market, with a 6.01% increase from 2016.

Listing Services

The revenue from this concept is from the transactions that bvc makes independently from the transaction systems and which are made upon the request of a client, including stock or share issuances, fixed income securities issuances, tender offers, and transfer of shares. The reduction in revenue in 2017 from 2016 is explained by lower activity as a result of stock issuances and transfers of state property through the Colombian capital market.

Education

The Colombian Securities Exchange offers an educational program to the general

public aimed at increasing awareness of the fixed income, equity, derivatives and foreign currency markets. The lower revenue is due to a drop in the income from the Millionaire Exchange Contest. Instead of holding two versions of the contest, which are generally held in the first and second half of the year, the strategy was implemented in 2017 to only carry out one version in the second half of the year. The aim of this decision was to carry out a single, stronger publicity campaign that would increase the number of participants in all the segments (universities, schools and open). The university segment did not respond to this strategy as hoped, because of its nature of operating in semesters. This resulted in a lower revenue than expected from the contest.

Derivatives:

Derivatives are financial instruments of a purchase or sale agreement of a given asset, on a specific date and at an established value. The revenue from derivatives at the close of 2017 shows a 0.6% increase from 2016. The main line items that explain the revenue are: the outstanding performance of TES Futures, which accounts for 34% of the total revenue with a 45% increase, explained, among other things, by the expansive cycle of the Central Bank's monetary policy; the fixed charge per member, which accounts for 32%; and Exchange Rate Futures, which account for 27% with a 45% reduction, due to the low volatility of the exchange rate. The contribution of the Overnight Index Swaps to the revenue decreased by 41% and the revenue of Stock Futures decreased by 15%, leaving both instruments with a 7% share of the total revenue. Finally, it is important to highlight the discounts that **bvc** makes in the derivatives market, which decreased 66% to COP 319 million, equivalent to 8% of the year's gross revenue.

Information

The slight increase in revenue from information was due to two factors. The first was the increase in revenue from licensing due to the increase in value of the assets



managed by ICOLCAP from COP 2.7 trillion in 2016 to COP 3.65 trillion in 2017. The second was the increase in the number of users of e-**bvc** and its subsequent increase in revenue from COP 1,076 million in 2016 to COP 1,137 million in 2017.

Transactions through Connection to Electronic Access Services (EAS)

Revenue from electronic access services (EAS) increased slightly by 0.8%. This is due to no large variations in neither in the number of trades made electronically nor in the number of trades partially carried out through EAS.

Terminals

The revenue from the sale of back office and trading terminals increased 7.58%. This increase was related to the increase in the number of users of the service.

Market Data Publications and Subscriptions

The revenue from these products ended 2016 with a 13.96% increase from 2015. This was mainly due to three factors. The first was the increase in revenue from licensing due to the increase in value of the assets managed by the ICOLCAP ETF from COP 1.5 trillion in 2015 to COP 2.7 trillion in 2016. The second was the increase in the number of users of e-**bvc** and its subsequent increase in revenue from COP 822 million in 2015 to COP 1,076 million in 2016. The last was the increase in the number of information vendors from 30 in 2015 to 34 in 2016.

19. Revenue from Investment Activities

Concept	2017	2016
Valuation of investments (1)	781.927	1.958.986
Financial revenue	283.563	172.496
Dividends and shares (2)	4.771	5.258
Total	1.070.261	2.136.740

(1) The valuation of investments at December 31, 2017 and 2016, was as follows:

Type of security	2017	2016
Bonds	79.837	130.494
CDs	646.801	622.170
TES COP	0	142.169
TES UVR	37.952	701.048
TIPS UVR	17.337	0
Tradable investments in equity securities	0	363.105
Total	781.927	1.958.986

(2) The revenue from dividends received at December 31, 2017 and 2016, was as follows:

Dividends	2017	2016
XM Expertos Cía de Mercados	4.771	5.258
Total	4.771	5.258

In 2015, due to the implementation of Bulletin 034 / 2014, issued by the Financial Superintendence of Colombia, applicable from January 1, 2015, investments in subsidiaries shall be valued by the equity method. Due to the above, revenue is generated for the companies by said concept (see Note 24). The dividends received from the associates where **bvc** has shares are reflected in 2017.

In 2017, due to the change from the method of subsequent valuation of associates and joint ventures to the equity method, the dividends are recorded as a lower value of the equity method and not as revenue.





20. Earnings or Other Revenue

The details of this concept at December 31, 2017 and 2016, are listed below:

Revenue	2017	2016
Other revenue (1)	1.184.680	228.855
Other	675.564	340.012
Exchange difference	284.718	381.869
Profit from sale of assets	500	181
Recovery of allowance	0	94.265
Total	2.145.462	1.045.182

1. There was an increase of COP 832,289 in 2017 from 2016, which was due to a lower value paid in the contingent consideration of Sophos. Therefore, it was considered as revenue, and there was a repayment of provisions not used in accounts payable.

21. Expenses of Ordinary Activities

At December 31, 2017 and 2016, expenses are broken down as follows:

Concept	2017	2016
Personnel expenses (1)	24.948.829	23.715.951
Amortizations	2.099.498	1.720.288
Services and maintenance	7.909.644	8.051.275
Fees	5.795.446	5.997.811
Taxes (2)	1.526.586	1.914.453
Depreciation	2.971.166	2.498.250
Marketing and advertising	1.831.555	1.723.267
Leases	1.756.722	1.143.816
Travel expenses (3)	1.361.372	847.152
Contributions and affiliations	806.014	880.480
Insurance	329.600	334.793
Other	590.843	533.235
Public relations	214.750	217.431
Meetings and conferences	161.978	139.177
Renovation and installation	55.118	21.409
Stationery, supplies and photocopies	29.159	31.743
Legal expenses	105.043	18.433
Impairment of accounts receivable (4)	1.300.864	64.541
Depreciation of P&E	2.252	1.423
Derecognition of P&E (Destruction)	9.150	0
Management and brokerage services	135.225	139.648
Total	53.940.814	49.994.576

(1) Personnel expenses present a 10% increase, driven by the 5.75% increase in the CPI of 2016, the leveling out of salaries approved in the year, and the greater provision for payment of variable compensation.

(2) Taxes show a decrease, which is mainly explained by the lower payment of wealth tax generated by a reduction in the taxable rate.

(3) The Travel Expenses line item presents an increase from the travel of providers for review and work on projects.



(4) The impairment of accounts receivable increased, which was due to the portfolio impairment in 2017 (see Note 8.5) and the impairment of the portfolio balances for services and loans of Derivex at the close. This is reflected in the balances of related accounts receivable (see Note 7).

22. Expenses of Non-ordinary Activities

The details at December 31, 2017 and 2016, are listed below:

Expenses	2017	2016
Donations	203.490	201.966
Other expenses	178.224	138.481
Losses from sale and removal of PP&E	0	5.797
Total	381.714	346.244

23. Profit or Loss from Application of the Equity Method

The profit and loss from application of the equity method to the subsidiaries, associates and joint ventures at December 31, 2017 and 2016, is listed below:

Profit from Equity Method - Subsidiaries

Company	2017	2016
Set-Icap FX	0	3.134.999
Infovalmer	1.719.026	1.331.838
Set-Icap Securities	0	194.339
Invesbolsa	150.301	96.654
Sophos Banking Solution	1.468.084	3.759.584
deceval	5.685.455	0
Total	9.022.866	8.517.414

Profit or Loss from Equity Method - Associates and/or Joint Ventures

Company	2017	2016
deceval	0	5.547.354
Set-Icap FX	3.209.403	0
Set-Icap Securities	91.154	0
Central Counterparty Risk Clearing House	1.608.712	1.291.335
FX Clearing House	655.628	708.071
Derivex S.A.	(306.338)	(98.849)
Total	5.258.559	7.447.911

24. Financial Costs

The details of this concept at December 31, 2017 and 2016, are listed below:

Concept	2017	2016
Financial	270.579	236.626
Exchange difference	272.673	891.165
Sale of investment	0	4.918
Change in fair value (1)	784.708	814.820
Valuation of private equity fund	78.595	0
Total	1.406.555	1.947.529

1) The change in the fair value at December 31, 2017, and December 31, 2016, amounted to COP 696,813 and COP 814,820, respectively, which is equivalent to the adjustment to the fair value of the contingent consideration generated in the business combination of the process of purchasing Sophos in July 2015.



25. Earnings per Share

The basic earnings per share are calculated by dividing the profit attributable to the shareholders by the common outstanding shares in the year, excluding the common shares re-acquired and maintained as treasury shares, if any.

The basic earnings per share at December 31, 2017 and 2016, are presented below:

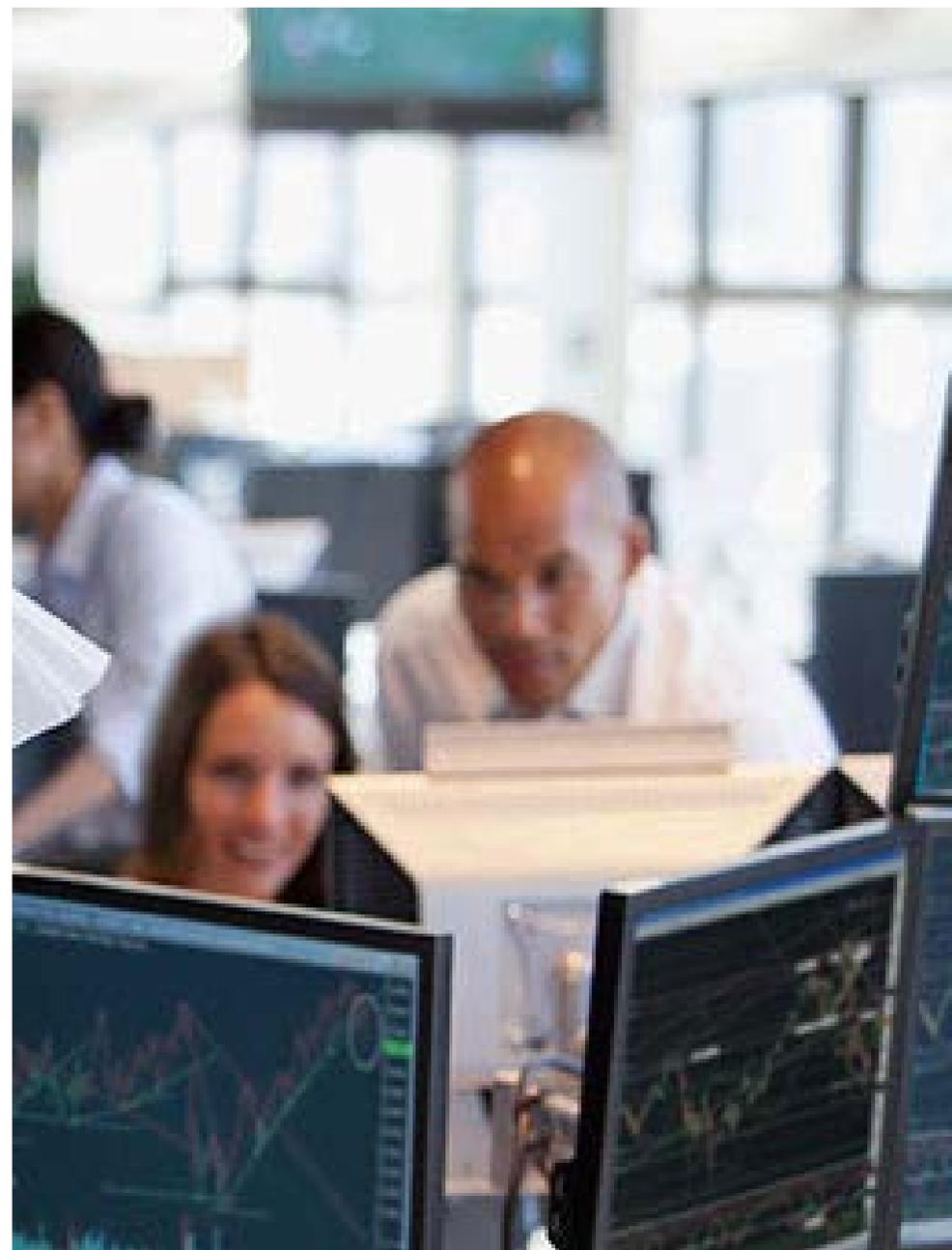
Concept	2.017	2.016
Net profit of the period	103.206.571	24.202.737
Basic profit per share (COP)	3,41	1,30
Other comprehensive income	(398.840)	798.555
Entries that will not be reclassified after the income statement	0	0
Investments accounted under equity method - share in other comprehensive income	0	0
Related deferred tax	0	0
Other comprehensive income net of taxes	(398.840)	798.555
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	102.807.731	25.001.292

26. Other Revenue from Controlled Companies and Associates

The amount of COP 84,027,542 at December 31, 2017, recorded for this concept is comprised of:

1- The value of COP 76,582,906, which corresponds to the update of the fair value of 110,378 **deceval** shares once the exchange price was obtained (see Note 4.1. (a) (1)) and it is recorded as a balancing entry of the investment as non-operating revenue.

2- The disposal against the period's income of entries that were in equity in the appraisal surplus line item (OCI) of COP 7,444,637 of **deceval** at the time of acquisition.



27. Contingencies, Lawsuits and Other

At December 31, 2017, the lawsuits that had been filed against **bvc** and their likelihood of occurrence are listed below:

TYPE OF PROCESS	PLAINTIFF	DATE OF NOTIFICATION	STATUS	SUBJECT	LAWYER RESPONSIBLE	AMOUNT	ACCOUNTING VALUE	PROVISION / % provisioned	PROBABILITY OF LOSS
Direct reparation proceeding.	Carlos Juri Feghali	14/03/2016	The initial hearing for the proceedings was set for August 16, 2018	The plaintiff intends for the Financial Superintendence of Colombia, the Securities Market Self-Regulatory Authority and Bolsa de Valores de Colombia to be declared jointly and administratively liable on occasion of the alleged failure and omission of the audit, oversight and control service of the constitutional regulations and precepts within the exercise of their functions and other illegal events, which were established to the economic detriment of the agent on the investment in INTERBOLSA S.A. on October 18, 2012.	Juan Pablo Cárdenas	COP 232,000,000.	COP 232,000,000.	N/A.	Remote
Class Action Lawsuit (Isagen)	Jorge Enrique Robledo and others	17/02/2016	The Court rejected the impleader. Through its legal representative, the bvc filed an appeal for reconsideration of the Court's decision. The Court resolved the appeal, not changing the decision.	This class action lawsuit is against the process of selling the shares in the company ISAGEN, of which the auction and established stages were carried out through the Exchange.	Nestor Humberto Martínez and Julián Solorza Martínez - DLA Piper Martínez Neira	N/A	N/A	N/A	Remote
Administrative Investigation - List of Charges	Financial Superintendence of Colombia	05/08/2015	The bvc filed an appeal against Resolution 0050 / January 11, 2017, which established a penalty against bvc consisting of a fine for eight incidents of unavailability of the securities market systems, which amounted to COP 500,000,000	The Financial Superintendence of Colombia made the Institutional List of Changes, identifying a possible breach of the Fundamental Legal Bulletin related to the Operative Risk Management System (ORMS).	Alberto Velandia Rodríguez	\$ 140.000.000	\$ 140.000.000	100%	Probable

NOTE: this report contains the proceedings filed against the bvc in force at the end of 2017.

Letter to shareholders

General vision

bvc strategy

The bvc

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Our employees

Annual report profile

Individual F/S

Consolidated F/S

Appendix - Country code

28. Guarantees Agreed with Third Parties, Other Contingent Assets and Liabilities, and Other Commitments

The collateral for the Exchange's transactions are only executed in favor of third parties in the case of a breach in the transactions. This collateral is not in the custody of **bvc**, but in the respective clearing houses.

The value that represents the basic collateral for forward transactions at December 31, 2017 and 2016, amounts to COP 240,911,541 and COP 1,256,823,903, respectively.

29. Contractual Obligations for Operating Leases

The Company has the following current contracts for leases and in accordance with IAS 17, the future payments for non-payable operating lease contracts are as follows:

LEASE CONTRACT	CONTRACT No.	SUBJECT	LEASE AMOUNT	CURRENCY	START DATE	MATURITY DATE
PROMOTORA LA ENSEÑANZA	BVC-CT-857	LEASE OF bvc POINT	COP 12,713,658	COP	01/01/2010	31/12/2017
INVERSIONES PIEDRAGRANDE AND CARLOS LAZARO UMANA	LEASE CONTRACT FOR THE REAL ESTATE LOCATED ON CARRERA 7, NO. 71-21, EDIFICIO AVENIDA CHILE	LEASE OF OFFICE 402	COP 29,553,130	COP	15/09/2016	30/09/2019
deceval	SHARED USE CONTRACT FOR OFFICE 602 OF TORRE 1, EDIFICIO SANTA MONICA CENTRAL	LEASE OF OFFICE 602	COP 1,027,336	COP	02/05/2016	AUTOMATIC RENEWAL
CATALINA HERRAN	LEASE CONTRACT OF PROPERTY	LEASE OF APARTMENT 706	COP 1,600,000	COP	02/01/2017	01/01/2017
PROCAFECOL	"CONCESSION OF SPACE CONTRACT NO. 189/2014 BETWEEN PROMOTORA DE CAFE COLOMBIA S.A. "PROCAFECOL S.A." AND BOLSA DE VALORES DE COLOMBIA S.A."	CONCESSION OF SPACE	COP 2,680,511	COP	23/02/2015	31/12/2017
deceval	AOC LEASE CONTRACT	LEASE OF SPACE	COP 8,264,180	COP	01/11/2016	01/11/2021

Figures in Colombian pesos

The value of up to one year means the payments agreed at the end of December 2016 on the current contracts at the same date.

The **bvc** has sublet part of the **bvc** Training Center, for which it will receive an estimated revenue of COP 34,000,000 in 2017.



Additionally, no onerous contracts are constituted for **bvc** for any of agreed leases in future periods.



30. Basis for the Preparation of the Financial Statements

30.1. Technical Regulatory Framework Applicable to the Separate Financial Statements

The financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards Accepted in Colombia (NCIF, for the Spanish original), established by Law 1314/2009, regulated by Unique Regulatory Decree 2420/2015, amended by Decree 2496/2015, Decree 2131/2016 and Decree 2170/2017. The NCIF applied in 2017 are based on the International Financial Reporting Standards (IFRS), together with their interpretations, issued by the International Accounting Standards Board (IASB). The basic standards correspond to those officially translated into Spanish and issued on by the IASB on December 31, 2015.

The Company applies the following exceptions to these separate financial statements, which are included in Title 4 Special Systems of Chapter 1 of Decree 2420/2015 and amendments of Decree 2496/2015:

- IAS 39 and IFRS 9 regarding the treatment of the classification and valuation of investments. For these cases, the requirements of the Fundamental Accounting and Financial Bulletin of the Financial Superintendence of Colombia continue to apply.
- Book 2 of Decree 2420/2015, according to amendments included in Decree 2496/2015:

Article 11 Terms (Amendment of Article 2.1.2 of Part 1 of Book 2 by Decree 2496/2015) establishes the application of Article 35 of Law 222, stating that shares in subsidiaries must be recognized in the separate financial statements according to the equity method, as described in IAS 28, instead of the application of IAS 27.

30.2. Basis for Assessment

The separate financial statements have been prepared based on the historical cost except for the valuation of certain important entries included in the Statements of Financial Position as non-current assets and financial instruments measured at fair value through profit or loss, which are measured at fair value.

These financial statements were prepared in accordance with the legal provisions to which the Company is subject as an independent legal entity. Some of the accounting principles may differ with regards to those applied in the consolidated financial statements and, additionally, they do not include the adjustments or eliminations necessary for the presentation of the consolidated financial position and the consolidated comprehensive income of the Company and its subsidiaries.

Therefore, the separate financial statements must be read together with the consolidated financial statements of the **bvc** Group. For legal purposes in Colombia, the separate financial statements are the main financial statements.

30.3. Functional and Reporting Currency

The entries included in **bvc**'s separate financial statements are expressed in the currency of the primary economic environment where the entity operates (Colombian pesos). The financial statements are presented "in Colombian pesos", which is the functional currency of **bvc** and its reporting currency. All of the information is presented in thousands of Colombian pesos, except if otherwise indicated, and it has been rounded to the closest unit.

Establishing the functional currency of **bvc** requires analysis of the facts that are considered to be primary factors, and if the result is inconclusive, the secondary factors. The analysis requires that the Company applies its professional judgment,



because the primary and secondary factors can be mixed. To establish its functional currency, the Company analyzed the primary and secondary factors, including the currency of the Company's income, the operating costs in the countries in which it operates and the sources of debt and capital financing.

31. Main Accounting Policies

The main accounting policies adopted for the preparation of these financial statements are described below. These policies have been applied uniformly for all the presented years, except when otherwise indicated.

31.1. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, banks, savings accounts and shares in money market funds. They have the following essential characteristics:

- a. Can be easily converted into cash.
 - b. Are subject to an insignificant risk of changes in their value.
 - c. Have a maturity of less than 90 days from the date of their formation.
- They have the purpose of being used to meet short-term payment commitments. They are initially recognized at current cost or exchange value and their subsequent measurement depends on their classification.

31.2 Use of Estimates and Value Judgments

The preparation of the separate financial statements according to the aforementioned regulatory framework requires that Management makes judgments, estimates and assumptions that affect the application of the accounting policies and the amounts recorded in the financial statements and accompanying notes for the assets, liabilities and contingent liabilities on the date of the assessment, as well as the revenue and expenses of the year. The real results may differ from these estimates.

The relevant estimates and assumptions are regularly reviewed. The reviews of the accounting estimates are recorded in the period in which the estimate is reviewed and in any future period affected.

The information on assumptions and uncertainties of estimates that have the risk of resulting in an adjustment in the next financial year is included in the following notes:

- Note 6 Fair Value of Other Financial Instruments
- Note 8 Trade Debtors and Other Accounts Receivable
- Note 13 Income Tax
- Note 11 Other Intangible Assets
- Note 12 Property and Equipment
- Note 16 Estimated Liabilities and Provisions
- Note 14 Employee Benefits
- Note 27 Contingencies, Lawsuits and Other

These estimates are made on the following components:

a. *Long-Term Employee Benefits*

The current value of these obligations depends on certain factors that are established on an actuarial basis using a series of hypotheses used to establish the cost for five-year period bonuses, including the discount rate. Any change to these hypotheses will have an effect on the book value of the obligations of the long-term benefits

The **bvc** establishes the appropriate discount rate at the end of each year. This rate is the interest rate that must be used to establish the current value of the outgoing cash flows that are expected to be necessary to settle the obligations for five-year period bonuses.

b. *Property and Equipment*

The useful life during which the assets depreciate is based on Management's



judgment of their future use and performance.

The residual value and the useful life of each asset are reviewed at least at the end of each year, and if the expectations differ from the previous estimates, the changes shall be recorded as a change in the accounting estimate in accordance with IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors.

c. Intangible Assets

Impairment tests are carried out using the greater value between the fair value less the costs of sale, if they are available, and the calculations of the value-in-use, established using the best estimates of the direction of future cash flows, long-term growth rates and appropriate discount rates. The purchased intangible assets are valued at the time of their acquisition using appropriate methods, and they are amortized in their estimated economic useful life. These valuations and useful lives are based on the best estimates of the management department regarding the future performance and the periods in which these assets are expected to generate value.

d. Provisions and Contingencies

Using Management's judgment, it is necessary to assess whether the provisions and/or contingencies should be recorded or disclosed and at what value. Management bases its decisions on past experience and other factors that it considers relevant on a specific basis for analysis of each situation.

e. Trade Debtors

Management's judgment is required when uncollectible accounts arise. Management bases its estimates on past experience and other relevant factors.

Through the Portfolio Committee, **bvc** establishes the impairment of the trade accounts receivable, taking into account the objective evidence available on the uncollectible trade accounts receivable, making an individual analysis of the portfolio (by client), and considering the liquidity, legal situation (settlement, intervention, etc.)

and the time of payment. Derecognition occurs with the express authorization of the Board of Directors and applies when the contractual benefits on the cash flows of the financial asset have expired, which is equivalent to the existing uncollectible accounts process on said asset.

In the event that there is evidence of impairment, the amount of loss shall be measured as the difference between the book value of the asset and the possible value of recovery according to the individual analysis made on each client.

f. Income Tax

The recording of income tax requires estimates and judgments to be made. When differences occur between the tax provision and its final obligation, an adjustment is made to the identified amount.

g. Fair Value of Other Financial Instruments

The fair value of the financial instruments that are not traded on an active market is established using valuation techniques. The **bvc** uses its judgment to select a series of methods and makes hypotheses that are primarily based on the existing market conditions on the date of each assessment. The **bvc** has the support of a valuation specialist, who uses the benchmark prices authorized by the Financial Superintendence according to whether the financial instrument is traded on active markets or not. As a result of the above, the valuation levels corresponding to each asset are classified.

31.3 Foreign-Currency Transactions

Transactions in currencies other than **bvc**'s functional currency (foreign currency) are converted into Colombian pesos using the current exchange rate on the date of the transaction. On the date of each statement of financial position, the monetary assets and liabilities expressed in foreign currency are converted into the functional currency using the closing exchange rate of the statement of financial position. The earnings



and losses in foreign currency that result from the settlement of these transactions and the conversion at the closing exchange rates of the monetary assets and liabilities denominated in foreign currency are recognized in the comprehensive income statement.

At December 31, 2017, and December 31, 2016, the representative exchange rate used was COP 2,984.00 and COP 3,000.71, respectively.

31.4 Fair Value

The fair value is the price that would be received from selling an asset or paid to transfer a liability in an ordered transaction between market participants on the date of measurement.

The **bvc** uses a hierarchy of three levels to classify the importance of the factors used in the measurement of the fair value of the assets and liabilities. The three levels of the fair value hierarchy are as follows:

Level 1. Quoted prices (not adjusted) in active markets for identical assets and liabilities.

Level 2. Inputs other than the quoted price included in Level 1 that are observable for the asset or liability, both directly (for the prices) and indirectly (for the derivatives of the prices).

Level 3. The valuations at this level are the unobservable inputs for the asset or liability. The unobservable inputs are used to measure the fair value when the relevant observable inputs are not available, taking into account, therefore, situations in which there is little, if any, market activity for the asset or liability at the measurement date.

31.5 Clearing Transactions and Balances

As a general rule in the financial statements, neither assets nor liabilities are cleared, nor are the income or expenses, except in cases in which clearing is required or permitted by some regulation and this presentation is the reflection of the transaction's fund.

By requirement of the standard, the Exchange offsets the deferred tax debits and credits, reflecting the largest of them and the current income tax debits and credits, also showing the largest of them in the year-end financial statements in records and presentation, and in the interim financial statements only for the purposes of presentation by express requirement of the control entity.

The income or expenses resulting from transactions that include the possibility of clearing, contractually or mandatorily by legal regulation, and that **bvc** has the intention to clear by their net amount or to realize the asset and proceed to payment of the liability simultaneously are presented as net amounts in the income statement.

31.6 Classification of Balances in Current and Non-current Assets

The **bvc** uses the following criteria to classify its balances:

- a) Current asset: One with a term of maturity equal to or less than twelve months that is intended to be sold or realized in the normal cycle of operation of the different activities or businesses it develops.
- b) Non-current asset: One with a term of maturity greater than twelve months.
- c) Current liability: One with a term of maturity equal to or less than twelve months that is intended to be settled in the normal cycle of operation of the different activities or businesses it develops.
- d) Non-current liability: One with a term of maturity greater than twelve months.



31.7 Financial Instruments

In the initial recognition, **bvc** shall measure a financial asset or liability at its fair value. In the case of a financial asset or liability that is not recorded at fair value with changes to income, the transaction costs are directly attributable to the acquisition of the financial asset or liability.

a. Subsequent Measurement of the Financial Assets

All of the financial assets are currently classified in two ways, those measured at amortized cost and those measured at fair value. The classification is made at the time in which the financial asset is initially recognized, which is when **bvc** becomes a party of the instrument's contractual provisions.

b. Debt Instruments

A debt instrument that meets the following two conditions can be measured by its amortized cost (net of any loss from impairment):

- Business model test: The aim of **bvc's** business model is to hold the financial asset to collect the contractual cash flows (instead of selling the instrument before its contractual maturity to realize its fair value changes).
- Cash flow characteristics test: On the specified dates, the contractual terms of the financial asset give rise to cash flows that are only payments of capital and interest on the outstanding capital.

All of **bvc's** other debt instruments are measured at fair value through profit or loss.

31.7.1. Fair Value Option

Without prejudice to the above, in the initial recognition, **bvc** may appoint a financial asset as measured at fair value through profit or loss if by doing so, it eliminates or

significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise in the measurement of the assets or liabilities or recognition of the gains or losses on them on different bases.

31.7.2. Investments in Equity Instruments

In its initial recognition, **bvc** may make an irrevocable decision to present in other comprehensive income the later changes in the fair value of an investment in an equity instrument that within the scope of this IFRS is not held for trading.

Through the equity method, **bvc** has recognized the dividends of its subsidiaries. From 2017, due to the change in policy of subsequent measurement using the equity method for associates and joint ventures, it recognizes the dividends from these companies as a lower or greater value of the equity method initially recorded as an equity value over the profit or loss that is generated during a specific period.

Previously, the dividends from investments in associates and joint ventures were recognized in the income statement when the right to receive the dividend payout was established upon being declared by the companies. The above is in accordance with Circular Bulletin 034 of the Financial Superintendence of Colombia and IAS 27 (2014) for investments other than the subsidiaries.

31.7.2.1. Subsidiaries or Controlled Companies

Dependent companies are all the entities over which **bvc** has the power to manage the policies on finance and exploitation, which generally accompanied by a share of more than half of the rights to vote. When assessing whether **bvc** controls another entity, the existence and effect of the potential rights to vote that are currently exercisable or convertible are considered. The **bvc** also assesses the existence of control when it does not hold more than 50% of the rights to vote but is capable of managing the policies on finance and exploitation through *de facto* control. This *de facto* control may arise in circumstances in which the number of **bvc's** rights to vote compared to



the number and dispersion of the shares of other shareholders grants bvc the power to manage the financial and exploitation policies, etc.

The **bvc** controls an investee when it is exposed, or is entitled to, to variable returns from its involvement in the investee and it has the capacity to influence these returns through its power over it. The **bvc** controls an investee if and only if it meets all of the following criteria:

- a. Power over the investee
- b. Exposure, or entitlement, to variable returns as a result of its involvement in the investee.
- c. Capacity to use its power over the investee to influence the value of the investor's returns.

Adjustments due to the conversion from Colombian principles to IFRS are included in **bvc's** separate financial statements and the individual financial statements of the subsidiaries and associates when required, as well as the necessary adjustments and reclassifications to standardize the accounting policies and valuation criteria applied by the Exchange.

The accounting policies of the dependent companies are in line with the policies adopted by **bvc**.

In compliance with External Bulletin 034/2014, issued by the Financial Superintendence of Colombia, applicable from January 1, 2015, the **bvc's** equity investments shall be valued by the equity method. Said bulletin was included in Section 9.3, paragraph a., Chapter 1-1, of Bulletin 100/1995 of the Financial Superintendence.

31.7.2.2. Associates and Joint Ventures

Associates and joint ventures are all entities over which **bvc** exercises a significant influence but does not have control, which is generally accompanied by a share of 20% to 50% of the rights to vote. Investments in associates and joint ventures are

measured using the equity method from January 2017, changing from the previous accounting policy as a result of the initial conversion to the IFRS to IAS 27 for the separate financial statements in accordance with Bulletin 034 of the Financial Superintendence of Colombia

Due to the change from the previous policy of **bvc**, a retroactive calculation of the equity method had to be made for all its associates and joint ventures.

If the shareholding in an associate is reduced but a significant influence is maintained, only the proportional share of the previously recognized amounts in other comprehensive income are reclassified to income when appropriate.

The **bvc's** share in the earnings or losses after the acquisition of its associates or joint ventures is recorded in the income statement, and its share in the activity after acquisition is recorded in other comprehensive income with the corresponding adjustment to the investment's book value. When **bvc's** share in the losses of an associate or joint venture is equal to or greater than its shareholding in it, including any other uninsured account receivable, **bvc** does not recognize additional losses, unless they have been incurred in legal or implicit obligations or payments made in the name of the associate.

On each date for submission of financial information, **bvc** establishes whether there is any objective evidence that the value of the investment in the associate has been impaired. If this is the case, **bvc** calculates the amount of the loss from impairment of value as the difference between the recoverable amount of the associate and its book value, and records the amount in the income statement.

The earnings and losses of dilution that arise in investments in associates are recorded in the income statement if they occur.



31.7.2.3 Previously Acquired Share

In accordance with paragraph 32b of IAS 28, the fair value is established of the investment recorded in the separate financial statements on the transaction date. This means that the book value of bvc's previous share in an associate or joint venture is updated to the fair value on the day of the transaction. This generates a difference that is recognized as a profit or loss as a result of said update to fair value and it is reflected in the Comprehensive Income Statement as a non-ordinary profit or loss for bvc.

IAS 28 - Investments in Associates and Joint Ventures, in the Equity method procedures section, indicates:

- Paragraph 26: Many of the procedures that are appropriate for the application of the equity method are similar to the consolidation procedures described in IFRS 10. Furthermore, the concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted in accounting for the acquisition of an investment in an associate or a joint venture.
- Paragraph 32 indicates "An investment is accounted for using the equity method from the date on which it becomes an associate or joint venture. On acquisition of an investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

(b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired."

31.7.2.4. Other Procedures of the Equity Method

When assets are acquired through an acquisition or they are updated in the process of purchasing an associate or joint venture, the greater value resulting from the

acquisition must affect the income of the following period in its participation as if the acquired company had held the securities from the start.

IAS 28. Procedures of the Equity Method

"26 Many of the procedures that are appropriate for the application of the equity method are similar to the consolidation procedures described in IFRS 10. Furthermore, the concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted in accounting for the acquisition of an investment in an associate or a joint venture."

"32

Appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date."

The above means that an adjustment needs to be made to the calculation of the equity method, considering the amortization of the assets based on the added fair value, or of the assets generated in the acquisitions through profit or loss.

31.7.2.5. Loss of Control

Loss of control over a company occurs when the share in the company is reduced and the investment category changes from subsidiary to associate or joint venture in accordance with IFRS 10, paragraph 25. From the date on which control is lost, bvc starts to apply the equity method for companies over which it has lost control.

31.7.3. Embedded Derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host, with the effect that some of the cash flows of the combined instrument vary in a similar way to a stand-alone derivative. An embedded derivative



causes some or all of the cash flows that in one way or another would be required by the contract to be modified according to a specified interest rate, the price of a financial instrument, an exchange rate, an index of prices or interest rates, a credit rating or other credit index, or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract. A derivative that is attached to a financial instrument but that is contractually transferable independently or has a counterparty other than that of the instrument is not an embedded derivative, but a separate financial instrument

31.7.4. Reclassification

Reclassification between the fair value through profit or loss of the period and amortized cost is required for financial assets. It is carried out if and only if **bvc** changes its business model for the management of the financial assets, reclassifying all of the affected financial assets.

If the reclassification applies, it must be done prospectively from the date of reclassification. An entity shall not adjust the previously recognized earnings, losses or interest.

31.8 Property and Equipment

Property and equipment are tangible assets that: (a) the **bvc** owns for use in the production or supply of goods and services, to lease to third parties or for administrative purposes; and (b) are expected to be used for more than one period.

The elements of property and equipment in the initial recognition, as well as in their subsequent measurement, are recorded at cost less the accrued depreciation and less losses from impairment of value.

The useful lives established for the Company's assets are:

- | | |
|--------------|----------|
| a. Buildings | 50 years |
|--------------|----------|

- | | |
|---|----------|
| b. Office equipment, furniture and supplies | 10 years |
| c. Electronic equipment | 10 years |
| d. Data processing equipment | 5 years |
| e. Telecommunications equipment | 5 years |
| f. Transportation equipment | 5 years |

The costs of property and equipment elements comprise the cost of their acquisition plus all of the costs directly related to the location of the asset and its installation for operation as planned by the management department. Also considered as a property and equipment cost is the interest on funding directly attributable to the acquisition or construction of assets that require a substantial period of time before being ready for their use or sale.

The subsequent costs for improvements and extensions, among others, are included in the value of the initial asset or are recognized as a separate asset, only when it is likely that the future economic benefits related to the elements of property and equipment are going to flow to **bvc** and the cost of the element can be reliably established for the remaining life of the main asset.

The expenses of repairs, conservation and maintenance are charged to the results of the period in which they are generated. At the date of closure or whenever there is an indication that there may be an impairment in the value of the assets, their recoverable value (the greater of the fair value less the costs of sale and the value-in-use) is compared to their net accounting value. Any record or reversal of a loss in value that may arise as a result of this comparison is charged or credited to the income statement as appropriate. The depreciation of property and equipment is calculated using the linear method on their estimated useful lives.

The **bvc** will annually review the estimates of useful life, salvage value and depreciation method and will conduct tests on impairment of the assets when there is evidence that said assets have been impaired.



instrument vary in a similar way to a stand-alone derivative. An embedded derivative causes some or all of the cash flows that in one way or another would be required by the contract to be modified according to a specified interest rate, the price of a financial instrument, an exchange rate, an index of prices or interest rates, a credit rating or other credit index, or other variable, provided that in the case of a non-financial variable, the variable is not specific to a party to the contract. A derivative that is attached to a financial instrument but that is contractually transferable independently or has a counterparty other than that of the instrument is not an embedded derivative, but a separate financial instrument

31.7.4. Reclassification

Reclassification between the fair value through profit or loss of the period and amortized cost is required for financial assets. It is carried out if and only if **bvc** changes its business model for the management of the financial assets, reclassifying all of the affected financial assets.

If the reclassification applies, it must be done prospectively from the date of reclassification. An entity shall not adjust the previously recognized earnings, losses or interest.

31.8 Property and Equipment

Property and equipment are tangible assets that: (a) the **bvc** owns for use in the production or supply of goods and services, to lease to third parties or for administrative purposes; and (b) are expected to be used for more than one period.

The elements of property and equipment in the initial recognition, as well as in their subsequent measurement, are recorded at cost less the accrued depreciation and less losses from impairment of value.

The useful lives established for the Company's assets are:

a.	Buildings	50 years
b.	Office equipment, furniture and supplies	10 years
c.	Electronic equipment	10 years
d.	Data processing equipment	5 years
e.	Telecommunications equipment	5 years
f.	Transportation equipment	5 years

The costs of property and equipment elements comprise the cost of their acquisition plus all of the costs directly related to the location of the asset and its installation for operation as planned by the management department. Also considered as a property and equipment cost is the interest on funding directly attributable to the acquisition or construction of assets that require a substantial period of time before being ready for their use or sale.

The subsequent costs for improvements and extensions, among others, are included in the value of the initial asset or are recognized as a separate asset, only when it is likely that the future economic benefits related to the elements of property and equipment are going to flow to **bvc** and the cost of the element can be reliably established for the remaining life of the main asset.

The expenses of repairs, conservation and maintenance are charged to the results of the period in which they are generated. At the date of closure or whenever there is an indication that there may be an impairment in the value of the assets, their recoverable value (the greater of the fair value less the costs of sale and the value-in-use) is compared to their net accounting value. Any record or reversal of a loss in value that may arise as a result of this comparison is charged or credited to the income statement as appropriate. The depreciation of property and equipment is calculated using the linear method on their estimated useful lives.

The **bvc** will annually review the estimates of useful life, salvage value and depreciation method and will conduct tests on impairment of the assets when there is evidence that said assets have been impaired.



31.9. Intangible Assets

An intangible asset is a non-monetary, identifiable asset without a physical appearance.

31.9.1. Acquired Software

The licenses for IT programs purchased are capitalized on the costs that have been incurred to obtain them and prepare them in order to use the specific program. These costs are amortized during the estimated useful life of the recognized asset.

The charges related to the maintenance of IT programs are recognized as expenses when they are incurred in them.

31.9.2. Internally Generated Intangible Assets

With the aim to assess the feasibility of recognizing an internally generated intangible asset, **bvc** classifies the expenditure of projects in the following phases:

- a) Research phase: The costs incurred in this phase are recognized as expenses of the period.
- b) Development phase: The cost is comprised of the sum of the payments incurred since the time at which the following conditions are met for their capitalization, provided that the following is demonstrated:

- Technical feasibility of the project.
- Intention to complete the asset for use or sale.
- Asset's capacity for use or sale.
- Availability of technical or financial resources, or another kind of resource, to complete the asset for use and/or sale.
- Probability of the generation of future economic benefits of the asset.
- Capacity of reliable measurement of the disbursement of the asset.

The costs of development of IT programs recognized as assets are amortized during their estimated useful lives and according to the established amortization method (see 31.9.3).

In periods after the initial recognition, the intangible assets are measured by the cost model. This is the cost less the accumulated amortization less the accumulated losses from impairment.

31.9.3. Amortization of Intangible Assets

The amortization of intangible assets (licenses and software) is defined by the economically useful time of the asset, which is defined by Technology Management for software and by Project Management for projects.

In the event that a license provides the service of use for a shorter period than that of the amortization policies, the amount must be independently amortized to the date of productive use.

Management of Intangible Assets (projects underway). The **bvc** shall apply the reducing balance method for intangible assets (larger projects) and/or linear or straight-line amortization for the economically useful time of the acquisition (core and non-core smaller projects and acquired software or intangible assets), which is defined by Technology Management for software and by Project Management for projects or according to the time established in the acquisition. The costs incurred during the stages of organization, construction, installation, assembly and start-up are considered expenses.

(1) The software licenses acquired are amortized over the time in which they have been acquired without exceeding three years by the straight-line method, except when the contract indicates a different time.



(2) The larger developed software that does not correspond to the core business and that corresponds to projects, such as SAP and the Integrated Latin American Market, will be amortized by the reducing balance method for three years, while the other values are for three years using the straight-line method.

(3) The developed software that corresponds to the core business is capitalized as projects and amortized by the straight-line method for five years.

31.10. Other Assets

Prepaid expenses are rights of access to future services, which are amortized during the term of the contract that covers said services. This line item is comprised of the assets that do not meet the classification criteria of the aforementioned assets.

31.11. Employee Benefits

Employee benefits consist of any kind of payment that **bvc** provides to its employees in exchange for their services.

The payment of short-term employee benefits (different to compensation for contract termination) must be liquidated within the twelve months following the period in which the employees have provided the services that grant these benefits.

Employee benefits are comprised of the following:

a. Short-term employee benefits: Comprised of wages, salaries, social security payments, annual remunerated absences, sick leave, share of profits and incentives (if they are paid within the twelve months following the end of the period), and non-monetary benefits (such as medical care, cars and cellphones) for current employees.

The value corresponding to the variable compensation of **bvc** is also included in

this concept, which is established based on the objectives for the year and the achievements made by each employee, and is paid annually.

The accounting of awarded short-term employee benefits is generally immediate, because it is not necessary to establish any actuarial hypothesis to measure the corresponding obligations or costs, and therefore, there is no possibility of actuarial earnings or losses. Furthermore, the obligations for short-term employee benefits are measured without deducting their resulting amounts.

b. Benefits from termination of contract: These are the employee benefits payable as a result of **bvc**'s decision to terminate the employee's contract before the normal date of withdrawal or of the employee's decision to voluntarily accept the termination of the work relationship in exchange for said benefits.

The **bvc** recognizes the benefits from contract termination as a liability and as an expense when and only when it is clearly committed to terminating the connection that binds it to an employee or group of employees before the normal date of withdrawal; or to pay termination benefits as a result of an offer made to provide an incentive for the employees' voluntary resignation.

c. Long-term employee benefits: These include seniority bonuses and five-year bonuses, and must not be fully paid within the twelve months following the end of the period.

In this case, the actuarial earnings and losses are immediately recognized; and the cost of the past service is immediately recognized. The greater value of the actuarial calculations is recorded as a greater value of the provision against the income of the period.

The **bvc** does not have post-employment benefits, defined payment plans and defined benefit plans.



31.12. Provisions and Contingencies

A provision is a liability regarding which there is uncertainty about its amount or maturity.

Provisions are recorded when:

- a. The **bvc** has a current legal or implicit obligation as a result of a past event;
- b. It is likely that outgoing funds are required to pay the debt; and
- c. The amount can be reliably estimated.

Provisions are measured by the present value of the payments expected to be needed to settle the debt using the best estimate of **bvc**; the discount rate used to establish the present value, which reflects the current assessments of the market on the date of the statement of financial position; and the value of the money at the time, as well as the specific risk related to the particular liability.

A contingent liability is a possible debt arising from past events, the existence of which shall be confirmed only by one or more uncertain future events occurring or not occurring that are not fully under the control of **bvc**. Alternatively, it is a present debt that has arisen from past events that has not been recorded in the accounts because: (i) it is not likely that outgoing funds that incorporate economic benefits are required to pay it; or (ii) the amount of the debt cannot be measured with sufficient reliability.

31.13. Current Tax Assets and Liabilities

Current tax is the tax expected to be paid on the year's taxable earnings, using the current tax rates on the date of the statement of financial position, and any adjustment of the tax payable regarding taxes from previous periods.

Current tax liabilities must be recognized as a liability as long as they have not been

paid. If the value of the tax (income, income tax surcharge and other existing taxes) less withholding tax and prepaid tax from the previous period and plus the advance payment of the future period is greater than the tax obligation, the excess must be recognized as an asset. This is equivalent to offsetting (see Note 31.5).

The current tax liabilities (/assets) as a result of the current period or previous periods must be measured by the amounts expected to be paid to (/recovered from) the tax authority using the taxable rates and regulations that have been authorized or of which the authorization process is practically finished by the end of the reporting period.

31.14. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities must be measured using the tax rates expected to be applied in the period in which the asset is realized or the liability is paid, based on the tax laws and rates.

Deferred tax assets and liabilities are calculated using the liability method based on the balance, which establishes the temporary differences between the book value of the assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred taxes is always based on the forecast form of realization or on the way in which the book value of the assets and liabilities is paid using the tax rates expected to be in force when the assets and liabilities are realized.

Deferred tax liabilities are the amounts of income tax payable in future periods related to the temporary taxable differences, while deferred tax assets are the amounts of income tax recoverable in future periods related to:



- a. Deductible temporary differences
- b. Offsetting of losses obtained in previous periods, which have still not been subject to tax deduction.
- c. Offsetting of unused credits from previous periods.

The tax base of an asset or liability is the amount attributed to said asset or liability for tax purposes.

The tax base of an asset is the value that will be deductible from the economic benefits for tax purposes that **bvc** obtains in the future when it recovers the book value of said asset. If said economic benefits are not taxable, the tax base will be equal to its book value.

The tax base of a liability is equal to its book value less any amount that will possibly be tax deductible from said entry in future periods. In the case of ordinary revenue that is received in advance, the tax base of the corresponding liability is its book value less any possible amount that is not taxable in future periods. Offsetting can also occur in deferred tax. See Note 31.5

31.15. Recognition of Revenue and Expenses

The **bvc** recognizes revenue when its amount may be feasibly measured and it is possible that the future economic benefits will flow to it as described below:

- a. *Service provision*: Revenue from service provision is recognized when in development of an agreement, a series of activities that satisfy the client's requirements and demands has been executed.

b. *Financial returns*: Financial returns are recognized at the time in which the right to receive them arises using the effective interest method.

c. *Dividends and shares*: This type of revenue is recognized when the right to receive it is established.

d. *Valuation of classified instruments at amortized cost and at fair value*: This revenue is recognized at the time at which the variation in the market price of the held instrument is recorded, supplied by the duly authorized, recognized and accredited supplier system.

e. *Other revenue*: Other revenue is recognized when the right to receive it is established.

Revenue is measured at the fair value of the remuneration received or receivable and represents the amounts receivable for the services provided in the normal course of business net of deductions.

Expenses are recognized when there is a decrease in an asset or an increase in a liability that can be feasibly measured.

31.15.1. Other Revenue Reclassified from Other Comprehensive Income by Realization

IAS 28 establishes that the application of the equity method is based on similar procedures to those defined for the consolidation of these financial statements, which are described in IFRS 10, and to those defined for the acquisition of subsidiaries, which are described in IFRS 3. These include, for example, the determination of goodwill, which although it is not measured independently, is measured considering the comparison of the costs of investment with the share in the net realizable value of



the assets and liabilities of the investee.

Regarding the above, it is important to clarify that the investment of deceval in the Exchange's separate financial statements is going to be managed considering the procedures defined in the consolidated statements of IFRS 10 and IFRS 3, taking into account that the equity method is applied in the separate financial statements.

In line with the above, at the time of acquisition of control, the entries that are in other comprehensive income should be reclassified to the statement of income. There are only two exceptions to this rule regarding the other comprehensive income entries: that they have been generated by revaluations of property, plant and equipment or intangible assets. Given that there are no other exceptions, the entry in other comprehensive income for use of the attributable cost to measure the investment in the opening balance would have to be recycled to the income statement.

In any case, because this entry was generated in the process of adoption, it implies that even if it is recycled to the income statement, its distribution as dividends continues to be restricted until it is realized (for example, due to sale of the investment).

31.16. Leases

When **bvc** is the Lessee - Operating Lease

Leases in which the lessor maintains an important part of the risks and advantages from ownership of the asset are classified as operating leases, because the risks are not transferred to the lessor. Payments for operating leases (net of any incentive received from the lessor) are charged to the income statement on a linear basis during the term of the lease.

31.17. Net Profit or Earnings per Share

The basic earnings per share are calculated by dividing the profit attributable to the shareholders by the common outstanding shares in the year, excluding the common



32. New Standards and Interpretations Not Adopted

32.1. New Standards Applicable from January 1, 2018

As indicated in Decree 2496/2015 and Decree 2131 / December 2016, the issued standards applicable from 2018 are listed below. The impact of the application of IFRS 9 and IFRS 15 is indicated in Note 32.2. Regarding the evaluation process by the Management of Bolsa de Valores de Colombia S.A, a significant impact is not expected on the financial information statements.

New Standards and Amendments	Contents
IAS 7 – Statement of Cash Flows	Disclosure Initiative. They require that the entity provides disclosures that enable users of financial statements to evaluate changes in liabilities arising from the financing activities. The replacement project refers to the following phases: Phase 1: Classification and measurement of the financial assets and liabilities.
IFRS 9 – Financial Instruments	Phase 2: Impairment methodology. Phase 3: Hedge accounting In July 2014, the IASB completed the reform of financial instruments accounting and issued IFRS 9 – Financial Instruments (in its revised 2014 version), which will replace IAS 39 – Financial Instruments: Recognition and Measurement, after the term of the previous standard expires. It establishes a five-step model framework that applies to the revenue from contracts with customers. It shall replace the following standards and interpretations after the date on which it comes into effect:
IFRS 15 - Revenue from Contracts with Customers	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; and SIC 31 - Barter Transactions Involving Advertising Services. SIC 31 - Barter Transactions Involving Advertising Services.

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32.2 Impact of the Adoption of the New IFRS 9 and IFRS 15 Standards

Considering that the new IFRS 9 and IFRS 15 Standards will be applied from January 1, 2018, it is not expected that these will have a material impact on the financial statements of **bvc** in the initial period of application. Bolsa de Valores de Colombia S.A. has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on the separate financial statements.

IFRS 15 – Revenue from Contracts with Customers

Revenue includes the fair value of the remuneration received or receivable from the sale of services in the normal course of business net of deductions. Net revenue is presented before sales tax.

The Company recognizes revenue when its amount may be feasibly measured, it is possible that the future economic benefits will flow to it, and the specific conditions for each one of the Company's activities are met.

With the accounting and financial reporting standard on revenue from contracts with customers (IFRS 15) coming into effect, we made an analysis by **bvc** business line of whether any impact identified with its implementation applied, which is shown in the technical document generated. At the close of December, revenue that needs to be broken down according to the standard's requirements was not identified.

At December 31, 2017, **bvc** generated revenue from fixed income (which has six internal services), equity (six internal services), derivatives (two internal services), EAS (five internal services), information and media (five internal services) and education (four internal services), according to the analysis of the contracts made with its clients.

Therefore, it is established that there is no implicit revenue that requires classification or the opening of new account, because according to its origin, it is duly recognized, as indicated in the technical standard applicable from January 2018 (IFRS 15).

IFRS 9 – Financial Instruments

The Company made the following analysis of the changes included in the standard:

Classification of Financial Assets

IFRS 9 contains a new approach for the classification and measurement of financial assets that reflect the business model in which the asset is managed and its cash flow characteristics.

In accordance with IFRS 9, **bvc** assesses its investments at fair value through profit or loss, which does not lead to adjustments of its investments.





Accounts and leases receivable:

On average, the trade accounts receivable of **bvc** are recovered in a period considered as cash sale, because all of **bvc**'s sales are managed with this term or cash equivalent. Therefore, they do not have an implicit financing element that could lead to their amount generating future recovery and having to be calculated at their present value. At December 31, 2017, none of the entries contained in accounts receivable after making the 2017 impairments (see note) present objective evidence of additional impairment to those which the impairment was individually applied and recorded according to the Company's current policy.

To make a better estimation of the expected loss of the financial assets in trade accounts receivable, a calculation of these losses was established that is aligned with the business model. The calculation considers the services provided by the Exchange and the process of recoverability of the cash flows, breaking down the portfolio into types of client with similar conditions, such as their corporate purpose, similar consumption of services provided by **bvc**, size of their company and the probability of return of the value exposed as an account receivable with which a percentage factor is established according to each segment. This percentage is applied to the total portfolio pending payment at December 31, 2017, and presents a 5% impact on the total portfolio, which is not considered material and shall not significantly affect the information presented in 2017.

The **bvc** shall take advantage of the exemption that allows it to not restate comparative information of previous periods with respect to the changes in classification and measurement (including impairment). The differences in the book value of financial assets and liabilities resulting from the adoption of IFRS 9 shall generally be recognized in accumulated earnings at January 1, 2018.



32.3. Standards and Amendments Applicable from January 1, 2019

Financial Reporting Standard	Standard Topic	Contents
IFRS 16 – Leases	Recognition, measurement, presentation and information to disclose the leases	IFRS 16 – Leases establishes the principles for recognition, measurement, presentation and information to disclose the leases. The aim is to ensure that lessees and lessors provide relevant information that faithfully represents those transactions. This information provides a basis for users of financial statements to assess the effect that leases have on the financial position, financial return and cash flows of the entity.
Annual Improvements to IFRS Standards 2014 – 2016 Cycle	Amendments to IFRS 1 – First-Time Adoption of International Financial Reporting Standards.	Adoption of the International Financial Reporting Standards for the first time. Deleted the short-term exemptions that adopted the IFRS for the first time.
	Amendments to IFRS 12 – Disclosure of Interests in Other Entities	Clarified the scope of the standard.
	Amendments to IAS 28 – Investments in Associates and Joint Ventures	Measurement at fair value of an investment in an associate or joint venture.

33. Matters of Interest and Subsequent Events

33.1 Tax Reform:

The draft Tax Reform Law filed with Colombian Congress was passed and came into effect with the issue of **Law 1819 / December 29, 2016**.

The main tax changes in accordance with Law 1819 are the following:

1. CREE fair tax is eliminated but without affecting the resources for the Colombian National Learning Service (SENA, for the Spanish original), Colombian Family Welfare Institute (ICBF, for the Spanish original), health and universities. A unified income tax is created, which will have the following fees in the general system, adding a temporary surcharge to it:

YEAR	INCOME TAX RATE	INCOME SURCHARGE
2017	34%	6%
2018	33%	4%
2019 and subsequent	33%	

2. The presumptive income tax base will be 3.5% of the liquid equity of the year

immediately prior. Before it was 3%.

3. It is presumed that the market value of unlisted shares cannot be lower than the intrinsic value increased by 15%.

4. Goodwill:

It shall not be amortized through tax or through the purchase of stocks, or in corporate reorganization processes, or in the purchase of commercial establishments. In the event of the purchase of stocks, an asset must not be recognized for tax.

The existing and pending balances of goodwill to amortize at January 1, 2017, shall be amortized within the five (5) following tax periods, applying the straight-line system in equal proportions.

5. The exemption of mandatory health and parafiscal payments to the SENA and ICBF for employees with a salary of less than ten (10) minimum monthly salaries is maintained.

6. Deductions for investments in research, development and innovation:

Amortization of the Investment. The general rule for the deduction of expenses due to amortization of this kind of investment will be from the time that the research, development and innovation project is completed, whether or not it is successful. This shall be amortized in equal proportions for the time that it is expected to obtain returns, and in any case, it may not be more than the annual aliquot of 20% of its tax cost, in the case of software: i) If the asset is sold, it is treated as a cost or deduction at the time of its disposal; and ii) If the asset is for internal use or for exploitation, that is, through licensing or use rights, it is amortized by the general rule explained.

Investments and donations in research, technological development and innovation are deducted, provided that the investment is not amortized in the stated terms. For the purposes of deduction, the National Council of Tax Benefits in Science, Technology and Innovation (CNBT, for the Spanish original) is responsible for the task of annually establishing the maximum amount of deduction, and the National Council for Social and Economic Policy (CONPES, for the Spanish original) is responsible for updating tax policy.

The request of a tax deduction is applicable without prejudice to the deduction, but it cannot coincide with amortization of the investment. The benefit is increased from 20% of the value incurred to 25%, in which the limit to the deduction is introduced. According to which, the deduction may not exceed 25% of the taxpayer's tax of the period and the excess may be taken within the following four (4) tax periods from the one in which the investment was made in research, development and innovation.

7. Tax withholding for payments abroad:

There is an amendment to withholding tax for payments abroad where the following applies to **bvc**, but taking into account the double taxation agreements.

CONCEPT OF PAYMENT OR DEPOSIT IN ACCOUNT	AMENDMENT INTRODUCED AND COMMENTS
Rates for capital gains and income from work	15%
Consultancies, technical services and technical support	15%
Payments for concepts of management or administration of the headquarters	15%
Payments or deposits in account for any concept that constitutes taxable income for its beneficiary in non-cooperating jurisdictions or jurisdictions of low or zero taxation	15%
Computer programs	33% out of 80%
Payments or deposits in account for concepts not covered in Articles 407 to 411 of the Tax Code.	15%

8. Deduction for donation to special tax system entities:

The deduction for donations to entities of the special tax system is removed and the tax deduction of 25% of the donation is introduced. This deduction shall be limited to 25% of the income tax of the tax period and the excess may be carried over to the next tax year.

9. An increase in VAT from 16% to 19%.

10. The levy on financial activity is made permanent at the rate of 4x1000.

11. Term that tax returns are subject to review:

The term in which tax returns are subject to review will be three years from the submission of the tax return or the request for the return or payment of a balance in favor. If the taxpayer is subject to transfer prices, the term will be six years. If the taxpayer calculates tax losses, the term will be six years. If said loss is offset in the two last years that the taxpayer has to do so, the loss shall be extended from then for three more years related to the tax return in which said loss was calculated.

12. Dividends and returns on shares in companies:

In accordance with Article 10 of Decree 2250 / December 29, 2017, which amended Articles 1.2.4.7.1 to 1.2.4.7.3 of Single Tax Decree 1625 / October





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2016, the withholding agents that distribute dividends or shares (see Article 30 of the Tax Code and Section 3 of Article 48 of the Tax Code) must take the following into account for all distributions made from January 2017 onward:

1. If the beneficiary is a resident individual or a resident illiquid estate that will file a tax return (which is required when it receives payments or deposits of more than 1,400 tax value units - UVT, for the Spanish original - in its accounts) and the dividends distributed to the beneficiary are those of 2016 or previous tax years, tax must only be withheld at source on the part delivered as dividends or shares charged by applying the rate of 20% (without any minimum amount applying). If said taxpayers do not meet the requirement of filing a tax return (as they received payments or deposits in their accounts of less than 1,400 UVT), the rate will be 33% (without any minimum amount applying). There is no change here to the regulation that was already being applied (see the transitional paragraph of the new edition of Article 1.2.4.7.1 of Single Tax Decree 1625 / October 2016).

2. If the beneficiary is a resident individual or a resident illiquid estate, regardless of whether or not the beneficiary files a tax return, and the dividends that are distributed to the beneficiary are from 2017 and subsequent tax years, the following calculations must be made:

a. The table contained in Article 1.2.4.7.1 of Single Tax Decree 1625/2016 shall be applied to the untaxed value delivered, which is equal to the figure in Article 242 of the Tax Code and only taxes the values that exceed 600 UVT (COP 19,894,000 in 2018).

b. A fixed rate of 35% will be applied to the taxed value delivered (without any minimum amount applying). Then, the table of Article 1.2.4.7.1 of Single Tax Decree 1625 / October 2016 will be applied to the net value left after subtracting the first withholding.

In that respect, and although this is covered in Article 242 of the Tax Code, we believe that the tax on dividends should only be charged at the rate of 35% and not with the combination of the rate of 35% plus the table, as this leads to an exaggerated tax on the taxed dividends. In all cases, the above would have to be amended by a new tax reform.

3. If the beneficiary is a non-resident individual, a non-resident illiquid estate, a foreign legal entity without its main domicile in Colombia, or a branch of a foreign entity in Colombia, and the dividends or shares to be distributed are from 2016 or previous tax years, only the taxed amount delivered shall be taken and a fixed rate of 33% shall be applied (without any minimum amount applying; see transitional paragraph of Article 1.2.4.7.2 of Single Tax Decree 1625 / October 2016). In all cases, and even if Decree 2250 / December 29, 2017, has not been taken into account, it would be correct to say that if the dividend or share is distributed to third parties with which Colombia has valid agreements to prevent double taxation (for example, Switzerland, Chile, Spain, etc.), the rates that must be applied are the special reduced rates in the laws that regulate said agreements.

4. If the beneficiary is a non-resident individual, a non-resident illiquid estate, a foreign legal entity without its main domicile in Colombia, or a branch of a foreign entity in Colombia, regardless of whether or not the beneficiary files a tax return, and the dividends or shares to be distributed to the beneficiary are from 2017 or subsequent tax years, the following calculations must be made:

a. First the taxed part will be taken (without applying any minimum amount), and 35% will be calculated.

b. Then, the total delivered amount will be taken (adding together the taxed and untaxed amounts), the withholding tax calculated in point a)



will be subtracted, and another 5% will be calculated of the net amount (without applying any minimum amount). This is actually indicated in the new versions of Articles 245 and 246 of the Tax Code. However, another incorrect instruction was given in Article 1.2.4.7.2, as it says that 5% is only calculated on the untaxed part. Therefore, this will have to be corrected with another subsequent decree. Furthermore, and even if Decree 2250 / December 29, 2017, has not been taken into account, it would be correct to say that if the dividend or share is distributed to third parties with which Colombia has valid agreements to prevent double taxation (for example, Switzerland, Chile, Spain, etc.), the rates that must be applied are the special reduced rates in the laws that regulate said agreements.

5. If the beneficiary is a Colombian legal entity, regardless of the year the dividends to be distributed are from, only the taxed part delivered will be taken (without applying any minimum amount), and a fixed rate of 20% shall be applied to it. It is clear that this withholding shall only apply if the beneficiary is a legal entity that files a tax return (either in the ordinary or special tax system), but it shall not apply to entities that do not file a tax return (see Article 369 of the Tax Code amended with Article 154 of Law 1819/2016).

In accordance with the article, the tax withholding shall not be applied for the 2016 dividends distributed, as established since the reform.

The dividends susceptible to distribution as profit of 2017 will be subject to the following fees, according to the amount of the dividend to distribute, as follows:

13. Tax Base

It is proposed that the revenue, deductions, assets and liabilities of the taxpayers are established based on the International Financial Reporting Standards (IFRS).

In light of the effects on the accumulated income of the adoption of these standards for the first time due to the conversion to the new technical framework, it cannot be distributed as a dividend, until the time at which the increase has been made effective, whether through the disposal or use of the respective asset or the liquidation of the corresponding liability. The same procedure shall be applied when an entity changes the technical regulatory framework and must prepare a new opening statement of financial position.

In the year or tax period in which an accounting standard comes into force in Colombia, said standard shall have tax effects if established by the regulatory decree, and it is adjusted in accordance with Article 4 of Law 1314/2009.

The regulation of leasing is amended, leaving a generic standard for leases. This provision shall define the financial and operating leasing and shall indicate the effects on each one.

The revenue, costs, deductions, assets and liabilities in foreign currency shall be measured at the time of their initial recognition at the representative exchange rate, with which the exchange difference adjustments shall not have tax effects. The fluctuation of the entries expressed in foreign currency shall have no tax effect until the time of disposal or deposit in the case of assets or liquidation or partial payment.

For taxpayers obliged to provide accounts, the taxable revenue is the revenue earned accountably in the tax year or period, and a special rule is established for the following concepts: interest from implicit financing, income from the equity method, revenue earned by measurement at fair value, revenue from reversals of liabilities, revenue from impairment, revenue from loyalty programs, and revenue from variable remuneration.

In the event that the record of revenue is not received in accounts, but there is a right to charge tax, revenue will exist.



14. Creation of CREE Surcharge

This tax shall be applied from 2017 until 2018 and it shall be the amount resulting from applying the following table:

1. For the 2017 tax year:

TABLE ON INCOME TAX SURCHARGE - 2017

Tax base range in Colombian pesos		Marginal rate	Surcharge
Lower limit	Upper limit		
0	< 800,000,000	0%	(Tax Base)*0%
> = 800,000,000	Thereafter	5%	(Tax Base - 800,000,000)*5%

The asterisk symbol (*) is understood as multiplied by. The (>=) symbol is understood as greater than or equal to. The (<) symbol is understood as less than.

2. For the 2018 tax year:

TABLE ON INCOME TAX SURCHARGE - 2018

Tax base range in Colombian pesos		Marginal rate	Surcharge
Lower limit	Upper limit		
0	< 800,000,000	0%	(Tax Base)*0%
> = 800,000,000	Thereafter	3%	(Tax Base - 800,000,000)*3%

The asterisk symbol (*) is understood as multiplied by. The (>=) symbol is understood as greater than or equal to. The (<) symbol is understood as less than.

15. Costs and Deductions

The taxable costs are those incurred in the tax year or period, and special rules are established for the following: losses from impairment of inventories, implicit interest, costs generated from measurement at fair value, and costs accounted against other comprehensive income. Generally, rules are included to establish the costs and equity value of the assets and liabilities, following the principle of cost. Therefore, in principle, the adjustment to fair value and impairment of assets shall not have tax effects, with the exception of portfolio impairment.

Estimated liabilities and provisions, impairment of assets and deductions that, pursuant to the technical accounting regulatory frameworks, must be recorded in other comprehensive income shall not have tax deducted until they are carried to the income statement.

For assets acquired after December 31, 2016, the tax cost shall be the price of acquisition plus the directly attributable costs until they are available for use or sale.

16. Industry and Commerce Tax

The tax base of industry and commerce tax includes the revenue obtained from financial returns, commission, and generally, all the revenue that is not expressly excluded.

The revenue base of the Tax Code is taken as a reference for the purposes of income, that is, eliminating IFRS discretions.

17. New Deductions

The following tax deductions shall be accepted provided that they are duly supported and are part of the ordinary course of business, and with the following limitations:

1. Benefits for clients, suppliers and employees, such as gifts, courtesies, parties, gatherings and festivities. The maximum amount to deduct for all of these concepts is 1% of effectively realized net tax revenue.
2. When they come from labor lawsuits; salary and social security payments shall be deductible at the time of payment provided that all of the requirements for deduction from salaries are met.





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33.2 Eventos subsecuentes

1. Once the corporate integration process was carried out between Bolsa de Valores de Colombia and **deceval** on February 7, 2018, an Extraordinary General Shareholders Meeting was held to elect the members of the Board of Directors for the period between February 2018 and March 2019.
2. On February 9, 2018, by means of the by-law amendment formally registered in Public Deed No. 423 / February 9, 2018, Infovalmer S.A., which is part of the **bvc** Group, changed its business name to PRECIA PROVEEDOR DE PRECIOS PARA VALORACIÓN S.A.
3. Through Resolution 0088 / January 22, 2018, of which **bvc** was personally notified on the same day, the appeal filed by **bvc** was resolved, and a penalty of (COP 140,000,000) was imposed, which was provisioned in the **bvc** financial statements. This was paid to the Financial Superintendence of Colombia on January 24, 2018.

No significant additional events to those mentioned of a financial/accounting nature that could affect the financial structure of **bvc** or the interpretation of the financial statements have occurred between December 31, 2017, the closing date of these financial statements, and their date of submission.





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INDEPENDENT AUDITOR'S REPORT

To the Shareholders
Bolsa de Valores de Colombia:

We have audited the consolidated financial statements of Bolsa de Valores de Colombia S.A. and its Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audit. I conducted our audit in accordance with International Standards on Auditing accepted in Colombia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risk of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessment, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bolsa de Valores de Colombia S.A. as at December 31, 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

The consolidated financial statements as at ended December 31, 2016 are exclusively presented as part of the comparative information, those financial statements, were audited by us, on which expressed an unqualified opinion on March 10, 2017.

KPMG S.A.S.
February 22, 2018
Bogotá D.C.



CERTIFICATION OF FINANCIAL STATEMENTS

The undersigned Legal Representative and Accountant of **BOLSA DE VALORES DE COLOMBIA S.A.**, in compliance with Law 222/1995, Article 37 and Law 964/2005, Article 46, hereby declare that the following consolidated financial statements: Statement of Financial Position, Statement of Income and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flow, and the accompanying notes, corresponding to the years ending December 31, 2017 and 2016, were prepared in accordance with the International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC), issued by the International Accounting Standards Board (IASB) and present the comprehensive, explicit adoption without reservations of said international standards, applied uniformly, ensuring that they reasonably present the financial position, the results of its operations and changes in equity and in the financial position, as well as the cash flows for the years ending on the aforementioned dates.

We also confirm that:

1. The figures shown in said Financial Statements and the accompanying notes were taken faithfully from the accounting books of BOLSA DE VALORES DE COLOMBIA S.A.

2. There have been no irregularities involving members of Management that may have a material effect on the Financial Statements or the accompanying notes.

3. We ensured the existence of quantifiable Assets and Liabilities, as well as the rights and obligations recorded according to accounting documents at the reporting date, accounting accrual and offsetting of its transactions and assessed using methods of recognized technical value.

4. We confirmed the integrity of the information provided in the sense that all economic data have been recognized in the Financial Statements or the accompanying notes and we have previously verified the assertions contained therein.

5. The economic data have been recorded, classified, described and disclosed in the Financial Statements or the accompanying notes, including the levies and restrictions on assets, real liabilities and contingencies, as well as the collateral provided to third parties.

6. The information contained in the forms for payments to the general system of comprehensive social security is correct and in compliance with the legal provisions, and BOLSA DE VALORES DE COLOMBIA S.A. is not in arrears on account of payments to said system.

7. We are not aware of any events following December 31, 2017 that require adjustments or disclosure in the Financial Statements or the accompanying notes.

8. The Financial Statements and other reports relevant to the public contain no defects, inaccuracies or errors that could prevent anyone from knowing the true financial circumstances or operations of BOLSA DE VALORES DE COLOMBIA S.A.

9. In compliance with Article 1 of Law 603/2000, we hereby declare that the software used has the corresponding license and therefore, complies with copyright regulations.

Issued in Bogotá D.C. on February 16, 2018.

Juan Pablo Córdoba Garcés
Legal Representative

Jorge Hernando Martínez Jaime
Public Accountant
License No. 14471-T

BOLSA DE VALORES DE COLOMBIA S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Figures in thousands of Colombian pesos)

Concept	NOTE	For the years ended December 31	
		2.017	2.016
ASSETS			
Current Assets			
Cash and cash equivalents	5	29,766,839	33,368,243
Current financial assets	6	18,827,230	20,260,104
Accounts receivable with related parties	7	3,302,827	2,122,858
Trade debtors and other accounts receivable	8	29,414,887	20,696,134
Current tax assets	13	1,716,314	1,206,432
Total current assets		83,028,097	77,653,771
Non-current assets			
Non-current financial assets	6	17,110,345	2,490,031
Non-current non-financial assets	9	3,798,647	3,082,196
Investments held under equity method	10	36,510,920	38,210,794
Goodwill	11	174,047,304	21,613,197
Other intangible assets	11	266,271,322	19,912,011
Property and equipment	12	54,545,417	23,207,421
Investment properties	12	1,385,431	0
Deferred tax assets	13	42,313	623,470
Total non-current assets		553,711,699	109,139,120
TOTAL ASSETS		636,739,796	186,792,891
LIABILITIES			
Current liabilities			
Current financial liabilities	14	523,844	3,293,711
Employee benefits	15	9,498,527	7,890,825
Trade creditors and other accounts payable	16	18,306,053	13,049,798
Current tax liabilities	13	6,339,299	6,805,281
Accounts payable with related parties	7	22,274	5,317
Deferred income		139,796	43,817
Total current liabilities		34,829,793	31,088,749
Non-current liabilities			
Non-current financial liabilities	14	2,703,635	686,235
Estimated liabilities and provisions	17	8,485,310	11,324,005
Employee benefits	18	855,262	927,074
Deferred tax liabilities	13	92,648,140	6,898,876
Total non-current liabilities		104,692,347	19,836,190
TOTAL LIABILITIES		139,522,140	50,924,939
SHAREHOLDERS' EQUITY			
Subscribed and paid-in capital	19	30,256,854	18,672,822
Capital surplus	19	298,397,252	21,095,896
Reserves	19	48,919,726	41,991,656
Net profit of the period	19	103,342,724	24,109,725
Retained profits	19	221,789	261,447
Other equity interests and OCI	19	2,445,178	12,592,892
Total equity attributable to the Parent Company owners		483,583,523	118,724,438
Non-controlling interest		13,634,133	17,143,514
TOTAL SHAREHOLDERS' EQUITY		497,217,656	135,867,952
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		636,739,796	186,792,891

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

Juan Pablo Córdoba Garcés

Legal Representative

BOLSA DE VALORES DE COLOMBIA S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME AND OTHER COMPREHENSIVE INCOME

(Figures in thousands of Colombian pesos, except the net profit per share)

Concept	NOTE	For the years ended December 31	
		2.017	2.016
Revenue		163.361.996	163.076.389
Revenue from ordinary activities	20	159.012.950	158.156.020
Revenue from investment activities	21	2.017.213	2.510.840
Earnings or other revenue	22	2.331.833	2.409.529
Costs	24	(40.091.838)	(37.150.022)
Expenses		(86.994.393)	(77.094.638)
Expenses of ordinary activities	25	(86.636.905)	(76.712.384)
Expenses of non-ordinary activities	25	(357.488)	(382.254)
Profit from operating activities		36.275.765	48.831.729
Profit from equity method - associates	23	7.811.338	7.717.252
Loss from equity method - associates and/or joint ventures	23	(357.376)	(269.338)
Other revenue from subsidiaries, controlled companies and associates	23	84.027.542	0
Financial costs	26	(2.863.632)	(3.595.268)
Profit before taxes		124.893.637	52.684.375
Income tax expenses	13	14.963.585	19.683.159
Net profit of the period		109.930.052	33.001.216
Other comprehensive income			
Investments accounted under equity method - share in other comprehensive income	19		1.161.960
Gains (losses) due to new measurements of financial assets available for sale, net of taxes	19	143.392	0
Gains (losses) from exchange difference from net conversion of taxes	19	(2.731)	9.878
Other comprehensive income net of taxes		140.661	1.171.838
Total income and other comprehensive income		110.070.713	34.173.054
Earnings attributable to:			
Parent Company owners	27	103.342.724	24.109.725
Non-controlling interest	27	6.587.328	8.891.491
Profit of the period		109.930.052	33.001.216
Outstanding shares		30.259.854.217	18.672.822.217
Basic earnings per share of the Parent Company (COP)	27	3,42	1,29
Total comprehensive income attributable to:			
Parent Company owners		103.483.386	25.281.563
Non-controlling interest		6.587.327	8.891.491
Total income and other comprehensive income		110.070.713	34.173.054

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

Juan Pablo Córdoba Garcés

Legal Representative

BOLSA DE VALORES DE COLOMBIA S.A. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY - IFRS

(Figures in thousands of Colombian pesos)

For the years ended December 31, 2017 and 2016

	Note	Subscribed and paid-in capital	Capital surplus	Legal reserve	Mandatory reserves	Temporary reserves	Total reserves	Net and accumulated profit of the year	Other equity interests (1)	Total attributable to the parent company owners	Non-controlling interest	Total shareholders' equity
Balance at December 31, 2015		18.672.822	21.095.896	9.591.941	132.364	25.732.793	35.457.098	26.185.024	9.870.469	111.281.309	13.506.169	124.787.478
Release of reserves		0	0	(255.444)	(132.364)	0	(387.808)	387.808	0	0	0	0
Appropriations		0	0	27.869	68.880	6.825.617	6.922.366	(6.922.366)	0	0	0	0
Dividends paid to shareholders (0.89 per share)		0	0	0	0	0	0	(16.618.812)	0	(16.618.812)	(5.095.107)	(21.713.919)
Net profit for the year		0	0	0	0	0	0	24.109.725	0	24.109.725	8.891.491	33.001.216
Other comprehensive income (OCI)		0	0	0	0	0	0	0	1.171.838	1.171.838	0	1,171.838
Other variations in shareholders' equity		0	0	0	0	0	0	(2.770.207)	1.550.585	(1.219.622)	0	(1,219.622)
Non-controlling interest		0	0	0	0	0	0	0	0	0	(159.039)	(159.039)
Balance at December 31, 2016		18.672.822	21.095.896	9.364.366	68.880	32.558.410	41.991.656	24.371.172	12.592.892	118.724.438	17.143.514	135.867.952
Increase in share capital	3	11.584.032	277.301.356	0	0	0	0	0	0	288.885.388	0	288.885.388
Release of reserves		0	0	0	(68.880)	0	(68.880)	68.880	0	0	0	0
Appropriations		0	0	7.181	0	6.989.769	6.996.950	(6.996.950)	0	0	0	0
Dividends paid to shareholders (0.90 per share)		0	0	0	0	0	0	(16.805.539)	0	(16.805.539)	(5.071.335)	(21.876.874)
Net profit for the year		0	0	0	0	0	0	103.342.724	0	103.342.724	6.587.328	109.930.052
Other variations in shareholders' equity	19	0	0	0	0	0	0	(415.774)	(10.288.375)	(10.704.149)	0	(10,704.149)
Other comprehensive income (OCI)	19	0	0	0	0	0	0	0	140.661	140.661	0	140.661
Non-controlling interest		0	0	0	0	0	0	0	0	0	(5.025.374)	(5,025.374)
Balance at December 31, 2017		30.256.854	298.397.252	9.371.547	0	39.548.179	48.919.726	103.564.513	2.445.178	483.583.523	13.634.133	497.217.656

(1) See Note 19

The accompanying notes are an integral part of these consolidated financial statements.

Juan Pablo Córdoba Garcés
Legal Representative

BOLSA DE VALORES DE COLOMBIA S.A. AND SUBSIDIARIES CONSOLIDATED STATEMENT OF CASH FLOW

(Figures in thousands of Colombian pesos)

CONCEPT	NOTE	For the years ended December 31	
		2017	2016
Types of charges for operating activities:			
Charges from the sale of goods and provision of services		177.945.186	193.442.660
Other charges for operating activities		173.091	147.759
Types of payment in cash from operating activity:			
Payments to suppliers for goods and services		(67.936.285)	(56.137.937)
Payment of income tax on operating activities		(9.927.280)	(8.628.456)
Payment of other taxes on operating activities		(32.369.131)	(39.135.287)
Payments to and from employees		(61.878.492)	(59.962.072)
Other payments for operating activities		(1.849.400)	(609.822)
Interest accrued from operating activities		39.295	370.073
Other incoming and outgoing cash (repayments, compensation, deposits as collateral)		145.170	(4.161.109)
Total net cash flows from operating activities		4.342.154	25.325.809
Other payments to acquire shareholders' equity from other entities		0	(3.797.805)
Purchases of property, plant and equipment	5-1	(3.015.663)	(2.146.781)
Purchases of intangible assets	5-1	(1.025.606)	(1.341.245)
Interest received	5-1	687.826	123.667
Dividends received	5-1	9.390.670	4.903.933
Other outgoing cash due to loss of control	5-1	(7.878.319)	0
Other incoming cash from business combination	5-1	15.459.795	0
Other incoming cash (Portfolio)	5-1	7.036.266	7.479.160
Payment of contingent consideration	5-1	(5.529.920)	0
Total net cash flows from investment activities		15.125.049	5.220.929
Payment of liabilities from financial leasing		(336.782)	(71.919)
Dividends paid	19-4	(21.876.823)	(21.713.867)
Total net cash flows used in financing activities		(22.213.605)	(21.785.786)
Effects of the variation in the exchange rate on cash and cash equivalents		(855.002)	591.846
Net increase (decrease) in cash and cash equivalents		(3.601.404)	9.352.798
Cash and cash equivalents at the start of the period		33.368.243	24.015.445
Cash and cash equivalents at the end of the period		29.766.839	33.368.243

The accompanying notes are an integral part of these consolidated financial statements.

Approved by the Board of Directors

Juan Pablo Córdoba Garcés
Legal Representative

BOLSA DE VALORES DE COLOMBIA S.A. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

At December 31, 2017 and 2016

(Figures in thousands of Colombian pesos, except for the par value of shares, some figures in U.S. dollars and exchange rates)

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Appendix - Country code

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1. General Information

Bolsa de Valores de Colombia S.A. (**bvc**) was incorporated through Public Deed No. 1234 / April 17, 2001, of Notary Public Office 4 of Bogotá, D.C. with a duration until 2051 under the corporate name Servicios Integrados Bursátiles S.A. On June 27, 2001, it changed its corporate name through Public Deed No. 2697, and its corporate purpose is the organization, regulation, administration and operation of commercial establishments designed to carry out trades of all kinds of assets and securities of stock market transactions, in accordance with the legal and regulatory laws that regulate securities exchange activities.

At December 31, 2017, and December 31, 2016, the Exchange had 1102 and 844 employees, respectively. Out of the total employees, 266 and 230 individually corresponded to the Exchange, respectively.

The **bvc** Group is under the control and supervision of the Financial Superintendence. Its main domicile is in Bogotá D.C. and it has offices in the cities of Medellín and Cali.

By means of an authorization of the extraordinary General Shareholders Meeting held on December 11, 2006, **bvc** listed its shares on the National Securities Registry ("Registro Nacional de Valores") and on Bolsa de Valores de Colombia (self-listing) on June 22, 2007, starting trading on June 28, 2007.

Currently, the Exchange has the following subsidiaries: INFOVALMER S.A. with a direct share of 90.91% and an indirect share through INVESBOLSA S.A.S. of 9.09%; SOPHOS BANKING SOLUTIONS S.A.S. with a 54.187% share; INVESBOLSA S.A.S. with a 100% share; BVC PLUS S.A.S. with a 100% share; BVC PRO S.A.S. with a 100% share; INVERBVC S.A.S. with a 100% share; and DECEVAL S.A. with a 94.71% share. It maintains control over these subsidiaries in accordance with Paragraphs 6 and 7 of IFRS 10, which allows consolidation with them.

Bolsa de Valores de Colombia S.A. consolidates its financial statements with the following entities:

DECEVAL S.A. maintains, manages, records, clears and settles all transactions on the securities traded at bvc through a high-tech security, computerized system,

mitigating all risks related to the physical handling of transfers, registrations and the exercise of equity rights. In 2017, bvc directly acquired this company, and said transaction is described in Note 4.

INFOVALMER S.A. is a price provider for valuation. Its main corporate purpose includes: 1) Management of valuation systems, which includes the creation and issue of valuation methodologies and regulations for valuation systems; 2) Provision of services for the calculation, establishment and supply of information for investment valuation; 3) Provision of services for calculation and analysis of variables or risk factors; and 4) Development of additional activities to the provision of prices in the financial markets.

It officially started operations on March 4, 2013, after the Financial Superintendence of Colombia, through Resolution 1531 / September 28, 2012, granted the certificate of authorization as provider of prices for valuation.

Currently, INFOVALMER provides prices for valuation of fixed-income and equity instruments, OTC and CVA derivatives, structured notes, companies that are not



listed on the Exchange and private equity funds. All the prices are the result of the application of own valuation methods, which have no objection from the Financial Superintendence of Colombia.

On February 9, 2018, by means of the by-law amendment formally registered in Public Deed No. 423 / February 9, 2018, the company changed its business name to **PRECIA PROVEEDOR DE PRECIOS PARA VALORACIÓN S.A.**

INVEBOLSA S.A.S. was incorporated through a private document of the sole shareholder, dated March 10, 2010, registered on March 12 under number 01368350 at the Bogotá Chamber of Commerce, with the main corporate purpose of incorporating and participating in companies and entities that are directly related to the activities and services rendered by **bvc**, in order to facilitate, extend or supplement the corporate business of the latter. The company may invest in the share capital of companies in which **bvc** is also legally allowed to invest. Likewise, it may conduct any other legitimate economic activity both in Colombia and abroad.

In December 2017, **INVEBOLSA S.A.S.** increased its share capital with a share issuance amounting to COP 230,020 and an increase in the premium in share placement at COP 19,791,453, as a result of an exchange of **deceval** shares that were the property of the Exchange.

SOPHOS BANKING SOLUTIONS S.A.S.

Sophos is a company that provides consulting services, implementation of core banking, test manufacturing and software manufacturing mainly for companies of the financial and securities sector. It has the support of consultants brought directly from India, granting security and trust to its clients with respect to knowledge and experience of the service.

On June 18, 2015, Bolsa de Valores de Colombia S.A. acquired 51% of the share in Sophos Banking Solutions. With the entry of this new subsidiary, **bvc** continues to strengthen its revenue diversification strategy, expanding and diversifying its regional base of products and clients.

The company was created through Public Deed No. 000279 of Notary Public Office 49 of the Bogotá Circle dated February 8, 2006, registered on February 21, 2006, under Number 01039977 of Book IX, with an indefinite duration of the company in the Bogotá Chamber of Commerce.

The **bvc** Group now enters the industry of technology services in Latin America with a strong portfolio that will be integrated into its current lines of business, allowing it to improve its strategy of expanding its technology services for agents of the financial market, diversify its revenue and increase the generation of value for its shareholders.

The **bvc** Group agreed to pay the selling shareholders of Sophos Banking Solutions S.A.S. additional amounts to the initial payments of COP 19,335,000 made on June 18, 2015, payable on March 31, 2017, and April 1, 2019, as an additional consideration of COP 6,248,000 and COP 5,341,000, respectively. This shall be positively or negatively adjusted on each date, provided that the financial statements have been duly approved by the competent corporate bodies and that the conditions are met on the variation of the 2015 EBITDA added to the 2016 EBITDA, and the variations of the 2017 EBITDA added to the 2018 EBITDA, respectively, where the value may be increased or reduced according to the conditions agreed in the contract.

In accordance with the above, the final remuneration was established in the following way after making a purchase price allocation to establish the fair values of the transaction.

In thousands of Colombian pesos

SOPHOS BANKING SOLUTIONS S.A.S.	Value
Cash	19.335.000
Assets for compensation	(1.056.213)
Contingent consideration	9.398.147
Total consideration transferred	27.676.934

INVERBVC S.A.S. was incorporated through a private document of the sole shareholder, dated December 06, 2017, registered on December 07 under number 02282751 at the Bogotá Chamber of Commerce, with the main corporate purpose of incorporating and participating in companies and entities with a corporate



purpose directly or indirectly related to the activities and services rendered by Bolsa de Valores de Colombia S.A., in order to facilitate, extend or supplement the corporate business of the latter. The company may have shares in companies that have the corporate purpose of being central securities depositories of Colombia.

BVC PLUS S.A.S. was incorporated through a private document of the sole shareholder, dated December 06, 2017, registered on December 07 under number 02282745 at the Bogotá Chamber of Commerce, with the main corporate purpose of incorporating and participating in companies and entities with a corporate purpose directly or indirectly related to the activities and services rendered by Bolsa de Valores de Colombia S.A., in order to facilitate, extend or supplement the corporate business of the latter. The company may have shares in companies that have the corporate purpose of being central securities depositories of Colombia.

BVC PRO S.A.S. was incorporated through a private document of the sole shareholder, dated December 06, 2017, registered on December 07 under number 02282743 at the Bogotá Chamber of Commerce, with the main corporate purpose of incorporating and participating in companies and entities with a corporate purpose directly or indirectly related to the activities and services rendered by Bolsa de Valores de Colombia S.A., in order to facilitate, extend or supplement the corporate business of the latter. The company may

have shares in companies that have the corporate purpose of being central securities depositories of Colombia.

The following subsidiaries were incorporated in 2017:

- 1) By acquisition or business combination process with **DECEVAL S.A.**, as can be seen in Section 4 of Business Combinations; and
- 2) By processes of creating companies as investment vehicles with **INVERBVC S.A.S.**, **BVC PLUS S.A.S.** and **BVC PRO S.A.S.**

The financial and transaction information of **bvc's** subsidiaries for 2017 and 2016 is presented below:



2017					
COMPANY	SHARE %	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE PERIOD
deceval S.A.	89,71%	93.997.265	21.511.055	72.486.210	23.212.282
Invesbolsa S.A.S.	100%	20.279.563	263	20.279.300	150.302
InverBVC	100%	84.150	0	84.150	0
bvc Plus	100%	84.150	0	84.150	0
bvc Pro	100%	84.150	0	84.150	0
Infovalmer S.A.	100%	4.611.381	1.955.446	2.655.935	1.890.928
Sophos Banking Solutions	54,19%	26.096.869	12.218.107	13.878.762	7.554.933

2016					
COMPANY	SHARE %	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE PERIOD
SET-ICAP FX S.A.	49,82%	11.564.483	4.528.064	7.036.419	6.292.878
Set-Icap Securities	50%	2.825.644	249.889	2.575.755	388.677
Invesbolsa S.A.S.	100%	187.865	1.351	186.514	96.654
Infovalmer S.A.	100%	4.047.761	1.733.034	2.314.727	1.465.022
Sophos Banking Solutions	51%	36.355.788	19.445.841	16.909.948	10.567.127



Control Situation and Business Group Status

The control situation and business group status of Bolsa de Valores de Colombia S.A. as Parent Company was registered on January 9, 2018, under number 02291766 of Book IX of the Chamber of Commerce for the following subsidiaries: (i) Depósito Centralizado de Valores – Deceval S.A., company duly incorporated under the laws of Colombia and domiciled in Bogotá; (ii) BVC PLUS S.A.S., company duly incorporated under the laws of Colombia and domiciled in Bogotá; (iii) INVERBVC S.A.S., company duly incorporated under the laws of Colombia and domiciled in Bogotá; and (iv) BVC PRO S.A.S., company duly incorporated under the laws of Colombia and domiciled in Bogotá.

Likewise, the status of Business Group is maintained over the following companies:

(i) The status of Business Group of the Parent Company, **bvc**, with respect to the INVESBOLSA S.A.S. subsidiary, company duly incorporated under the laws of Colombia and domiciled in Bogotá, was registered on May 6, 2010, under number 01381319 of Book IX of the Chamber of Commerce.

(ii) The status of Business Group of the Parent Company, **bvc**, with respect to the PRECIA PROVEEDOR DE PRECIOS PARA VALORACIÓN S.A. subsidiary, company duly incorporated under the laws of Colombia and domiciled in Bogotá, formerly called Infovalmer Proveedor de

Precios para Valoración S.A. and which changed its business name by the by-law amendment formally registered in Public Deed 423 / February 9, 2018, was registered on March 2, 2011, under number 01457301 of Book IX of the Chamber of Commerce.

(iii) The status of Business Group of the Parent Company, **bvc**, with respect to the SOPHOS BANKING SOLUTIONS S.A.S. subsidiary, company duly incorporated under the laws of Colombia and domiciled in Bogotá, was registered on July 2, 2015, under number 01953309 of Book IX of the Chamber of Commerce.

Similarly, the indirect control situation and Business Group status are maintained through the company SOPHOS BANKING SOLUTIONS S.A.S. over its companies, as follows: (i) SOPHOS TECHNOLOGY SOLUTIONS S.A. with 99.80%, company domiciled in Santiago, Chile; (ii) SOPHOS TECHNOLOGY SOLUTIONS S.A. DE CV. with 99.90%, company domiciled in Mexico City; and (iii) SOPHOS TECHNOLOGY INC. with 100.00%, company domiciled in Panama City; which are part of the **bvc** Business Group.

The control situation of **bvc** as the Parent Company of the following companies was registered by means of a private document dated September 12, 2016, registered in the Bogotá Chamber of Commerce under number 02139587 of Book IX: (i) SET-ICAP FX S.A., company duly

incorporated under the laws of Colombia and domiciled in Bogotá; and (ii) SET-ICAP SECURITIES S.A., company duly incorporated under the laws of Colombia and domiciled in Bogotá.

As a result of the loss of control, the situation of joint control that Bolsa de Valores de Colombia S.A. exercises simultaneously with ICAP GLOBAL BROKING HOLDINGS LTD. over the SET-ICAP SECURITIES and SET-ICAP FX subsidiaries was registered by means of Private Document No. 02291766 / December 26, 2017, of Book IX of the Bogotá Chamber of Commerce.

Authorization for the Publication of Financial Statements

These consolidated financial statements and accompanying notes were approved by the Board of Directors and Legal Representative in accordance with Minutes No. 069, dated February 21, 2018, to be presented to the General Shareholders Meeting for its approval, which may approve or modify them.



2. Risk Control and Management Systems - 2017

2.1. Relevant Information in Non-financial Risk Management during 2017

Risk Management

The Exchange's Risk Management System is focused on the stages of identification, measurement, control and monitoring of its risks, as well as compliance with the regulatory and internal requirements of the Organization, including its policies and procedures. To achieve these objectives, the Exchange uses international best practices in risk management for guidance and support.

We comprehensively carry out risk management, including all the non-financial risks identified in

the Exchange's processes, projects and strategic objectives, which allows us to continuously and promptly manage risks related to the development of daily activities, business lines, high-impact alterations and stakeholders that may affect the entity. The Exchange manages the following risk management systems:

- Operative Risk Management System (ORMS)
- Business Continuity Management System
- Information Security Management System
- Anti-Money Laundering and Counter Terrorism Financing (AML/CTF) System
- Anti-Fraud Program

Affiliates and Subsidiaries

The Exchange manages technical support, training and coordination of activities for its subsidiaries aimed at compliance with the regulatory and internal

requirements, best practices and closure of gaps of the different risks identified in these organizations.

Pursuant to the **bvc** Group's policy, each subsidiary has internal teams to manage its own risks. In turn, these teams maintain close communication and coordination with the **bvc** risk team, which facilitates the harnessing of synergies, efficiency, and unification of strategies and guidelines of the Group's companies.

Additionally, there are risk committees for information security and business continuity of the capital market's infrastructure providers, where some of the Exchange's subsidiaries are included. For those that do not belong to the committees, the same best practices are applied.

In 2018, we will keep strengthening the management systems for all the risks in the subsidiaries according to their needs, main risks and business priorities.



2.1.1 Information Security Management System

In 2017, we established information security as a priority in the Exchange's activities. This was added to throughout the year with initiatives that enabled the strengthening of current controls and minimization of the risks related to information security. As part of this, we carried out training processes for Senior Management and employees on the general policy and risks related to cybersecurity, reinforcing knowledge for the identification of threats and capacity for timely response to incidents.

Additionally, we worked on the following topics:

- Definition and creation of policies adapted to the entity's best practices and needs.
- Implementation, update, strengthening and measurement of controls of the Information Security Management System in accordance with the ISO 27001:2013 Standard.
- Support in the creation and establishment of basic guidelines for subsidiaries, facilitating the establishment of a uniform information security structure. From the above, a work agenda was established according to the conditions and nature of each subsidiary, which is currently under development.

- Constant support in the definition of information security conditions for the Organization's projects.

Likewise, together with the infrastructure providers of the capital and foreign currency markets, we identified and promoted initiatives to strengthen the management and response plans of the value chain, as well as the awareness plan. Similarly, as it is considered critical infrastructure of the sector, the Exchange regularly held meetings with the Armed Forces' Joint Cyber Command (CCOC, for the Spanish original) to define response strategies to cybersecurity incidents.

2.1.2 Operative Risk Management System (ORMS)

Risk management in the Exchange is based on strategic analysis of the business and the processes that comprise it, from which we develop control mechanisms and mitigation actions conducive to minimizing risks and mitigating impacts in the event of materialization of the risks to which the Organization is exposed.

In 2017, we focused a large part of our efforts on capitalizing on lessons learned in previous years in project risk management, taking into account that one of the most important projects in recent years was developed this year with the update of the trading systems. Therefore, the methodology was enriched with alerts, controls and additional reports throughout the project's life cycle, which enabled the definition of action plans and mitigation actions. This facilitated the reduction of residual risk as well as timely and

satisfactory management of each problem identified in the project.

Additionally, the number of operational risk events that arose in 2017 and 2016 was 102 and 105, respectively, which demonstrates a 2.86% reduction in the events that occurred from one year to the next.

We kept 99% of the risks within the established levels of tolerance, demonstrating the Company's capacity to manage activities with risk exposure, to detect deviations and to apply the necessary corrections for the correct execution of its processes. For the remaining 1%, action plans have been established to implement in 2018, which are based on improving risk assessment.

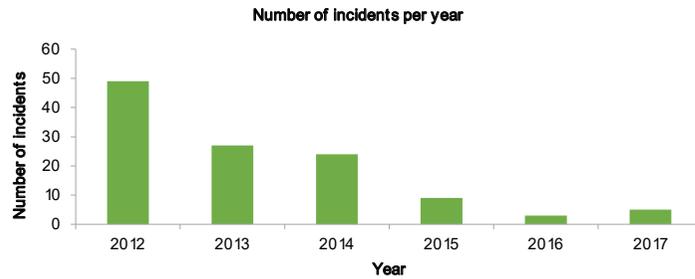
In relation to the strengthening of the Risk and Quality Awareness Plan, awareness and training campaigns were implemented aimed at all levels of the Company and third parties involved. These campaigns were designed to raise awareness regarding the importance of internal control and its role in preventing, detecting and handling risks, and their impact on the Company and the general public.

2.1.3 Business Continuity Management System

In 2017, we continued to manage and improve the continuity management system. We conducted the following contingency tests according to the schedule established at the start of the year.



Graph 1 shows the behavior of incidents over the last six years.



The accumulated annual downtime above the accepted RTO[1] of the platforms that provide critical products and/or services to members was nine hours and one minute, distributed as follows:

Market	Affected process	Assets	Total downtime	Downtime above the RTO
Equity	Equity and derivatives	FIX 4.4	1 h 29 min	29 min
Equity	Equity and derivatives	FIX 4.4	27 min	--
Equity	Equity and derivatives	None, a derivatives contract was affected	2 h 30 min	--
Guarantees	Guarantees	CMS	5 h 14 min	3 h 44 min
Derivatives	Equity and derivatives	X-STREAM	5 h 18 min	4 h 48 min

2 This time corresponds to the difference between the start and end time of the incident.

3 This time is calculated using as a reference the RTO established for each product, process or service according to the Business Impact Analysis (BIA).

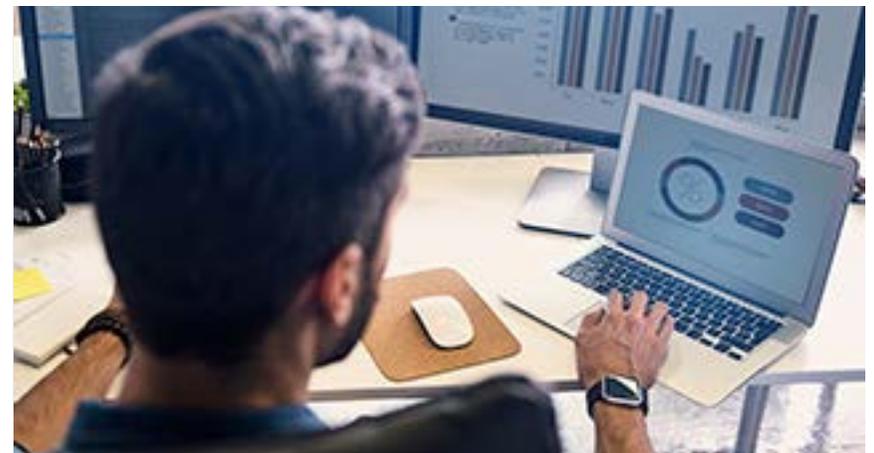
[1] RTO: Recovery Time Objective: Maximum time it should take for the system to be available again after a failure.

The uptime indicator of IT services availability was 99.89% in 2017, which corresponds to its average monthly calculation, taking the uptime of the services, reported incidents and critical level of each service as variables.

The Exchange continued its participation in the Crisis Management Committee of the Colombian Securities and Foreign Currency Market as part of joint work with the other infrastructure providers (**deceval**, CRCC, CCDC, SET-ICAP, INFOVALMER, Tradition, Enlace and GFI). We completed the work plan, making updates after the incorporation of Tradition, Enlace, GFI and INFOVALMER into the work team.

We published the first edition of the market crisis management protocol, which was communicated to the executive project team, which approved it. Likewise, the protocol was submitted to the Financial Superintendence and a meeting was held with representatives of said control entity, where they discussed the items for the regulatory body to include in the Bulletin that will be issued shortly in that respect.

The Exchange participated in the market crisis management roundtable in an office simulation exercise at the facilities of the Central Bank to test the protocol on the market with the scenario of an earthquake in Bogotá, led by the international expert Regina Phelps.





2.1.4 Anti-Money Laundering and Counter Terrorist Financing (AML/CFT) System

In compliance with the regulation to prevent and control the risk of money laundering and terrorist financing (ML/TF), **bvc** is committed to the fight against ML/TF. Therefore, it strictly complies with the applicable laws, especially the Organic Statute of the Financial System, the sanctions lists and the court orders it receives.

Bolsa de Valores de Colombia openly rejects any criminal activity or conduct that involves money laundering or terrorist financing (ML/TF) activities. ML/TF risk management facilitates comprehensive risk management and contributes to the processes' decision-making thanks to the unification of the methodology with the Operative Risk Management System (ORMS).

Given the above and as part of the continuous improvement strategy, the procedures and risks associated with ML/TF were updated on the risk maps for the Exchange's different processes in accordance with the new risk management methodology.

With respect to the know-your-customer process, the strengthening of client enrollment controls is ongoing and a campaign was carried out to update client information.

Regarding training activities, the ML/TF prevention procedures and policies were disclosed to all of the

Exchange's employees through the Quality and Risk Awareness Plan, as well as the induction of new employees, thereby promoting a culture for the prevention of ML/TF.

2.1.5 Anti-Fraud Program

Regarding the Anti-Fraud Program and in accordance with the ten principles promoted by the UN Global Compact, **bvc** promotes the development of procedures and controls to promptly prevent, detect and manage any incident of fraud, to encourage the employees' commitment and to drive transparency in its Management. Additionally, it forbids any violation of the laws and regulations, as well as any illegal, unethical or dishonest conduct by its Board members, managers and employees.

To achieve this, **bvc** has a Good Governance Code, an Ethics and Conduct Manual, an Anti-Money Laundering and Counter Terrorist Financing System, an Anti-Fraud Manual and an Internal Control System as tools to minimize and control any risk of fraud and corruption, which are included in **bvc's** corporate risk management.

The Exchange has an Ethics Hotline available to all its employees, providers, and clients, managed by Corporate Risk and Quality Management as a mechanism for anonymous reporting of unethical conduct and fraud. The information that is received through the Ethics Hotline (via telephone or email) is confidential. This is supported by an Anti-Retaliation



Policy for the complainants and it is managed through the Exchange's Anti-Fraud Committee, of which the Organization's executives are members. No complaints related to the aforementioned behaviors were received in 2017.

As part of the Risk Awareness Plan, employees were trained on the Anti-Fraud Program and they were reminded of the anonymous mechanisms for reporting unethical behavior. We reinforce the invitation to employees to use the Ethics Hotline to report events that they consider could constitute an incident of fraud or corruption, unethical behavior or workplace harassment. Information on the Ethics Hotline is available on the Exchange's website for all its stakeholders.

2.2. Relevant Information in Financial Risk Management during 2017

The Group's financial risk management is focused on the investment portfolio. The portfolio is comprised of the Exchange's investments in fixed income instruments, which depend on an investment system established by the Board of Directors. During their natural course of business, the affiliates and/or subsidiaries make specific transactions that are not within the same aforementioned system of the investment portfolio.

In previous years, SET-ICAP FX and Sophos made specific transactions that included the formation of a certificate of deposit (CD), as well as the trading of



sales commitments in U.S. dollars, respectively. Both transactions expired during 2017 and were not renewed.

From the integration in December 2017, the Group's joint portfolio includes the investments made by **deceval**. Taking into account that the integration was carried out at the end of the year, the portfolio situations of **bvc** and **deceval** are presented below separately. The results will be presently jointly in future reports.

2.2.1. Exchange Investment Portfolio

The management of the different types of risk that the Exchange's investment portfolio is exposed to is based on the establishment of limits and policies that seek to mitigate the exposure and materialization of risk and its impact on the financial statements and return of the

liquid assets. The overall objective is to facilitate the effective and efficient management of the uncertainty and risks assumed in the management of financial resources, improving the capacity to generate value for shareholders.

The guidelines for management restrict the portfolio's exposure to three kinds of asset: (i) Treasury securities (TES) denominated in Colombian pesos (TES COP); (ii) TES denominated in real value units (TES UVR); and (iii) local private debt securities (PRIVATE DEBT). The selection of the assets depends on the nature of the company's liquidity requirements, as well as the risk appetite regarding investments.

A benchmark rate is established for each asset. However, there is not a policy that involves indexing



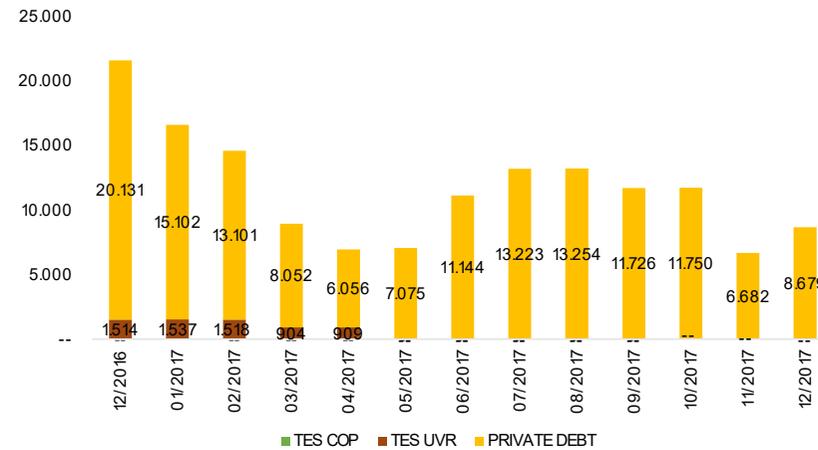
of the rates. For the TES COP and TES UVR assets, the benchmark rates are the COLTES and COLTES UVR indices, which are managed and published by the Exchange. For PRIVATE DEBT, the benchmark rate is constructed from the average daily return observed for different terms in the certificate of deposit (CD) market..

In accordance with that approved by the Administration and Finance Committee, a transitional management system was adopted for the **bvc** portfolio in October 2016. This aims to cover the liquidity requirements that are generated during the years 2016 and 2017, mainly explained by expenses related to projects. The temporary strategy involved the gradual liquidation of the positions in TES and the reinvestment of these resources in CD for short terms established according to the projected cash flow.

At the close of December 2017, the Exchange's invested portfolio (TES COP, TES UVR and PRIVATE DEBT) was at COP 8,679 million. The liquidity requirements of bvc in 2017 reduced the value of the invested portfolio by COP 12,966 million from December 2016. The evolution of the Exchange's invested portfolio during the year is shown below:

Evolution of the Invested Portfolio by Type of Asset

Market Risk



Market Risk of the Investment Portfolio:

Market risk is defined as the probability of incurring losses of market value in an entity's portfolio of financial instruments in response to adverse changes in the variables of the financial markets.

To date, in line with the transitional system, the portfolio is exposed to short and long-term fixed income instruments indexed to the DTF (fixed-term deposit rate), CPI, IBR and simple fixed rate in local currency. The market risk that the portfolio is exposed to is related to the possible losses generated by changes in interest rates, which may entail its devaluation and consequently, a lower return. The exposure at the close of December 2017 by benchmark rate is as follows:



Invested Portfolio Composition by Type of Rate:

Rate	Market value (Billions of COP) 2017	Share %	Market value (Billions of COP) 2016	Share %	Δ Market value
Fixed Rate	5.657	65%	6.487	30%	(830)
DTF	1.014	12%	1.008	5%	6
CPI	-	0%	7.111	33%	(7.111)
IBR	2.009	23%	7.038	33%	(5.029)
Total	8.679	100%	21.645	100%	(12.966)

* Cut-off date: Dec. 31, 2017 * Cut-off date: Dec. 31, 2016

The share of indexed securities decreased, leading to the fixed-rate securities having greater importance in the portfolio, increasing from 30% to 65.18%. This was in response to the market conditions observed during 2017, of which the Central Bank's constant reductions of interest rates and the performance of inflation stand out.

Value at Risk (VaR):

The measure established to estimate the market risk is the VaR, which establishes the expected loss of value of the portfolio in a horizon under conditions of stress from a normal distribution and 99% confidence level.

A threshold of reference for the VaR at a level of 2% has been defined through risk management. During 2017, the average VaR was 0.64%. The estimation of this indicator is made from the standard deviation of the portfolio's daily returns. The evolution of the VaR at the end of every month during 2017 is shown below,

and the individual VaR of each asset that comprises the portfolio is shown for informative purposes:

Evolution of the Portfolio's Value at Risk (VaR):

Cut-Off Date	Portfolio	TES UVR	PRIVATE DEBT
31/12/2016	1,14%	1,61%	0,44%
31/01/2017	1,11%	1,61%	0,43%
28/02/2017	1,07%	1,94%	0,45%
31/03/2017	1,01%	1,88%	0,42%
30/04/2017	0,98%	1,82%	0,41%
31/05/2017	0,94%	--	0,41%
30/06/2017	0,92%	--	0,34%
31/07/2017	0,27%	--	0,33%
31/08/2017	0,27%	--	0,32%
30/09/2017	0,26%	--	0,17%
31/10/2017	0,28%	--	0,16%
30/11/2017	0,27%	--	0,16%
31/12/2017	0,26%	--	0,27%

The portfolio has not been exposed to TES COP in the year.

Modified duration:

Another measure established to estimate the portfolio's sensitivity to changes in interest rates is the modified duration. This is estimated from the Macaulay duration, which reflects the weighted average of the different payments granted by each security of the portfolio. These measures are calculated and published by the price provider selected by Management (INFOVALMER), which, in the case of indexed securities, assumes that the benchmark rates to which some securities are indexed remain constant over time. While the Macaulay

duration is a measure that reflects the average maturity of the investment flows, the modified duration is a measure of price sensitivity to changes in interest rates.

At the close of December 2017 and December 2016, the modified duration of the invested portfolio was 0.43 and 0.37, respectively.

Portfolio Duration by Type of Rate

Details of Macaulay Duration (Figures in years)

ASSETS	Macaulay Duration 2017	Share %	Macaulay Duration 2016	Share %
TES UVR	0,00	0%	2,37	7%
PRIVATE DEBT	0,45	100%	0,22	93%
Total Macaulay Duration	0,45	100%	0,39	100%

* Cut-off date: Dec. 31, 2017 * Cut-off date: Dec. 31, 2016

Details of modified duration

ASSETS	Modified duration 2017	Share %	Modified duration 2016	Share %
TES UVR	0,00	0%	2,43	7%
PRIVATE DEBT	0,43	100%	0,24	93%
Total modified duration	0,43	100%	0,37	100%

* Cut-off date: Dec. 31, 2017 * Cut-off date: Dec. 31, 2016

From the modified durations presented above, the estimated loss from an increase of 100 basis points in the interest rate on the invested portfolio value at the close of December would be as follows:



Estimated Loss from an Increase of 100 Basis Points in the Interest Rate by Type of Asset

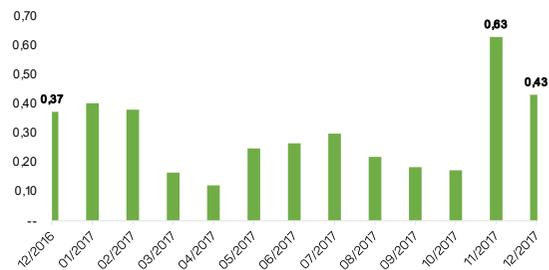
ASSETS	Market value (Billions of COP) 2017	Market value (Billions of COP) 2016	Modified duration 2017	Modified duration 2016	Estimated Loss (Billions of COP) 2017	Estimated Loss (Billions of COP) 2016
TES UVR	-	1,514	-	2,43	-	36,79
PRIVATE DEBT	8,679	20,131	0,43	0,24	37,45	48,60
TOTAL	8,679	21,645	0,43	0,37	37,45	81,00

* 2017 cut-off date: December 31

However, these losses only materialize in the event the securities are sold. As long as they remain in the portfolio until their date of maturity, the return obtained will be the one corresponding to the purchase IRR. In 2017, the modified duration of the invested portfolio had an average value of 0.29%. The maximum duration was recorded at the end of January 2017.

In 2017, the portfolio duration records an increase from November. This is explained by a new investment in a security issued by the securities company.

Evolution of the Modified Duration of the Invested Portfolio

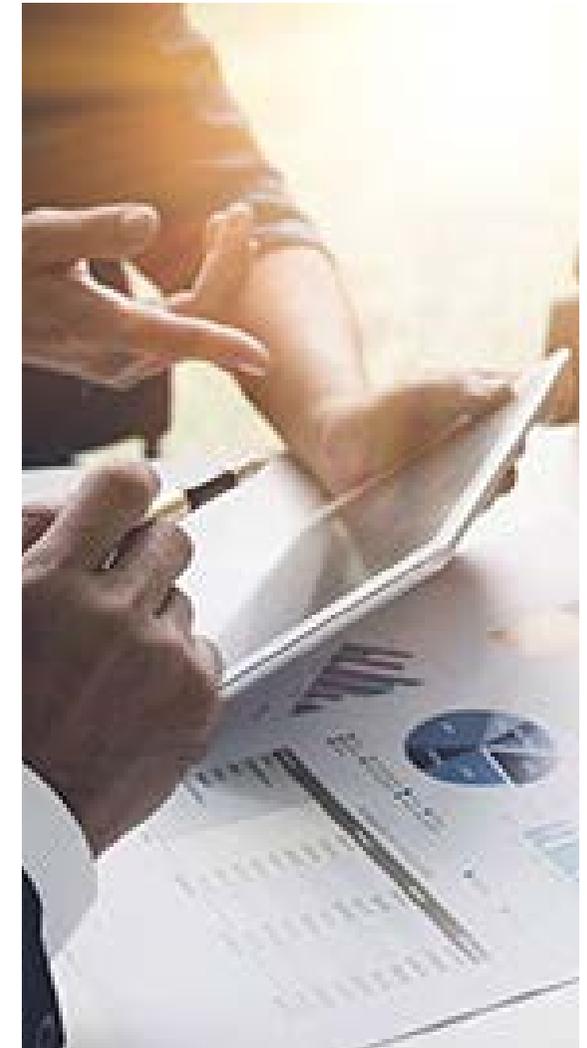


The Exchange integrally manages the risks to which the portfolio is exposed through the generation of internal reports with different frequencies. Additionally,

the Administration and Finance Committee regularly reviews the guidelines for portfolio management.

CREDIT RISK

The Exchange is exposed to credit risk, understood as the possibility that the entity will incur financial losses and the value of its assets will decrease as a result of a debtor, issuer or counterparty not meeting its contractual obligations. Its effect is measured by the



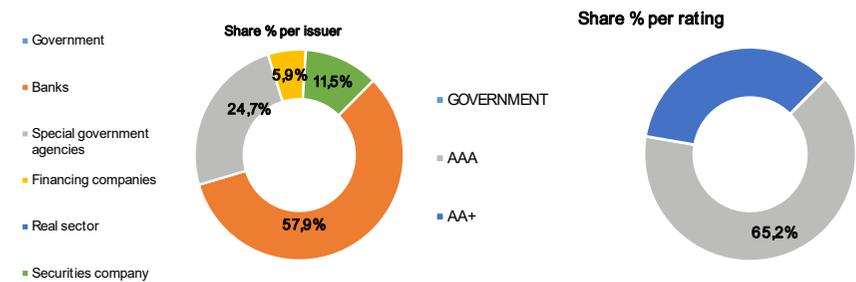
cost of recovery of cash flows if the other party fails to meet its obligations. Credit risk may also lead to losses when the issuers' rating is downgraded by the risk rating agencies, thus generating a decline in the securities' market value.



Credit Risk of the Investment Portfolio

The portfolio's credit risk is managed by setting counterparty and issuer quotas individually and by economic group as a control measure on the concentration of the portfolio that fosters its diversification. Additionally, with the aim to maintain high quality assets in the investment portfolio, the treasury may only make transactions on assets with a minimum rating of A+, a policy which is equally aimed at minimizing credit risk through very strong counterparties. The composition of the portfolio by rating and by type of issuer is shown below:

Portfolio Distribution:



In the worst case scenario, the credit risk would materialize with the complete failure to fulfill the expected cash flows from the issuers in which the portfolio is invested.

The exposure by each issuer, as well as its rating and the consumption of the approved quota thereof, are shown below:



Portfolio Exposure by Issuer

ISSUER	Rating	Consumed quota (%)	Market value (Billions of COP) 2017	Market value (Billions of COP) 2016	Share 2017 (%)	Share 2016 (%)
MINISTRY OF FINANCE AND PUBLIC CREDIT	COLOMBIAN GOVERNMENT	0,00%	--	1.514	0,00%	6,99%
LEASING BANCOLEX	AAA	12,71%	2.147	1.545	24,73%	7,14%
BANCO BBVA COLOMBIA	AAA	17,88%	1.014	1.509	11,68%	6,97%
TITULARIZADORA DE COLOMBIA	AAA	23,53%	996	--	11,48%	0,00%
BANCOLOMBIA	AAA	17,88%	994	1.944	11,45%	8,98%
G.M.A.C. COLOMBIA	AAA	2,59%	508	1.008	5,85%	4,66%
BANCO DAVIVIENDA	AAA	0,00%	--	2.022	0,00%	9,34%
Banco de Bogotá	AAA	0,00%	--	6.063	0,00%	28,01%
BANCO COLPATRIA RED MULTIBANCA	AAA	0,00%	--	1.505	0,00%	6,95%
BANCO AV VILLAS	AAA	0,00%	--	1.012	0,00%	4,68%
CORPORACION FINANCIERA COLOMBIANA	AAA	0,00%	--	1.007	0,00%	4,65%
BANCOLEX	AAA	0,00%	--	505	0,00%	2,33%
LEASING BANCOLOMBIA S.A.	AAA	0,00%	--	503	0,00%	2,32%
BANCO POPULAR	AAA	0,00%	--	500	0,00%	2,31%
BANCO CORPBANCA	AA+	12,71%	1.012	--	11,66%	0,00%
BANCO PICHINCHA	AA	12,71%	2.009	1.008	23,14%	4,65%
Total			8.679	21.645	100%	100%

* Quota consumed cut-off date (%): December 31, 2017

Credit Risk of Accounts Receivable

With the aim to mitigate the credit risk that debtors could generate, **bvc** has policies and procedures that contain the items considered by the Company to maintain a healthy portfolio according to its operation, with respect to the revenue generated from the different services **bvc** provides to its clients.

Likewise, at December 31, 2017 and 2016, through the Portfolio Committee, the Company analyzed and reviewed the overdue accounts receivable, which allows it to make optimistic decisions for collection or impairment according to the approved policies (see Note 31.2 - subsection e).

To see the information related to the client portfolio, consult the *Trade Debtors and Other Accounts Receivable* note, taking into account that the value of the accounts receivable is the amount that best represents these assets' maximum level of credit risk exposure.

LIQUIDITY RISK
Liquidity Risk of the Investment Portfolio

The liquidity risk is the contingency of not being able to fully, promptly and efficiently meet the expected and unexpected, current and future cash flows, without

affecting the course of daily operations or financial conditions of the Exchange. This contingency (funding liquidity risk) is expressed in the insufficiency of liquid assets available and/or the need to assume unusual funding costs. In turn, the Exchange's capacity to generate or dissolve financial positions at market prices is limited, even if this is because there is not adequate depth of the market or because drastic changes in the rates and prices occur (market liquidity risk).

Management of liquid assets is based on maintaining an adequate balance between the Company's assets and liabilities in order to have the required cash flows

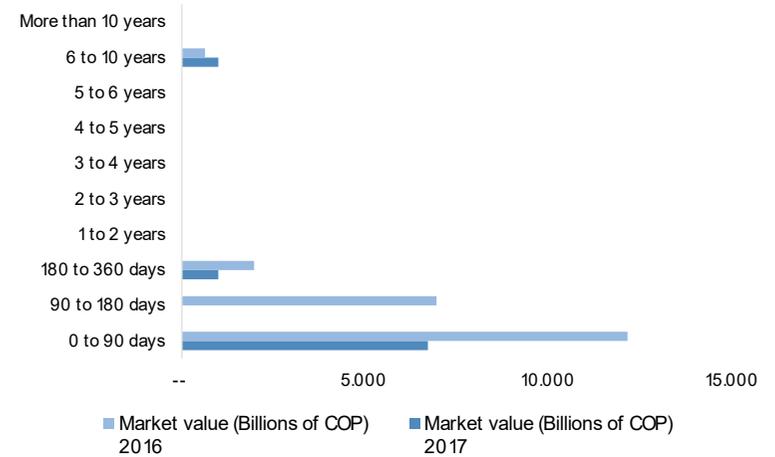
to meet the acquired contractual obligations. Some of the most representative liquidity requirements correspond to the tax liabilities, dividend payout and cash flow requirements of the projects, which are duly incorporated into the forecast cash flow and budget, and are a parameter to establish the investment strategy in the short and medium term.

Regarding liquidity, the Exchange's portfolio tends to maintain assets of high liquidity and easy realization, mitigating significant impacts on the return of the portfolio in case of exceptional needs for resources. In 2017, the resources obtained from the liquidation of the TES COP were reinvested in certificates of deposit (CD) with terms that corresponded to the forecast cash flows. The maturity profile is as follows:

Portfolio Maturity Profile

TERM	Market value (Billions of COP) 2017	Share %	Market value (Billions of COP) 2016	Share %
0 to 90 days	6.689	77,1%	12.119	56,0%
90 to 180 days	--	0,0%	6.928	32,0%
180 to 360 days	994	11,4%	1.967	9,1%
1 to 2 years	--	0,0%	--	0,0%
2 to 3 years	--	0,0%	--	0,0%
3 to 4 years	--	0,0%	--	0,0%
4 to 5 years	--	0,0%	--	0,0%
5 to 6 years	--	0,0%	--	0,0%
6 to 10 years	996	11,5%	631	2,9%
More than 10 years	--	0,0%	--	0,0%
TOTAL	8.679	100%	21.645	100%

* Cut-off date: Dec. 31, 2017 * Cut-off date: Dec. 31, 2016



The fact that the Exchange's portfolio is comprised of several issuers and numerous securities facilitates its management and possible partial liquidation in the event that there is an extraordinary need for liquidity.

2.2.2. deceval Investment Portfolio

The portfolio at the end of December had a value of COP 27,264 million, with a 9% decrease from the balance of the previous year.

Its figures are provided below:

Composition of deceval Portfolio

TYPE OF ASSET	Market Value (COP MM) 2017	Share Interest %	Market Value (COP MM) 2016	Share Interest %
Private debt	27.264	99,8%	29.809	99,6%
Securitization	45	0,2%	117	0,4%
CDT	27.219	99,8%	29.306	98,3%
Bonds	--	0,0%	502	1,7%
Total	27.264	100%	29.926	100%

* Cut- off date: Dec 31, 2017 * Cut- off date: Dec 31, 2016



This portfolio is focused on the short term, which reduces its sensitivity to changes in the interest rates. At the close of December 2017, the year's Macaulay and modified durations were 0.40 and 0.38, respectively. These durations decreased from the close of 2016 when they were 0.64 and 0.59, respectively.

Using the modified duration, the possible loss in the event of an increase of 100 basis points in the interest rates is estimated, taking the invested portfolio value at the close of December:

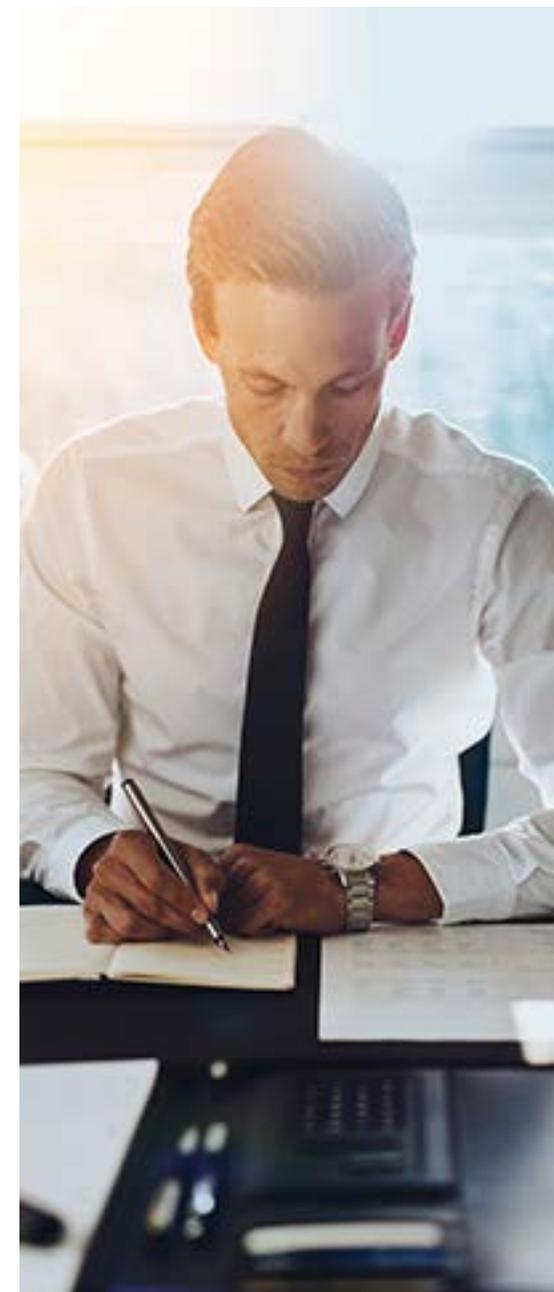
Estimated Loss from an Increase of 100 Basis Points in the Interest Rate by Type of Asset:

ASSETS	Market Value (COP MM) 2016	Share %	Modified Duration 2016	Modified Duration 2017	Estimated Loss (COP MM) 2016	Estimated Loss (COP MM) 2017
Securitization	1.504	5,5%	0,79	0,22	0,92	3,25
CDs	25.760	94,5%	0,60	0,39	175,14	99,86
Bonds	--	--	0,12	--	0,62	--
TOTAL	27.264	100,0%	0,59	0,38	176,68	103,11

The portfolio at December 2017 is 99.8% comprised of CD securities, mainly issued by credit establishments. The details of the portfolio by type of issuer are provided below with the respective ratings.

Portfolio Details by Issuer

Issuer	LP Rating	Market Value (COP MM) 2017	Share %
BANCO POPULAR	AAA	4.603	16,9%
BANCOLOMBIA S.A.	AAA	4.526	16,6%
FINDETER	AAA	3.508	12,9%
ITAU CORPBANCA COLOMBIA S.A.	AA+	3.446	12,6%
BANCO BBVA	AAA	3.024	11,1%
TUYA S.A. CFC	AAA	2.954	10,8%
BANCO DAVIVIENDA	AAA	2.017	7,4%
LEASING BANCOLDEX	AAA	1.515	5,6%
BANCO AV VILLAS	AAA	1.013	3,7%
CITIBANK COLOMBIA	AAA	612	2,2%
TITULARIZADORA DE COLOMBIA S A	AAA	45	0,2%
TOTAL		27.264	100,0%



Issuer	LP Rating	Market Value (COP MM) 2016	Share %
BANCO DE OCCIDENTE	AAA	4.520	15,1%
FINDETER	AAA	3.526	11,8%
TUYA S.A. CFC	AAA	3.089	10,3%
BANCO BBVA	AAA	3.030	10,1%
BANCOLOMBIA S.A.	AAA	2.528	8,4%
ITAU CORPBANCA COLOMBIA SA	AA+	2.525	8,4%
G.M.A.C. CFC	AA+	2.371	7,9%
BANCO PICHINCHA S.A.	AA+	2.313	7,7%
BANCO COLPATRIA S.A.	AAA	1.537	5,1%
BANCO GNB SUDAMERIS S.A.	AAA	1.520	5,1%
LEASING CORFICOLOMBIANA S.A.	AAA	1.312	4,4%
LEASING BANCOLDEX	AAA	1.035	3,5%
BANCO POPULAR	AAA	502	1,7%
TITULARIZADORA DE COLOMBIA S A	AAA	117	0,4%
TOTAL		29.926	100,0%

Finally, the portfolio maturity profile is presented below. It is observed that at the end of 2017 approximately 50% is concentrated in instruments with a maturity period of less than one year.

deceval Portfolio Maturity Profile

TERM	Market Value (COP MM) 2017	Share %	Market Value (COP MM) 2016	Share %
0 to 360 days	13.107	48,1%	11.998	40,1%
1 to 3 years	12.107	44,4%	17.811	59,5%
3 to 6 years	2.005	7,4%	--	0,0%
More than de 6 years	45	0,2%	117	0,4%
TOTAL	27.264	100%	29.926	100%

* Cut- off date: Dec 31, 2017 * Cut- off date: Dec 31, 2016

2.2.3. Affiliates and Subsidiaries

During their normal course of business, the affiliates and/or subsidiaries make specific transactions that are not within the investment portfolio system described above.

In previous years, SET-ICAP FX and Sophos made specific transactions that included the formation of a CD, as well as the trading of two sales commitments in U.S. dollars, respectively. Both transactions expired during 2017 and were not renewed.

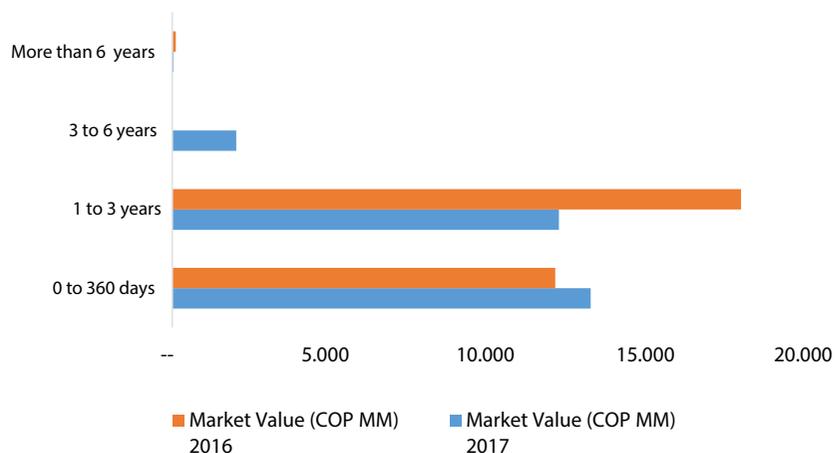
At the close of December 2017, **deceval** had a portfolio with a value of COP 27,264 million, decreasing 9% from the balance of the previous year. The figures of the respective portfolio are provided below:

Composition of deceval Portfolio

TERM	Market Value (COP MM) 2017	Share %	Market Value (COP MM) 2016	Share %
Securitization	45	0,2%	117	0,4%
Private Debt	27.219	99,8%	29.809	99,6%
CDs	27.219	100,0%	29.306	98,3%
Bonds	--	0,0%	502	1,7%
TOTAL	27.264	100%	29.926	100%

* Fecha de corte: 31 dic 2017 * Fecha de corte: 31 dic 2016





3. Business Combinations – Acquisition of Subsidiaries

3.1. Acquisition of Deceval S.A.

On December 14, 2017, Bolsa de Valores de Colombia S.A. acquired 71.73% of the share in Deceval S.A., increasing the share that it had in 2016 of 22.98%. The transfer of 5.29% for the first months of 2018 is pending.

The transaction was executed as a result of the formal acceptance of the Share Subscription Framework Agreement by all of the shareholders of Depósito Centralizado de Valores S.A. – Deceval S.A. This document regulates the transaction of the corporate integration that was completed between **deceval** and Bolsa de Valores de Colombia.

This acceptance occurred after the Financial Superintendence of Colombia, through Resolution 0785 / June 1, 2017, approved the regulation of share issuance and placement.

With the acceptance of the Subscription Framework Agreement, the full participation of all the shareholders in the corporate integration process carried out by Bolsa de

Valores de Colombia and **deceval** was guaranteed. This gave the Exchange the power to make a private offering of shares to the **deceval** shareholders, who accepted the Subscription Framework Agreement.

On December 5, 2017, the Financial Superintendence of Colombia issued an authorization through Official Memorandum 2017096459-027 to acquire up to 371,274 shares in Depósito Centralizado de Valores Colombia, Deceval S.A., which authorized us to be the beneficial owner of up to 100% of **deceval**'s share capital. This meant the closing date of the corporate integration between Bolsa de Valores de Colombia and Depósito Centralizado de Valores de Colombia, Deceval S.A. could be established for Thursday, December 14, 2017

The following steps were taken to execute and close the transaction:

1. The issuance of 12,437,679,000 **bvc** shares for the exchange of shares held by the **deceval** shareholders.
2. The offering of shares to be subscribed is not subject to pre-emptive rights and the shares were offered exclusively to **deceval** shareholders who signed the Subscription Framework Agreement.
3. The issued shares were listed on the National Securities and Issuers Register (RNVE, for the Spanish original) and on the Colombian Securities Exchange.
4. The subscription of the shares that **bvc** issued is exchanged for **deceval** shares at a ratio of 33,500 **bvc** shares for each **deceval** share. The price for each share to be issued by **bvc** was the average closing price of the **bvc** share in the ninety (90) calendar days prior to the closing date. For the purposes of this transaction, this was the fifth business day after the preceding conditions established in the Subscription Framework Agreement were met, and the share price was established at COP 25.12.



5. The note regarding the new shareholders in **bvc**'s books and **bvc**'s ownership of **deceval** was made on December 14 and December 28, 2017.

6. The control of **bvc** over **deceval** and the Business Group status were registered in the commercial registry in the Bogotá Chamber of Commerce on January 9, 2018, having been configured on December 14, 2017

From December 14, Bolsa de Valores de Colombia S.A. and Depósito Centralizado de Valores de Colombia, Deceval S.A. are a single organization after the successful completion of the transaction and the exchange of shares. As a result of the integration, **deceval** is now the main subsidiary of Grupo Bolsa de Valores de Colombia S.A., and it will be responsible for comprehensively managing the capital market's post-trading solutions.

Now, as a single company, they will optimize, transform and develop the Colombian capital market with a single client focused strategic vision in the framework of global competitiveness to become the main partner of all its participants.

Therefore, **bvc** will focus its efforts on products and services that add to the funding options for small, medium and large companies, and it will generate new investment opportunities for everyone and a permanent value proposal for the financial and securities industry..

The integration allows the shareholders to participate in the significant creation of value with the combined synergies in costs and revenue. The estimated synergies in costs will be achieved in 2019 once the restructuring expenses have been executed. These synergies were initially calculated at between approximately COP 7,000 million and COP 8,000 million, equivalent to 8% and 9% of the consolidated operating expenses of the two companies in 2017. From 2018, the Exchange will transfer 35% of the profits from the synergies to the market participants, mainly in its transaction services.

The greater financial solidity and scale that **bvc** now achieves gives the capital market confidence to revitalize the growth that the Colombian economy needs, channeling investments in productive projects available to all.

The effects of the integration with **deceval** on the 2017 **bvc** Separate Financial Statements are as follows:

a) Consideration Transferred (IFRS 3. B64 (f, i), IAS 7. 40(a))

The consideration transferred is based on the exchange of shares that the Exchange issued for shares in **deceval** at an exchange ratio of 33,500 **bvc** shares for each **deceval** share. The following value was established on December 14, 2017, the date on which the transaction was made.

Figures in thousands of Colombian pesos

TYPE OF ASSET	Value
Previously acquired share (1)	93.205.157
Interest to acquire (2)	21.429.793
bvc share value (3)	290.990.884
Total consideration transferred	405.625.834

(1) Previously Acquired Share

In accordance with paragraph 32b of IAS 28, the fair value is established of the investment recorded in the separate financial statements on the transaction date. This means that the value of **bvc**'s previous share in **deceval**, which was 22.98%, amounted to COP 16,610 million, which is updated to the fair value on the day of the transaction, which was COP 93,205 million. This generated a difference of COP 76,583 million, which was recognized as a profit from said update of the fair value and it is reflected in the Comprehensive Income Statement as extraordinary revenue for **bvc** (see Note 33.14.3).



BVC'S INVESTMENT IN DECEVAL	
Initial cost	15.684.483
Accumulated profit from equity method at 2016 - Income	28.474.941
Accumulated profit from equity method at 2016 - Other comprehensive income	746.934
(-) Accumulated dividend at 2016	(27.993.659)
Total 2016	16.912.699
Accumulated profit from equity method at November 2017 - Income	5.221.646
Accumulated profit from equity method at November 2017 - Other comprehensive income	34.804
(-) Dividend received in 2017	(5.546.898)
Total November 2017	16.622.251
Fair value adjustment - Investment in acquisition	76.582.906
Previously acquired share	93.205.157

(2) Interest to Acquire

At the close of 2017, the transfer of 5.29% for the first months of 2018 by Bancolombia was pending, with which **bvc's** 100% shareholding is reached. This percentage at the fair value of the transaction amounts to COP 21,429,793.

(3) **bvc** Share Value

Bolsa de Valores de Colombia S.A. transferred 11,584,032,000 **bvc** shares to the shareholders of DECEVAL S.A. in exchange for **deceval** shares at the ratio of 33,500 **bvc** shares for every **deceval** share, with a price per share of COP 25.12, equivalent to COP 290,990,884.

The effects of the exchange transaction with the transfer of **bvc** equity and the value of the direct

investment in **deceval** through the acquisition are shown below:

TRANSACTIONS IN ACQUISITION ENTRY		
	Debit	Credit
Investment in subsidiaries - deceval	290.990.884	
Exchange capital		11.584.032
Premium in stock placement		279.406.852
	290.990.884	290.990.884

b) Identifiable Assets Acquired and Identifiable Liabilities Assumed (IFRS 3. B64 (h, i), IAS 7.40 (c))

A summary is provide below of the fair value of the net assets acquired at the date of the business combination, which correspond to provisional assets that may be adjusted during the period of assessment according to IFRS 3, paragraph 45 onward.

The company's assets at the time of acquisition were as follows:

Figures in thousands of Colombian pesos

DECEVAL S.A.	FAIR VALUES AT NOVEMBER 2017
Cash and cash equivalents	15.459.795
Investments	37.538.982
Accounts receivable	9.429.110
Current tax assets	9.565.981
Other non-financial assets	1.817.733
Property, plant and equipment	28.456.473
Intangible assets	3.478.666
Tangible liabilities	(27.662.790)
Total net assets acquired	78.083.950
Identified intangible assets acquired (1)	237.800.000
Deferred tax PPA	(80.294.745)
Total identified assets acquired	235.589.205

c) Goodwill (IFRS 3. B64 (e, k, o ii, p i ii))

Goodwill is the value calculated by the residual method after adjusting the assets and liabilities to fair value, recognizing the intangible assets and interest to acquire, and measuring the consideration (payment) transferred at fair value.

Figures in thousands of Colombian pesos

DECEVAL S.A.	VALUE
Consideration transferred	405.625.834
Interest to acquire	(21.429.793)
Non-controlling interest	3.827.271
Fair value of the net assets acquired	(235.589.205)
Goodwill	152.434.107

d) Acquisition Related Costs

In the acquisition of **deceval**, costs were incurred related to valuation processes, due diligence costs, legal fees and calculation of the purchase price allocation (PPA), which were recorded in expenses of the period in accordance with IFRS 3, paragraph 53, and IFRS 3, B64.

In accordance with IAS 32, paragraphs 35 and 37, the costs can be directly related or attributable to the share issuance, and they are accounted or recorded as a deduction from equity, net of any related tax incentive. The established costs that are applicable in this reclassification, as well as the aforementioned, include the related costs for determining the exchange ratio of the trade in order to establish the shares to issue. In



2017, due to the aforementioned expenses, we made a reclassification, reducing the value of the premium in share placement by COP 2,105,497, net of taxes.

e) Valuation of Tangible Assets, Intangible Assets and Liabilities Assumed

Adjustments at fair value have been made to the assets acquired and liabilities assumed pursuant to IFRS 3. From the adjustments made, the identifiable intangible assets and estimated goodwill, we established a value of net assets at fair value of the transaction's consideration transferred.

To establish the value of the net identifiable assets at fair value generated by the acquisition of **deceval**, it was necessary to make a purchase price allocation (PPA) in order to establish the fair value of the net assets to include, as well as the identifiable intangible assets and the consideration transferred generated in the acquisition.



Figures in thousands of Colombian pesos

DECEVAL S.A.	VALUE
Cash and cash equivalents	15.459.795
Investments	37.538.982
Accounts receivable and others	9.429.110
Current tax assets	9.565.981
Other non-financial assets	1.817.733
Property, plant and equipment	28.456.473
Intangible assets	3.478.666
Identified intangible assets acquired (1)	237.800.000
ACCOUNTS PAYABLE	(4.726.442)
Current taxes	(15.576.077)
Labor obligations	(2.255.718)
Deferred revenue	(81.018)
Current deferred tax	(5.000)
Non-current deferred tax	(5.018.535)
Deferred tax PPA	(80.294.745)
Goodwill	152.434.107
Total net identifiable assets acquired	388.023.312
Non-controlling interest	(3.827.271)
Previously acquired share	(93.205.157)
Consideration at the time of acquisition	290.990.884

(1) The following fair values have been provisionally established, and the methodology to establish them was as indicated below:

The fair value of the intangible assets for a total of COP 237,800,000 was distributed in the following intangible assets:

- a. Certificate of authorization of registration in the National Registry of securities Brokers. In accordance with Resolution 702 /June 4, 1993, the Superintendence of Securities (currently, the Financial Superintendence of Colombia), as

control and oversight body of central securities depositories, issued the certificate of authorization for the development of the activities of its corporate purpose and registration of **deceval** in the National Registry of Securities Brokers.

According to the information provided by **deceval**, the monopoly situation that **deceval** has in the market, is not due to regulation or law. In fact, in Colombia, there can be several central depositories. However, (i) the high entry barriers, given the reduce size of the market; (ii) the amount of investment required to start to compete on the market; (iii) the highly competitive rates that **deceval** manages; and (iv) the international trends of the market that generally there is a single securities depository in a market of a similar size generate a very low probability of competition in the market in which **deceval** operates.

In accordance with the above, the certificate of authorization was identified in the National Registry of Securities Brokers as an intangible asset as it represents an economic benefit for a market participant within the operation of a monopoly.

To estimate the fair value of the certificate of authorization, it was decided to use the multi-period excess earnings method (MPEEM). The MPEEM is used to estimate the value of the intangible assets



based on the principle that the value of an intangible asset is equal to the present value of the incremental cash flows after attributable taxes only to the intangible asset under valuation. The net cash flow attributable to the intangible asset is calculated based on a budget of its cash inflows and outflows less charges for assets that contribute to the economic return and monetary assets, tangible assets and other intangible assets necessary for the cash flow to occur.

The charges for assets that contribute may refer to “capital charges” or “economic income”.

Under this method, the value is estimated by discounting the “excess returns” as well as any tax benefit at present value related to the asset.

Applying the excess return method, an indicated value of the certificate of authorization is estimated at COP 174,500 million.

b. Trademark

As a result of the transaction between **bvc** and **deceval**, **bvc** acquired the rights to the **deceval** trademark. This trademark is important as it generates economic benefits and it is a renowned trademark in the industry. Additionally, **bvc** established that this trademark is an identifiable intangible asset that has a separate value from the tangible assets as well as goodwill.

To estimate the fair value of the identified trademark, it was decided to use the relief-from-royalty method. The relief-from-royalty method is used to estimate the value of an intangible asset based on the principle that ownership of the intangible asset relieves the owner of the need to pay royalties to another party in exchange for the rights to use the asset.

Under this method, the value of the intangible asset is equal to the present value of the savings in costs for the owner of the intangible asset as a result of not having to pay royalties to the other party.

These cost savings are calculated based on the hypothetical royalty that a licensee would have to pay in exchange for use of the assets, decreased by the tax savings for the licensee in the royalty payments.

Applying the relief-from-royalty method, an indicated value of the **deceval** trademark was estimated at COP 50,700 million.

c. The reproduction cost or replacement cost was applied to the fair value of the SIIDJ software intangible asset of COP 2,600,000 and the database intangible asset of COP 10,000,000.

d. The value of goodwill is calculated as the excess of the value paid for the net assets acquired from **deceval**, considering the price paid for the company.

Within the net values acquired, a debt was assumed with the previous partners of **deceval** for interest to acquire, which is equivalent to 5.29%. It was agreed in the purchase agreement that these values would be paid with the issuance of **bvc** shares.

According to IFRS 3 pp. 45-46, it is permitted that during the period of assessment, which must not exceed one year from the acquisition date or it must be concluded that no more information can be obtained on the events and circumstances that existed on the acquisition date, the acquirer may adjust the provisional entries recognized in a business combination. The above is due to the fact that after the acquisition date, the acquirer may obtain additional information that causes a variation in the initially considered provisional fair value. Any variation in the provisional values during this period will mean an increase or decrease in the goodwill.



4. Creation of Subsidiaries

Bolsa de Valores de Colombia S.A. created three new companies owning 100% of them as investment vehicles, through which it exchanged the shares issued by these companies for 5% of the shares that **bvc** held in **deceval**.

The shares in said companies and their equity composition at the close of 2017 are listed below:

COMPANY	SHARE VALUE	AUTHORIZED CAPITAL	# SHARES	SUBSCRIBED AND PAID-IN CAPITAL IN EACH COMPANY	PREMIUM IN STOCK PLACEMENT
bvc PLUS S.A.S.	10.000	2.000.000	200	1.000.000	83.150.378
bvc PRO S.A.S.	10.000	2.000.000	200	1.000.000	83.150.378
INVERBVC S.A.S.	10.000	2.000.000	200	1.000.000	83.150.378

5. Cash and Cash Equivalents

At December 31, 2017 and 2016, the account's balance is broken down as follows:

CONCEPT	2.017	2.016
Local currency banks	17.648.252	18.877.035
Foreign currency banks	6.799.155	8.412.366
Ordinary common funds (1)	3.259.657	643.907
General cash in foreign currency	33.594	37.034
Petty cash	17.621	5.370
Remittances in transit (USD)	0	344.931
Cash equivalent (2)	2.008.560	5.047.600
Total	29.766.839	33.368.243

At December 31, 2017 and 2016, there were no restrictions on the balances of cash and cash equivalents.

1. The ordinary mutual funds correspond to the balances of Bolsa de Valores de Colombia of COP 126,760 and of **deceval** of COP 3,132,897, which are used to cover short-term commitments.

2. They are private debt securities (CD) with a maturity period of less than 90 days taken from the date of their formation in accordance with the policy of Bolsa de Valores de Colombia.

The balance in other currencies at the close of December 2017 and 2016 at a representative exchange rate of COP 2,984.00 and COP 3,000.71, respectively, is listed below:

CONCEPT	2017 USD	CLP	MXN	COP
Banco de Bogotá Miami	1.302	0	0	3.883.841
Call Money Miami	500	0	0	1.492.472
Helm Bank Panama Checking Account 9601	58	0	0	173.746
BBVA Bancomer Mexico Checking Account 1597	0	0	935	151.050
BBVA Bancomer Mexico Checking Account 1023	0	0	84	13.586
BBVA Bancomer Mexico Checking Account 9676 USD	214	0	0	683.643
Investment fund (Savings Fund)	0	0	60	9.714
BBVA Chile Checking Account 7111	0	53.062	0	246.261
Banistmo Panama Checking Account 6223	47	0	0	142.231
Banco De Bogota Miami Checking Account 76851	1	0	0	2.611
TOTAL	2.122	53.062	1.079	6.799.155

CONCEPT	2016 USD	CLP	MXN	COP
Banco de Bogotá Miami	618	0	0	1.855.235
Helm Bank Panama Checking Account	759	0	0	2.277.792
BBVA Bancomer Mx Checking Account 0199381597	0	0	411	59.937
BBVA Bancomer Mx Checking Account 0199381023	0	0	2.492	363.064
BBVA Bancomer Mx Checking Account USD 0100499676	463	0	0	1.389.970
BBVA Chile Checking Account	4	153.985	0	690.402
Banistmo Panama - Checking Account	591,849	0	0	1.775.966
Remittances in transit	115	0	0	344.931
TOTAL	2.551	153985	2903	8.757.297

The banks' credit rating is on page 25 in Note 2 - Management Control Systems, in Section 2.1.2 Securities Exchange Investment Portfolio, subtitle: Credit Risk of the Investment Portfolio.



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Appendix - Country code



5.1 Cash Flow Explanatory Notes

5.1.1 The purchases of property, plant and equipment line item of COP 3,015,663 for 2017 and of COP 2,146,781 for 2016 corresponds to the money effectively paid for the acquisition of these assets owned by the consolidated **bvc** Group.

5.1.2 The purchases of the intangible assets line item of COP 1,025,606 for 2017 and of COP 1,341,245 for 2016 corresponds to the money effectively paid for the acquisition of the intangible assets owned by the consolidated **bvc** Group.

5.1.3 We reclassified the interest of COP 123,667 presented in 2016 as interest received from financing activities to investment activities.

5.1.4 The following dividends were received in 2017 and 2016:

DIVIDENDS RECEIVED		
Entity	2017	2016
Camara de Compensacion de Divisas	523.378	356.837
Set icap FX S.A	3.140.718	0
Set - icap securities S.A	174.905	0
XM	4.771	5.256
deceval S.A.	5.546.898	4.541.840
Total	9.390.670	4.903.933

5.1.5 The other outflows from loss of control line item represents the withdrawal of the initial balance of SET-ICAP SECURITIES of COP 1,313,353 and SET-ICAP FX of COP 6,564,966, which was part of the consolidation of the cash flow at the start of the period.

5.1.6 Through the business combination made in December 2017 with Deceval S.A., COP 15,459,795 was acquired in cash.

5.1.7 The other cash inflows from investment activities line item referenced in the cash flow includes the maturity of capital and interest on the portfolio securities of COP 5,027,706 and the certificate of deposit (CD) with a maturity period of less than 90 days of COP 2,008,560.

5.1.8 In 2017, the first installment of the contingent consideration was paid, which amounted to COP 5,529,920 and was effective on March 29, with prior approval of the Board of Directors in fulfilment of the conditions regarding variations in the 2015 and 2016 EBITDA agreed in the contract.

6. Current Financial Assets

Bolsa de Valores de Colombia and its subsidiaries value the portfolios at prices listed on active markets, and carry out the valuation through a valuation provider, which accesses the information supplied by the price provider authorized by the Financial Superintendence of Colombia daily and on the closing dates, permitting the update of the investments of **bvc** and its subsidiaries to market prices or fair value.

The financial assets correspond to investments made at fair value with the trading business model.



6.1. Financial Assets Measured at Fair Value:

The consolidated tradable investments and derivatives contracts at December 31, 2017 and 2016, are listed below:

CONCEPT	2017	2016
Tradable investments in internal public debt securities	-	1.513.982
Tradable investments in private debt securities	26.361.688	16.083.646
Tradable investments in mortgage securities	1.041.540	-
Tradable investments in equity securities	2.002.362	1.859.047
Total tradable investments	29.405.590	19.456.675
Available-for-sale investments in private debt securities	6.531.985	-
Total available-for-sale investments	6.531.985	-
Forward contracts	-	3.293.460
Total	35.937.575	22.750.135
Less restricted short-term investments	993.696	925.980
Total	34.943.879	21.824.155

The recomposition of the investment portfolio of Bolsa de Valores de Colombia was completed in 2017, selling the Internal Public Debt Securities in real value units (UVR, for the Spanish original). With these funds, purchases of the same value were made in Private Debt Securities of the financial sector with terms of no more than 180 days. The above in compliance with the transitional system, which aims to meet the necessary liquidity requirements for the projects that **bvc** is carrying out.

1. A 64% increase is observed in tradable investments in private debt securities as a result of the business combination with **deceval** in December 2017, which increased the portfolio's total value. The private debt investments in 2017 include investment in a certificate of deposit equivalent to the amount received with a specific payment destination for the fair value of COP 993,686 for the business combination in the acquisition of Sophos Banking Solutions S.A.S., which corresponds to the value of assets due to the compensation received.
2. The investment in Fondo Inversor of COP 1,986,677, restricted value, not cash, and the investment in XM Cia de Expertos en Mercados of COP 15,685.

3. Investments of **deceval** classified as available for sale at December 31, 2017, which are 100% comprised of financial sector private debt securities (CD).

There were no restrictions in the portfolio of **bvc** and its subsidiaries, except for the value listed in Section 1), which corresponds to an investment with a specific destination as a result of the business combination with Sophos.

The structure of the tradable investments and derivatives contracts, including the restricted value of Point (1) at 2017 and 2016, is presented below:

COMPOSITION OF TRADABLE SECURITIES		
Type of security	2017	2016
CDs	25.349.548	14.061.696
Bonds	1.012.140	2.021.950
TIPS UVR	1.041.540	-
TES UVR	-	1.513.982
Total	27.403.228	17.597.628
Tradable investments in equity securities	2.002.362	1.859.047
Forward contracts	-	3.293.460
Total	29.405.590	22.750.135

COMPOSITION OF AVAILABLE-FOR-SALE SECURITIES		
Type of security	2017	2016
CDs	6.531.985	-
Total	6.531.985	-
Total	35.937.575	22.750.135

SHORT-TERM PORTFOLIO BREAKDOWN		
Type of security	2017	2016
CDs	17.769.769	14.061.696
Bonds	1.012.140	2.021.950
TIPS UVR	45.321	-
TES UVR	-	882.998
Forward contracts	-	3.293.460
Total	18.827.230	20.260.104

LONG-TERM PORTFOLIO BREAKDOWN

Type of security	2017	2016
CDs	14.111.764	-
TIPS UVR	996.219	-
TES UVR	-	630.984
Total	15.107.983	630.984
Tradable investments in equity securities	2.002.362	1.859.047
	17.110.345	2.490.031

As long-term tradable investments in equity securities in 2017, there are the COP 2,002,362 of Fondo Inversor and XM Cía. de Expertos en Mercados.

The credit ratings of the assets are AAA and AA+, based on the Credit Risk Management Policy, as indicated in Section 2.1.2 of the point on credit risk of the investment portfolio.

Below is the summary of the maturity of the tradable investments in debt securities at December 31, 2017:

Securities at December 2017	Maturity in 0-1 Year	Maturity in 1-3 Years	Maturity in 3-6 Years	Maturity in More than 6 Years	Total
CDs	17.769.769	12.106.584	2.005.180	-	31.881.533
Corporate Bonds	1.012.140	-	-	-	1.012.140
TIPS UVR	45.321	-	-	996.219	1.041.540
Tradable investments in equity securities	-	-	-	2.002.362	2.002.362
	18.827.230	12.106.584	2.005.180	2.998.581	35.937.575

Below is the summary of the tradable investments' maturity at December 31, 2016:

Securities at December 2016	Maturity in 0-1 Year	Maturity in 1-3 Years	Maturity in 3-6 Years	Maturity in More than 6 Years	Total
CDs	14.061.696	-	-	-	14.061.696
Corporate Bonds	2.021.950	-	-	-	2.021.950
TES UVR	882.998	-	630.984	-	1.513.982
Forward contracts	3.293.460	-	-	-	3.293.460
Tradable investments in equity securities	-	-	-	1.859.047	1.859.047
	20.260.104	-	630.984	1.859.047	22.750.135

6.2. Financial Assets Measured at Fair Value Hierarchy

The level of fair value hierarchy of the financial assets that **bvc** and its subsidiaries held at December 31, 2017, is listed below.

Description	2017	Prices listed on active markets Level 1	Other significant entry data Level 2	Non-observable significant entry data Level 3
Other securities or equity securities (a):				
Energy sector	15.685	-	-	15.685
Private equity funds	1.986.677	-	-	1.986.677
Total securities or equity securities	2.002.362	-	-	2.002.362
Debt securities:				
Securities guaranteed by entities of the financial sector	33.935.213	-	33.427.181	508.032
Total debt securities:	33.935.213	-	33.427.181	508.032
Total	35.937.575	-	33.427.181	2.510.394

The inputs are measured taking the following into account:

Level 1 Inputs

Level 1 inputs are quoted prices (non-adjusted prices) in active markets for identical assets or liabilities to the ones that the entity can access at the measurement date.

Level 2 Inputs

Level 2 inputs are different inputs to the quoted prices included in Level 1 that are observable for the assets or liabilities, either directly or indirectly. In 2017, **deceval** disclosed available-for-sale investments in this level, which consist of private debt securities.

Level 3 Inputs

Unobservable inputs are used to measure fair value when relevant observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date.



In 2017 and 2016, **bvc** and its subsidiaries disclosed the equity investments, which are measured at fair value using the equity method. See Note 10.

The investments in securities of the financial sector at Level 2 belong to active markets, but on December 31, 2017, no transactions were made on these securities. However, they were valued at prices published by the price provider. The same criterion applies for 2016 regarding the classification in Level 2. The valuation is made with the support of a price provider that is an expert in the valuation of investments, which uses the information of a price provider authorized by the Financial Superintendence.

The investment in the Private Equity Fund is represented by share units and they are valued monthly. However, the fund's investments are in companies that are at Level 3, as they are equity investments that do not have an active market and the inputs are unobservable.

The securities on the spot market correspond to papers that have no activity on the market for assets or liabilities at the measurement date and are classified at Level 3 because the inputs are unobservable for the asset or liability.

In 2017, there was a CD of the GM Financial Colombia issuer amounting to COP 508,032, which is classified in Level 3, because at December 30 and 31, said security did not belong to active markets, it was not valued at market prices and it was not published in the reports of the provider authorized by the Financial Superintendence of Colombia.

This is because within the security's features, its maturity date was December 29, 2017. However, as this was not a trading day, its maturity was postponed to the next business day. Due to the above, on December 29 and 30, it is transferred from Level 2 to Level 3. On December 30 and 31, it is classified in Level 3 and the recorded valuation was the result of calculating the security's present value, taking its purchase rate as a discount rate.

The level of fair value hierarchy of the securities and investments held by **bvc** at December 31, 2016, was as follows:

Description	2016	Prices listed on active markets Level 1	Other significant entry data Level 2	Non-observable significant entry data Level 3
Other securities or equity securities (a):				
Energy sector	15.685	-	-	15.685
Private equity funds	1.843.362	-	-	1.843.362
Total securities or equity securities	1.859.047	-	-	1.859.047
Debt securities:				
Securities guaranteed by entities of the financial sector	17.597.628	-	17.597.628	-
Total debt securities:	17.597.628	-	17.597.628	-
Forward contracts	3.293.460	-	3.293.460	-
Total forward contracts	3.293.460	-	3.293.460	-
Total	22.750.135	-	20.891.088	1.859.047

7. Accounts Receivable and Accounts Payable with Related Parties

These refer to any transfer of resources, services or obligations between related parties.

Transactions between related parties and **bvc** are those that meet the following conditions: (i) they are between entities of the same group - subsidiaries. (ii) they are with entities (associates or joint ventures) in which the reporting entity has a significant influence; and iii) they are with a key member of management of the reporting entity. Transactions with related parties are made at the fair value or market price at the time of the transaction.

At December 31, 2017 and 2016, the balances of transactions between companies or related parties amounted to the following:



Entity	Relationship	2017		2016	
		Accounts receivable	Accounts payable	Accounts receivable	Accounts payable
deceval	Subsidiary	0	0	87.511	0
Central Counterparty Risk Clearing House	Associate	100.629	0	85.971	0
Derivex S.A.	Joint Venture	1.106.058	2.409	973.045	0
Impairment of Derivex (1)	Joint Venture	(1.104.209)	0	0	0
Set Icap FX (2)	Joint Venture	3.076.738	14.417	976.331	0
Set-Icap Securities (2)	Joint Venture	123.611	0	0	0
Other (3)	Shareholders	0	5.448	0	5.317
		3.302.827	22.274	2.122.858	5.317

Accounts receivable of **bvc** with related parties and their terms at December 31, 2017 and 2016, are as follows:

Third party	2017 accounts receivable				
	Total	Not past due	Between 0 and 30 days	Between 31 and 60 days	Greater than 90 days
Central Counterparty Risk Clearing House	100.629	49.208	51.421	0	0
Derivex S.A.	1.106.058	1.106.058	0	0	0
Impairment of Derivex (1)	(1.104.209)	(1.104.209)	0	0	0
Set Icap FX (2)	3.076.738	2.941.452	135.286	0	0
Set-Icap Securities (2)	123.611	115.730	7.881	0	0
Total	3.202.198	3.059.031	143.167	0	0

The nature of the transactions is mainly for the provision of services, leases and loans

- 1) When analyzing the portfolio of Derivex S.A., we decided to carry out full impairment of the portfolio corresponding to the invoice balances and loans granted due to the postponement of the payment dates, which was supported by signing the payment agreement that starts in 2023. The aforementioned extension gives Derivex sufficient cash flow for its business continuity.

The accounts receivable of Derivex include a loan of COP 175,000 disbursed in 2016 and a loan of COP 160,000 disbursed in 2015, which were renewed with an interest rate of DTF 2.5% and a term to pay capital and interest starting in 2023.

Due to the above, the flows to **bvc** for the owed concepts do not comply with the recovery parameters in the initially established terms and it can

be established that there are impairment rates. Therefore, **bvc** makes the respective impairment

- 2) They are dividends receivable of 2017 that existed until the category of the investments was changed from subsidiaries to joint ventures. When carrying out the loss of control, the dividends from the 2017 transactions are recognized.
- 3) The "Other" concept corresponds to dividends of shareholders that have been paid by check and are pending the shareholders' withdrawal of them from the treasury, because they do not have an account to make the deposit.

Third party	Total	Not past due	2016 accounts receivable				
			Between 0 and 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 180 and 360 days
Central Counterparty Risk Clearing House	85.971	27.125	56.606	0	2.240	0	0
Derivex	973.045	30.240	2.449	11.925	74.553	198.497	655.381
deceval	87.511	87.511	0	0	0	0	0
SET-ICAP FX*	976.331	307.236	103.242	0	436.058	129.795	0
Total	2.122.858	452.112	162.297	11.925	512.851	328.292	655.381

* The transaction corresponds to a related party of SET-ICAP FX with ICAP Capital Market

Accounts payable of **bvc** with related parties and their terms for 2017 and 2016 are as follows:

Third party	Total	Not past due	2017 accounts payable				
			Between 0 and 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 180 and 360 days
Derivex S.A.	2.409	2.409	0	0	0	0	0
Set Icap FX (2)	14.417	7.208	7.208	0	0	0	0
Other*	5.448	131	0	0	0	0	5.317
Total	22.274	9.748	7.208	0	0	0	5.317

Third party	Total	Not past due	2016 accounts payable				
			Between 0 and 30 days	Between 31 and 60 days	Between 61 and 90 days	Between 91 and 180 days	Between 180 and 360 days
Other*	5.317	0	0	0	0	0	5.317
Total	5.317	0	0	0	0	0	5.317

* Dividends payable to partners.



Transactions with related parties and their effects on the income statement are presented below:

Company	Relationship	Transaction	2017	2016
			Effect on results (income) / expenses	Effect on results (income) / expenses
Central Counterparty Risk Clearing House	Associate	Administrative services	(97.859)	(186.117)
		IT services	(93.922)	0
		Lease of Alternate Operation Center (AOC)	0	(42.360)
FX Clearing House	Associate	Lease of Alternate Operation Center (AOC)	0	(18.590)
		In-person courses	0	0
		Information charges	(113.686)	0
Set-Icap FX S.A.	Joint venture	IT services	(97.827)	(97.827)
		Lease of Alternate Operation Center (AOC)	0	(12.000)
		Special communication services	75.216	75.216
		Mandate agreement	0	(1.957)
		Administrative services	(2.000)	(2.000)
Derivex S.A.	Joint venture	IT services	(40.004)	(105.092)
		Lease of Alternate Operation Center (AOC)	(5.280)	(11.622)
		Loan interest	(17.239)	(14.539)
		Administrative services	(38.622)	(51.033)
		Services on information supply and management	2.167	0
		System applications	536	297
		Legal services	(31.995)	(31.995)
Set-Icap Securities S.A.	Joint venture	Clearing and settlement service	(85.369)	(89.037)
		Variable custody charges	(428)	(203)
		Administrative services	0	(6.189)
		Information screens	(14.820)	(16.212)
deceval S.A.	Subsidiary	IT services	(45.811)	(57.571)
		Administrative services	(274.060)	0
		Securities custody	62.338	56.718
		Lease of buildings	117.732	11.234
		Lease of Alternate Operation Center (AOC)	0	(16.528)
		Alternate Operations Center	0	16.363
		Electrical installations	0	6.333
Infovalmer S.A.	Subsidiary	In-person courses	0	0
		Databases and reports	(185.196)	(175.260)
		IT services	(76.320)	(80.799)
		Lease of Alternate Operation Center (AOC)	0	(24.000)
		Administrative services	(172.123)	(90.986)
		Financial services	0	(90.000)
		IT consultancy	0	6.485
Sophos Banking Solutions S.A.S.	Subsidiary	Certificates	0	680
		Portfolio valuation	39.915	15.284
		IT consultancy	2.614.310	582.456
		IT consultancy estimation	21.981	144.171
		Lease of buildings	100	0
Total		Administrative services	(1.980)	(18.789)
		System applications	209.480	169.556
Total			1.749.234	(155.913)

Establishing bvc Key Personnel

The **bvc** Board of Directors is comprised as follows:

Name of Member	Status in Board of Directors
Rafael Aparicio Escallón	Chairman - Non-Independent Board member
Aura Marleny Arcila Giraldo	Non-Independent Board member
Juan Luis Franco Arroyave	Non-Independent Board member
Diego Jiménez Posada	Non-Independent Board member
Mauricio Rosillo Rojas	Non-Independent Board member
Germán Salazar Castro	Non-Independent Board member
Sergio Clavijo Vergara	Independent Board member
Name of Member	Status in Board of Directors
Julián Domínguez Rivera	Independent Board member
Carlos Eduardo Jaimés J.	Independent Board member
Javier Jaramillo Velásquez	Independent Board member
Roberto Junguito Bonnet	Independent Board member
Santiago Montenegro Trujillo	Independent Board member
Juan Camilo Vallejo Arango	Independent Board member

The fees paid to the Board members of **bvc** and its subsidiaries were COP 1,823,717 at December 31, 2017, and COP 1,852,371 in 2016.

The remuneration of the key management team (CEO, Chief Officers and Managers) of **bvc** and its subsidiaries charged to the income statement amounts to COP 8,154,432 and COP 6,262,298, respectively, for the periods ended on December 31, 2017, and to COP 7,381,433 and COP 2,772,327, respectively, at December 2016, for salaries, vacations, vacations taken and non-salary bonuses. Bolsa de Valores de Colombia and its subsidiaries have established an incentive plan for its executives for the achievement of personal targets that contribute to the companies' results. These incentives are structured in a minimum and maximum of gross remunerations, and are paid once a year.

8. Trade Debtors and Other Accounts Receivable

The account balances for trade debtors at December 31, 2017 and 2016, are broken down as follows:

Concept	2.017	2.016
Clients (1)	25.784.092	16.414.627
Securities exchange brokers (2)	1.375.325	2.220.814
Securities issuers (3)	1.204.448	1.089.337
Prepayments and advances (4)	104.849	386.471
Prepaid taxes	281.089	58.207
Accounts receivable from employees	283.874	379.209
Sundry debtors	381.210	147.469
Doubtful accounts receivable	561.747	331.041
Impairment of trade debtors and other accounts receivable (5)	(561.747)	(331.041)
Total	29.414.887	20.696.134

1) The client account is comprised of the affiliates connected to the electronic and trading systems for fixed income markets, and includes registration with confirmation, standardized derivatives and currency futures contracts of **bvc** for a value of COP 2,771,011, and those corresponding to services provided by the subsidiaries, which amount to COP 23,013,081. The change from 2016 is mainly due to the increase because of the new **deceval** subsidiary, which has a balance in clients of COP 10,233,492.

2) The brokerage firm account is comprised of members that, by regulation, have exclusive access to the equity market.

3) The securities issuers, listing and maintenance account corresponds to the balances of the market issuers registered with the Exchange.

4) The advance payments are comprised as follows:

Concept	2.017	2.016
To employees	0	15.627
To suppliers	104.849	370.421
Other	0	423
Total	104.849	386.471

5) The impairment and allowance for doubtful accounts were calculated based on **bvc's** internal policy, authorized in December 2014, applied under the IFRS, as described in Note 32.5.

The activity of the accounts receivable impairment value is presented below:

Concept	2.017	2.016
Initial balance	331.041	297.864
Impairment of initial balance (business combination) (1)	6.020	0
Impairment of the period (2)	253.596	165.542
Derecognition during the period	0	(38.100)
Recoveries (3)	(28.910)	(94.265)
Total	561.747	331.041

1) This value corresponds to the initial balance of the portfolio impairment presented in **deceval**, which was not included in the consolidation in 2016.

2) For Bolsa de Valores de Colombia, the Portfolio Committee established that the trade accounts receivable were subject to impairment. This analysis is based on the reports submitted by the Portfolio Department and on the monitoring of the proceedings carried by the Legal Department. The impairment is made on the non-chargeable, unrecoverable amounts according to objective evidence (clients in bankruptcy process, recurring clients in default and clients with a default of more than 360 days). An individual analysis of the portfolio is also carried out according to the companies' policies.

The increase in portfolio impairment is due to the individual application of the aforementioned to clients.

The details of the impairment in 2017 and 2016 corresponding to trade debtors are provided below:

Third party	2.017	2.016
Deutsche Börse (Germany)	44.760	0
Successful Implementations and Consulting SAS	43.451	9.984
J.P. Morgan Chase & Co	37.565	0
Data IFX S.A.S.	17.497	0
Fondo Ganadero del Tolima S.A.	14.935	13.746
Servitrust GNB Sudameris S.A.	14.363	0
BNP Paribas Securities Services Sociedad Fiduciaria S.A.	13.528	0
Fundacion Universitaria Los Libertadores	7.389	0
Ana Pérez Hernandez (1)	6.871	63.023
Administradora de Fondos de Pensiones y Cesantia Proteccion S.A.	6.641	0
Fondo Nacional del Ahorro	5.643	0
Capitalizadora Colmena S.A.	5.104	0
Banco W S.A.	5.104	0
Banco Cooperativo Coopcentral	4.721	0
Old Mutual Sociedad Fiduciaria S.A.	4.415	0
Banco Citibank Colombia S.A.	3.538	0
Banco Popular S.A	3.468	0
Compania de Profesionales de Bolsa S.A.	3.320	0
Edgeverve Systems Limited	2.802	772
Banco Davivienda S.A	916	0
Fiduciaria la Previsora S.A.	789	749
Fiduagraria S.A.	641	0
Fondo de Cesantias Porvenir	630	0
Fondo Voluntario de Pensiones Coleseguros	626	0
Caja Promotora de Vivienda Militar y de Policia	581	0
Fiduciaria de Occidente S.A.	580	0
Fiduciaria Colpatria S.A.	543	0
Itau Asset Management Colombia S.A	505	0
Banco Caja Social S.A.	466	0
GT Trading S.A.S.	423	0
Titularizadora Colombiana S.A. Hitos	284	0
Alianza Fiduciaria S.A.	249	0
Fondo Nacional de Garantias S.A.	227	49
Fiduciaria Central S.A.	223	0
Serfinco S.A. Comisionista de Bolsa	221	0
BBVA Asset Management S.A.	154	0
Caja de Compensacion Familiar Valle del Cauca	133	0
Cruz Blanca EPS	125	0
Mas Equity Fund III Colombia FCP	90	0
Credicorp Capital Colombia S.A.	74	0
Patrimonios Autonomos Fiduciaria Corficolombiana S.A.	41	0
Fondo de Capital Privado Mas Colombia Latam	34	0
Cafesalud EPS S.A.	31	0
Coop NaI Multiactiva Grupo Asociativo Coonaltragas	28	0
Jose Gerardo Carreño Rodriguez	22	0
Dto de Cundinamarca cont sh 018 2007 2da emision	15	0
Helm Fiduciaria S.A.	0	127
Fiduciaria Bogotá S.A.	0	75
Fiduciaria GNB S.A.	0	1.009
Citivalores S.A. Broker	0	115
Servivalores GNB Sudameris S.A. Broker	0	49
Banco GNB Colombia S.A.	0	821
Construcciones Civiles S.A.	0	13.804
Pasivos Pensionales Porvenir	0	1.856
JPMorgan Corporacion Financiera S.A.	0	150
María Mercedes Arango Uribe	0	780
Credicorp Capital Fiduciaria S.A.	0	7
ATH a Toda Hora S.A.	0	61
Banco de Occidente S.A.	0	17
Infosys Technologies Ltd	0	24.257
NCR Colombia Ltda	0	2.386
Sophos Technology Solutions INC	0	924
Sophos Technology Solutions S.A. de CV	0	317
Six Financial Information Ltd.	(23)	4.010
Exchange Data Intl.	(147)	26.454
Total	253.596	165.542



The negative values correspond to the exchange difference from the revaluation of the currency of the impairment of the accounts receivable in U.S. dollars from these clients, which are presented in local currency.

3) The recoveries of 2017 and 2016 were as follows:

Concept	2.017	2.016
Infosys Technologies Ltd	24.257	0
NCR Colombia Ltda	2.386	0
Acciones de Colombia S.A. Comisionista de Bolsa	948	0
Sophos Technology Solutions INC	924	0
Sophos Technology Solutions S.A. de CV	317	0
ATH a Toda Hora S.A.	61	0
Banco de Occidente S.A.	17	0
Fogansa	0	36.134
Fondo Ganadero de Cordoba	0	58.058
Exchange difference adjustment	0	73
Total	28.910	94.265

Derecognition occurs with the express authorization of the bvc Board of Directors and applies when the contractual benefits on the cash flows of the financial asset have expired, which is equivalent to the existing uncollectible accounts process on said asset.

In 2016, the accounts receivable of Fondo Ganadero de Córdoba were derecognized, a share issuer client, which entered into a mandatory bankruptcy process in 2014. In the claims process, **bvc** requests the recognition of COP 96,158. The draft distribution is presented, allocating COP 58,058 to **bvc** in Class 5 (11/9/2015). The **bvc** Board of Directors approved the write-off of COP 38,100 in December 2016.

Stratified Portfolio:

The portfolio is presented below by terms at December 2017 and 2016:

2017	Total	Not past due	Between 1-90 Days	Between 91-180 Days	Between 181-360 Days	More than 360 Days
Trade debtors	28.925.612	25.472.793	2.200.400	236.113	656.162	360.144
Other accounts receivable	1.051.022	454.627	370.885	20.834	64.857	139.819
Provisions - impairment	(561.747)	0	0	(3.442)	(158.077)	(400.228)
Total	29.414.887	25.927.420	2.571.285	253.505	562.942	99.735



2016	Total	Not past due	Between 1-90 Days	Between 91-180 Days	Between 181-360 Days	More than 360 Days
Trade debtors	20.055.819	14.916.265	2.653.405	332.983	1.857.565	295.601
Other accounts receivable	971.356	449.542	425.617	16.500	8.898	70.799
Provisions - impairment	(331.041)		(94.849)	(20.696)	(40.200)	(175.296)
Total	20.696.134	15.365.807	2.984.173	328.787	1.826.263	191.104

9. Non-current Non-financial Assets

At December 31, 2017 and 2016, the account balances break down as follows:

Concept	2.017	2.016
Services - software maintenance (1)	2.145.483	2.056.540
Guarantees and deposits (2)	621.839	444.568
Stock rights in social clubs	353.000	100.000
Pieces of art	14.816	14.816
Subscriptions, memberships and contributions	53.405	0
Other assets (3)	610.104	466.272
Total	3.798.647	3.082.196

(1) Services mainly correspond to software maintenance contracts and software licenses. These contracts have future terms which have been paid in advance and are due to expire the following year.

(2) The insurance policies taken out in October 2016 have a term of 18 months.

(3) Other assets include COP 204,200 in the Exchange as a result of the business combination as part of the assets for compensation on the acquisition of Sophos and that correspond to the guarantees receivable for the future payment of contingent liabilities of said transaction.

10. Investments Held under Equity Method

10.1. Investments in Associates and Joint Ventures

The investment of **bvc** in associates and joint ventures at December 31, 2017 and 2016, and their respective balances are as follows:

CONCEPT	2017	2016
deceval S.A. (1)	0	18.801.770
Central Counterparty Risk Clearing House	32.473.680	16.933.250
FX Clearing House	2.311.110	2.178.860
Derivex S.A.	100.907	296.914
Set Icap FX S.A. (1)	654.604	0
Set Icap Securities (1)	970.619	0
TOTAL	36.510.920	38.210.794

The Company carries out a standardization process with its associates and joint ventures regarding the policies used in similar transactions and those with similar characteristics. The adjustments of the conversion from Colombian principles to IFRS include the individual financial statements of the associates or joint ventures, when required, and the necessary reclassifications are applied to standardize the accounting policies and valuation criteria applied by the Exchange to later apply the equity method with the standardized criteria in its policies.

The equity method applied for 2017 and 2016 is listed below:

COMPANY	INVESTMENT VALUE 2016	ADDITIONS	EQUITY METHOD IN RESULTS FOR THE PERIOD	EQUITY METHOD IN OTHER COMPREHENSIVE INCOME	DIVIDENDS	CHANGE IN INVESTMENT CATEGORY	INVESTMENT VALUE 2017
deceval	18.801.770	0	5.221.646	34.804 (5.546.898)	(18.511.322)	0	
Central Counterparty Risk Clearing House	16.933.250	14.102.120	1.650.556	(212.246)	0	0	32.473.680
FX Clearing House	2.178.860	0	655.628	0 (523.378)	0	0	2.311.110
Derivex S.A.	296.914	149.850	(345.857)	0	0	0	100.907
Set Icap FX S.A. (1)	0	371.095	283.509	0	0	0	654.604
Set Icap Securities (1)	0	982.137	(11.518)	0	0	0	970.619
	38.210.794	15.605.202	7.453.964	(177.442) (6.070.276)	(18.511.322)		36.510.920



The attributable cost at 2017 presents an increase from the balance presented in 2016, due to the fact that when acquiring **deceval**, this company had a share in Cámara de Riesgo Central de Contraparte, and this led to an increase of COP 13,989,767 in the value of the investment. Additionally, Derivex has an increase due to the capitalization made of COP 149,850.

The investment of **bvc** in associates at December 31, 2016, is presented below:

COMPANY	INVESTMENT VALUE 2015	ADDITIONS	EQUITY METHOD IN RESULTS FOR THE PERIOD	EQUITY METHOD IN OTHER COMPREHENSIVE INCOME	DIVIDENDS	INVESTMENT VALUE 2016
deceval	16.634.297	0	5.547.353	1.161.960	(4.541.840)	18.801.770
Central Counterparty Risk Clearing House	11.680.663	3.747.425	1.291.337	213.825	0	16.933.250
FX Clearing House	1.566.839	260.813	708.072	(27)	(356.837)	2.178.860
Derivex S.A.	251.612	144.150	(98.848)	0	0	296.914
	30.133.411	4.152.388	7.447.914	1.375.758	(4.898.677)	38.210.794

The following table shows **bvc**'s share in its associates and joint ventures in the periods ended on December 31, 2017 and 2016:

COMPANY	2017		2016		SHARE CAPITAL 2017
	%	SHARES	%	SHARES	
deceval S.A.	0,00%	0	22,98%	110.763	12.050.925
Central Counterparty Risk Clearing House	47,28%	13.173.209.671	32,63%	13.173.209.671	40.366.665
FX Clearing House	30,79%	856.327.780	34,25%	856.327.780	2.781.465
Derivex S.A.	50%	301.698	50%	301.698	604.000
SET-ICAP FX S.A.	49,82%	548	0%	0	330.000
Set-Icap Securities	50%	428.500	0%	0	1.667.722

As an associate, **deceval** does not present investment securities, because it was purchased in 2017 and is controlled by **bvc**, and now it is reported as a subsidiary. The change that appears between 2016 and 2017 for SET-ICAP FX and SET-ICAP SECURITIES from a shareholding in 2016 to zero in 2017 is due to the loss of control of these companies as indicated in the note.



The financial and transaction information of associates and joint ventures is presented below:

2017					
COMPANY	SHARE %	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE PERIOD
Central Counterparty Risk Clearing House	47,28%	45.166.718.836	45.120.827.997	45.890.839	5.268.737
FX Clearing House	30,79%	8.387.803	1.180.323	7.207.480	2.129.564
Derivex S.A.	50%	2.178.750	1.550.467	628.283	(691.715)
SET-ICAP FX S.A.	49,82%	11.617.504	4.431.732	7.185.772	6.442.230
Set-Icap Securities	50%	2.608.584	200.330	2.408.254	182.308

2016					
COMPANY	SHARE %	ASSETS	LIABILITIES	SHAREHOLDERS' EQUITY	RESULTS FOR THE PERIOD
deceval S.A.	22,98%	104.093.940	22.963.797	81.130.143	24.139.920
Central Counterparty Risk Clearing House	32,63%	34.332.352.452	34.291.730.351	40.622.101	4.221.336
FX Clearing House	34,25%	7.585.817	1.311.356	6.274.460	2.167.529
Derivex S.A.	50%	2.442.309	1.422.161	1.020.148	(197.698)

The following is a summary of the associates and joint ventures at December 31, 2017:

CÁMARA DE RIESGO CENTRAL DE CONTRAPARTE S.A. (CRCC). Acting as a central counterparty of transactions, it clears and settles by reducing or eliminating the risks of non-compliance with obligations of all **bvc** standardized derivative transactions. In 2017 and 2016, **bvc** indirectly increased its shareholding from 32.63% to 47.28% through the acquisition of **deceval**.

CÁMARA DE COMPENSACIÓN DE DIVISAS S.A. (CCDC). It manages the foreign currency clearing and settlement systems for compliance with cash transactions between exchange market brokers, reducing the risks related to compliance of liquidity, market, operating and legal exchange transactions. In 2017 and 2016, **bvc** maintained its shareholding of 30.79%.

DERIVEX S.A. It was incorporated on June 2, 2010, through Public Deed No. 718 of the Sole Notary Public Office of Sabaneta, Antioquia, dated June 2, 2010, registered on June 10, 2010, with the Bogotá Chamber of Commerce. It manages the first standardized derivatives market of energy commodities in association with XM Compañía de Expertos en Mercados S.A. E.S.P. as a strategic partner. DERIVEX started operations in October 2010. Bolsa de Valores de Colombia has a 50% share, and it remained with a 49.95% direct share for 2017 and 2016, and an indirect share of 0.05% through Invesbolsa.

Based on independent analyses and support of Derivex's management, Derivex's Board of Directors has concluded that there are sufficient elements to consider that Derivex's business model continues to be viable. This position was confirmed with the verification of viability of the tax credit that Derivex has recorded in the financial statements since the conversion for the first time (Opening Statement of Financial Position) and which it still recorded at the end of 2016, according to the future business viability. The same applies for the close of 2017.

In 2016, **bvc** made a loan to Derivex of COP 175,000 paid out in 2016 with an interest rate of DTF +3.35% and a term of 18 months.

In 2015, **bvc** made a loan to Derivex of COP 160,000 paid out in 2015 with an interest rate of DTF +2.5% and a term of 18 months, which was renewed.

An extension agreement was signed with **bvc** in 2017 for the value of the trade debts and loans granted to start their payment from 2023.

To date, there is no certain evidence that this deal is not viable, however, due to the extensions granted, the return of cash flows to **bvc** is not permitted in the initially agreed terms, and in accordance with the IFRS, we proceed to carry out the impairment of the borrowings that **bvc** had with Derivex at the close of 2017.

SET ICAP FX S.A. It is the leader of the exchange market through the operation of 100% of the transaction market, registration and information of the spot market and foreign currency forwards, positioning itself as the model for the foreign currency market in Colombia.

Bolsa de Valores de Colombia holds 49.82% as a direct investment and 0.09% as an indirect investment through INVESBOLSA S.A.S., and another of 0.09%.

The SET-ICAP FX S.A. company was created through Public Deed No. 1140 of Notary Public Office 21 of the Bogotá Circle, dated March 29, 2012, registered in the Bogotá Chamber of Commerce on April 27, 2012, and started integrated operations from November 1, 2012.

SET ICAP SECURITIES S.A.

On March 16, 2015, Bolsa de Valores de Colombia S.A. acquired 50% of the shares in SET-ICAP SECURITIES, which will provide fixed-income and OTC derivative trading services with world-class market practices and will also allow it to access offshore flows interested in Colombian securities.

Bolsa de Valores de Colombia agreed to pay the selling shareholders a one-time payment of COP 982,137 on the date of the transaction.



10.2. Loss of Control

The loss of **bvc**'s control of the companies SET-ICAPFX S.A. and SET-ICAP SECURITIES S.A. was generated in December 2017, which involved no longer consolidating with these companies from December 2017.

This was completed by signing the agreement with the shareholders, which agreed the following:

"**bvc** shall not longer consolidate the Company's financial statements and, therefore, by signing this addendum, it hereby agrees to exercise joint control of the Company with TP ICAP. This situation shall be executed from the registration of the control situation in the commercial registry in accordance with the applicable legislation in Colombia." and

"The Parties agree to exercise control of the Company in accordance with the applicable legislation."

Due to the above, the loss of control over the companies SET-ICAP FX and SET-ICAP SECURITIES is generated, and that indicated in IFRS 10, paragraph 25, referring to loss of control is applied, which involves no longer consolidating these companies from December 2017 and managing them using the equity method as joint ventures.

The effect of the assets and liabilities that were eliminated from the consolidated financial statements due to the loss of control of SET-ICAP FX and SET-ICAP SECURITIES is as follows:

Figures in thousands of Colombian pesos

Entries	Set-icap FX	Set-icap Securities	Total
Assets at November 2017	13.012.240	2.638.190	19.406.760
Liabilities at November 2017	(6.394.520)	(206.900)	(6.601.420)
Total net assets at November 2017	6.617.720	2.431.290	12.805.340



11. Intangible Assets and Goodwill

11.1. Other Intangible Assets

At December 31, 2017 and 2016, the balances of intangible assets break down as follows:

Concept	2017					
	Initial balance	Charges	Amortization	Acquisition by business combination	Retirements due to loss of control	Final balance
Software license (1)	1.366.743	624.354	(1.160.717)	1.191.212	0	2.021.592
SAP-ERP (2)	339.680	0	(172.667)	0	0	167.013
Subsidiaries' programs (3)	661.625	0	0	0	(661.625)	0
Development phase disbursements (4)	5.608.630	10.474.279	0	2.237.681	0	18.320.590
Software projects (5)	3.818.216	966.834	(1.206.990)	212.813	0	3.790.873
Customer relations (6)	4.269.119	0	(2.846.702)	0	0	1.422.417
Technological (6)	3.847.998	0	(1.099.161)	0	0	2.748.837
Trademarks (7)	0	0	0	50.700.000	0	50.700.000
National Registry of Securities Brokers (7)	0	0	0	174.500.000	0	174.500.000
Database (7)	0	0	0	10.000.000	0	10.000.000
Internally developed software (7)	0	0	0	2.600.000	0	2.600.000
Total	19.912.011	12.065.467	(6.486.237)	241.441.706	(661.625)	266.271.322

Concept	2016			
	Initial balance	Charges	Amortization	Final balance
Software license (1)	848.986	1.177.613	(659.856)	1.366.743
Subsidiaries' programs (3)	461.448	477.794	(277.617)	661.625
SAP-ERP (2)	197.851	314.500	(172.671)	339.680
Customer relations (6)	7.115.822	0	(2.846.703)	4.269.119
Technological (6)	4.947.159	0	(1.099.161)	3.847.998
Development phase disbursements (4)	2.768.720	2.839.910	0	5.608.630
Software projects (5)	1.568.200	3.113.269	(863.253)	3.818.216
Total	17.908.186	7.923.086	(5.919.261)	19.912.011

- (1) The software licenses acquired are amortized over the time for which they have been acquired without exceeding three years by the straight-line method, except when the contract indicates a different time. Sophos amortizes in the term for renewal, which is generally one year, and it is 48 months for INFOVALMER. In 2017, thanks to the business combination with **deceval**, COP 1,191,212 were acquired in the licenses line item, which are amortized according to the coverage time of the license.
- (2) The larger developed software that does not correspond to the core business, such as SAP or other corporate software, will be amortized by the reducing balance method for three years, while the other projects are amortized for three years using the straight-line method.
- (3) The withdrawal of software and licenses that SET-ICAP FX had due to the loss of control over this subsidiary.
- (4) The balances from disbursements of projects in the development phase at December 31, 2017 and 2016, are as follows:

Projects	2017	2016
Software for Dutch Auctions	0	669.475
Master Trader project	3.069.382	1.116.697
Options project	973.586	503.384
e-bvc Dollar project	665.606	321.084
X-Stream INET project	9.651.673	2.997.990
AFC project (Sophos)	1.390.026	0
Banking as a Service project (Sophos)	115.338	0
MIH Tool Improvement project (Sophos)	36.079	0
FLOW2L project (Sophos)	121.342	0
MAT Migration Administrative TOOL project (Sophos)	59.877	0
AMARW project (deceval)	2.190.150	0
Promissory note project (deceval)	47.531	0
Total projects	18.320.590	5.608.630

In 2017, there was an increase in the disbursement of projects under development, of which COP 12,721,025 correspond to the INET and Master Trader project; COP 1,722,662 are for Sophos projects under development; and COP 2,237,681 were acquired from the business combination with **deceval**.

- (5) The developed software that corresponds to the core business is capitalized as projects and amortized by the straight-line method for five years. This value includes COP 2,812,813 from the business combination with **deceval**.
- (6) The balance corresponds to the intangible assets identified in the acquisition process of Sophos, such as: a) intangible assets for customer relations and b) technological intangible assets, recognized at their fair value according to the purchase price allocation.
- (7) The intangible assets identified in the business combination process with **deceval**, such as the trademarks, the National Registry of Securities Brokers (RNIV, for the Spanish original), the database and internal developments, which amounted to COP 237,800,000.

At December 31, 2017 and 2016, indications of impairment did not arise for this type of asset. The residual value for these assets was zero.

11.2. Goodwill

The following is the breakdown of the goodwill at December 2017 and 2016:

CONCEPT	2017	2016
Initial balance	21.613.197	21.613.197
Additions	152.434.107	0
Total	174.047.304	21.613.197

The surplus was generated by the acquisition in 2015 of 51% of the share held at the time in Sophos Banking Solutions S.A.S.

As reported by the financial results at December 2016, Sophos presents a greater value in the estimated profit of the period and its projected EBITDA at the time of purchase. According to the above, it can be established that indications of impairment are not shown in goodwill.

The 2017 additions correspond to the inclusion of the goodwill generated in the acquisition of **deceval** at December 14, 2017 (see Note 4 Business Combinations).

12. Property and Equipment

These represent the Exchange's set of assets with a permanent nature for the normal development of its business. Property and equipment are recorded at acquisition cost or at the attributable cost by the fair value assigned at the time of conversion to the IFRS. Property and equipment are adequately insured.

At December 31, 2017 and 2016, the breakdown of property and equipment is as follows:

Concept	2017			
	Cost	Depreciation	Impairment	Net
Buildings	38.306.224	(1.655.171)	0	36.651.053
Land	5.797.092	0	0	5.797.092
Communications and computer equipment	21.945.243	(12.571.006)	(9.314)	9.364.923
Furniture and fixtures	2.728.133	(1.392.357)	(1.450)	1.334.326
Office equipment	86.534	(16.294)		70.240
Electronic equipment	1.788.761	(1.153.402)	(5.371)	629.988
Transportation equipment	389.692	(207.855)	0	181.837
Computer equipment available for sale	1.763	0	0	1.763
Leasehold improvements	963.820	(449.625)	0	514.195
Investment properties	1.385.431	0	0	1.385.431
Total	73.392.693	(17.445.710)	(16.135)	55.930.848



Concept	2016			
	Cost	Depreciation	Impairment	Net
Buildings	13.184.844	(1.329.755)	0	11.855.089
Land	5.178.844	0	0	5.178.844
Communications and computer equipment	15.267.997	(10.248.044)	(8.015)	5.011.938
Furniture and fixtures	1.876.023	(1.239.787)	(1.450)	634.786
Electronic equipment	1.417.795	(1.084.242)	(4.418)	329.135
Transportation equipment	179.880	(179.880)	0	0
Computer equipment available for sale	1.763	0	0	1.763
Leasehold improvements	449.209	(253.343)	0	195.866
Total	37.556.355	(14.335.051)	(13.883)	23.207.421

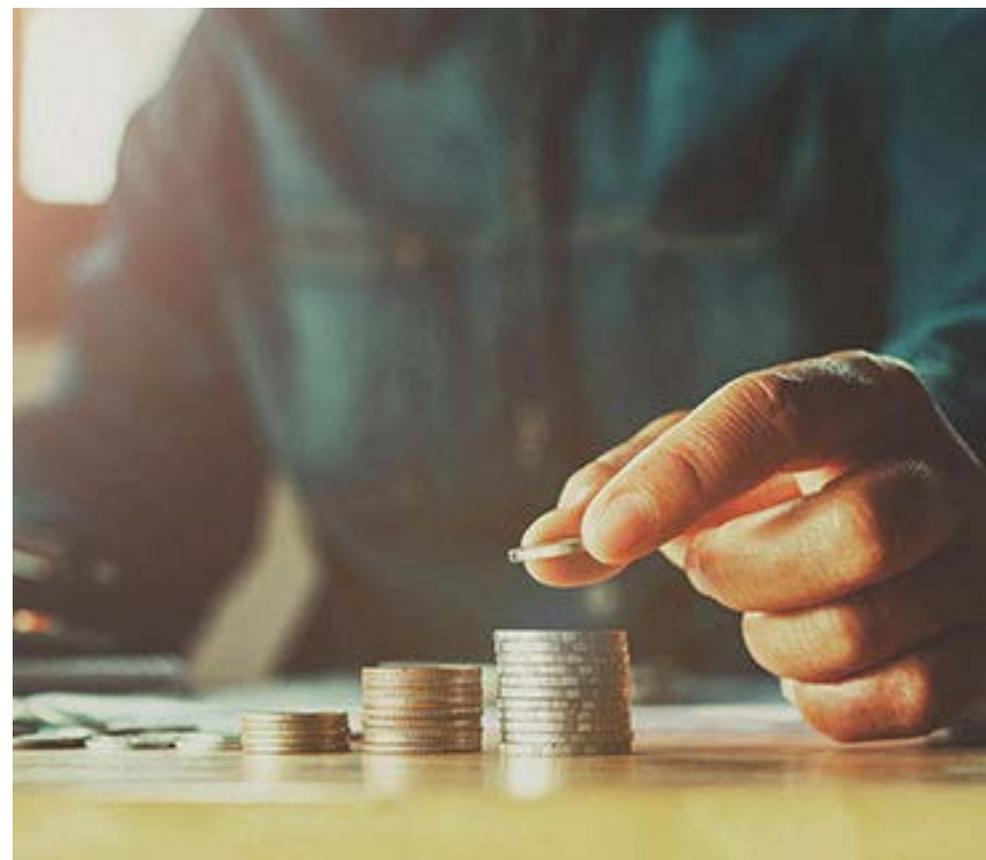
The useful lives established for **bvc's** fixed assets are included in Note 33.7., which at the end of December 2017, did not present variations during the year from those assigned in 2016, except those that were established by a specialist at the time of acquisition of some equipment for said years.

At December 31, 2017 and 2016, impairment rates were presented in property and equipment, established during the physical taking of fixed assets, which amount to a value of COP 16,135 and COP 13,883, respectively.

The residual value of equipment was zero for furniture and fixtures, because no recovery is expected at the end of their useful life.

The following table shows the activity of property and equipment at December 31, 2017:

"Change in property and equipment"	2017									
	Buildings	Investment properties (1)	Land	Computer and communications equipment	Available for sale	Furniture and fixtures	Electronic equipment	Transportation equipment	Leasehold improvements	Property and equipment
Initial balance at January 1, 2017	11.855.089	0	5.178.844	5.011.938	1.763	634.786	329.135	0	195.866	23.207.421,00
Additions	2.838.264	0	618.248	5.059.516	0	1.901.839	8.534	209.812	379.767	11.015.980
Addition of assets from acquisition of businesses	22.304.911	1.385.431	0	3.620.618	0	537.735	418.716	0	224.084	28.491.495
Retirements	(21.796)	0	0	(1.621.495)	0	(1.336.500)	0	0	(89.240)	(3.069.031)
Retirements due to loss of control	0	0	0	(173.781)	0	(6.181)	0	0	0	(179.962)
Impairment	0	0	0	(1.299)	0	0	(953)	0	0	(2.252)
Depreciation expenses	(325.416)	0	0	(2.530.574)	0	(327.112)	(125.444)	(27.975)	(196.282)	(3.532.803)
Total changes	24.795.963	1.385.431	618.248	4.352.985	0	769.781	300.853	181.837	318.329	32.723.427
Balance at December 31, 2017	36.651.052	1.385.431	5.797.092	9.364.923	1.763	1.404.567	629.988	181.837	514.195	55.930.848



The following table shows the activity of property and equipment for 2016:

Change in property and equipment	2016							
	Buildings	Land	Computer and communications equipment	Available for sale	Furniture and fixtures	Electronic equipment	Leasehold improvements	Property and equipment
Initial balance at January 1, 2016	12.153.290	5.178.844	5.460.062	1.763	584.021	464.120	166.616	24.008.716
Additions	0	0	1.832.670	0	174.869	3.200	223.265	2.234.004
Retirements	0	0	(72.789)	0	(9.719)	(458)	(143.232)	(226.198)
Impairment	0	0	(6.001)	0	723	4.975	0	(303)
Depreciation expenses	(298.201)	0	(2.202.004)	0	(115.108)	(142.702)	(50.783)	(2.808.798)
Total changes	(298.201)	0	(448.124)	0	50.765	(134.985)	29.250	(801.295)
Balance at December 31, 2016	11.855.089	5.178.844	5.011.938	1.763	634.786	329.135	195.866	23.207.421

During 2017 and 2016, assets were derecognized with a net value amounting to COP 3,069,031 and COP 114,307, respectively. In 2017, there was a withdrawal of assets from the loss of control over SET-ICAP FX and SET-ICAP SECURITIES amounting to COP 179,962. Similarly, thanks to the business combination with **deceval**, new property and equipment items were purchased for a value of COP 27,106,064 and investment property of COP 1,385,431, of which the representative line items are:

1. In 2017, **deceval** reclassified the net cost of the Medellín offices, which were unoccupied, to investment property. This was due to the decision to lease them. At December 31, 2017, **deceval** had not considered a formal leasing proposal and the offices were not in use.
2. In the furniture and fixtures and equipment category, there are assets under financial lease, which amount to COP 116,329. Said assets are charged as collateral for the obligations assumed in the lease contracts.

Bolsa de Valores de Colombia has 2,988 fully depreciated assets, which are distributed as follows: 1) for computing and communications equipment, there are 1,394 computers; and 2) for office equipment, there are 1,594 items.

The property and equipment additions correspond to the new acquisitions the Company made during the year. Grupo **bvc** recognizes the asset at the time it is received, which does not imply that the provider has been paid, because our provider payment plan is 30 days prior to registration of the invoice. The property, plant and equipment line item of COP 3,015,663 for 2017 and of COP 2,146,781 for 2016 corresponds to the money effectively paid for the acquisition of these assets owned by the consolidated **bvc** Group.

In 2017, Bolsa de Valores de Colombia made renovations and improvements to the Medellín office amounting to COP 208,455 and to the Bogotá Calle 72 office amounting to COP 342,003.

During 2017, there was an increase of COP 618,249 in land as a result of Sophos Solutions S.A.S. acquiring offices in Bogotá through financial leasing.

There are no restrictions, pledges or deliveries as collateral of debts on the assets belonging to **bvc** and its subsidiaries.

Grupo **bvc** has a global insurance policy in effect for the protection of its property and equipment that covers loss or damage caused by theft, vandalism or malicious damage, fire, earthquake, breakage and civil liability. Grupo **bvc**'s real estate does not show signs of impairment.

13. Income Tax

To compare the financial statements of 2017 and 2016, the current tax assets are offset with the current tax liabilities in accordance with IAS 12, paragraph 71. Similarly, the value of industry and commerce tax is classified in trade creditors and other accounts payable, which was presented in 2016 as current tax liabilities.

Current tax assets and current tax liabilities at December 31, 2017 and 2016, break down as follows:

	2.017	2.016
Current tax assets		
Prepaid income	6.802.328	2.318.479
Self-withholding tax	7.524.522	3.471.634
Withholding tax	2.499.044	3.252.714
Prepaid CREE surcharge	3.386.475	1.675.830
Excess in the private payment of taxes	0	987.822
Total current tax assets	20.212.369	11.706.479
Current tax liabilities		
Income tax	(24.835.354)	(17.305.328)
Current tax liabilities	(24.835.354)	(17.305.328)
Total current tax assets and liabilities	(4.622.985)	(5.598.849)

The net current tax values by company are listed below:

	2.017	2.016
Current tax assets		
Set-Icap Securities S.A.	0	986.771
Invesbolsa S.A.S.	0	271
Sophos Banking Solutions S.A.S.	377.933	219.390
Bolsa de Valores de Colombia S.A.	1.338.381	0
Subtotal	1.716.314	1.206.432
Current tax liabilities		
Bolsa de Valores de Colombia S.A.	0	(1.728.462)
Infovalmer S.A.	(540.166)	(536.906)
Set Icap FX S.A.	0	(1.987.388)
Sophos Banking Solutions S.A.S.	(1.222.191)	(2.552.525)
Invesbolsa S.A.S.	(226)	0
deceval S.A.	(4.576.716)	0
Subtotal	(6.339.299)	(6.805.281)
Total	(4.622.985)	(5.598.849)

The value of the income tax provision at December 31, 2017 and 2016, was established based on the liquid income at the rate of 40%, which includes 34% for income tax and 6% for the income tax surcharge. The latter applies only for 2017, with prior establishment of the commercial profit for income tax.

The base to establish income tax may not be less than 3.5% of the liquid assets on the last day of the previous tax period. The surcharge for income tax for 2017 and subsequent years was eliminated in accordance with the new Tax Reform pursuant to Law 1819 / December 29, 2016.

The expenses of income tax and deferred tax of the years ended on December 31, 2017 and 2016, are as follows:

Concept	2.017	2.016
Income tax expenses		
Income tax	12.403.733	12.168.212
CREE fair tax	0	4.664.430
CREE surcharge	0	2.911.632
Income surcharge	2.131.462	0
Total income tax	14.535.195	19.744.274
Adjustment of deferred tax from previous period	0	1.091.358
Deferred tax from current period	544.174	(1.242.078)
Adjustments of income from previous year	(115.784)	89.605
Total income tax expenses	14.963.585	19.683.159

Changes in Deferred Tax by Type of Temporary Difference

The differences between the book value of assets and liabilities and their tax bases lead to temporary differences that generate deferred tax, calculated and recorded at December 31, 2017 and 2016, based on the current tax rates for the years on which said temporary differences will be reversed.



Deferred tax assets	2.017	Credited (charged) to results	Deferred tax on deceval (*)	Deferred tax deceval PPA (**)	Other effects	2.016
Trade debtors	70.532	(70.532)	0	0	0	0
Industry and commerce tax	0	122.481	0	0	0	122.481
Other assets	21.233	517.830	0	0	9.060	548.123
Accounts payable (business combinations)	445.722	0	0	0	0	445.722
Employee benefits	924.926	574.783	0	0	216.304	1.716.013
Fixed assets (business combinations)	388.471	0	0	(388.471)	0	0
Tax credits (1)	0	95.201	0	0	154.309	249.510
Fixed assets	1.652.685	(983.345)	(60.838)	0	5.145	613.647
Intangible assets	3.752	(3.752)	0	0	0	0
Financial lease	457	10.369	(10.826)	0	0	0
Exchange difference	2.477	(2.477)	0	0	0	0
Expense provisions (liabilities payable)	884.051	(824.045)	(60.006)	0	0	0
Equity financial instruments	10.844	154.238	(230.968)	0	65.886	0
Subtotal	4.405.150	(409.249)	(362.638)	(388.471)	450.704	3.695.496
Deferred tax liabilities						
Debt financial instruments	(27.451)	(3.136)	11.805	0	5.652	(13.130)
Fixed assets	(10.048.802)	1.722.363	4.517.454	0		(3.808.985)
Intangible assets	(1.313.920)	491.864	620.948	0		(201.108)
Equity financial instruments	(643.898)	(427.038)	0	0	235.007	(835.929)
Equity financial instruments (business combination)	(2.209.216)	0	0	2.209.216		0
Deposits received	(67.386)	0	0	0		(67.386)
Goodwill	(2.035.565)	1.094.717	0	0		(940.848)
Accounts receivable allowance of revenue	(8.828)	(16.887)	0	0		(25.715)
Client provision	0	(15.714)	0	0		(15.714)
Other liabilities	(421.643)	(227.591)	0	0	12.570	(636.664)
Intangible assets (business combinations)	(80.234.268)	(1.665.155)	0	78.474.000		(3.425.423)
Subtotal	(97.010.977)	953.423	5.150.207	80.683.216	253.229	(9.970.902)
Total	(92.605.827)	544.174	4.787.569	80.294.745	703.933	(6.275.406)

(*) Deferred tax of deceval at December 31, 2017, which was included in the books at the time of acquisition.

(**) The deferred tax recognized in the PPA calculation for the effects of the acquisition of **deceval** in 2017.

The variation in 2017 was COP 321,183 in deferred tax assets and COP 86,651,604 in deferred tax liabilities, generating a net effect on the results of income tax expenses amounting to COP 544,174, and other effects such as: the result of the business combination from calculating the **deceval** PPA of COP 80,294,745; the effect of net assets acquired from **deceval** of COP 4,787,569; and other effects from the loss of control over SET-ICAP FX S.A. and SET-ICAP SECURITIES S.A. of COP 384,818; entries charged to accumulated profits of COP 235,007; and other comprehensive income (OCI) of COP 71,538 and COP 12,570 from the exchange difference of the deferred tax of Sophos.

In 2016, the change in the deferred tax assets of COP 397,133 and the change in the deferred tax liabilities of COP 241,915 generated a net effect on the results of income tax expenses amounting to COP 150,720, which takes into account the deferred tax adjustment of the previous period amounting to COP 1,091,358. Additionally, COP 17,842 were recorded due to an adjustment to the deferred tax of Sophos in 2015, and COP 13,344 were recorded due to adjusted entries in equity from adjustments of the initial convergence.

The companies offset the deferred tax assets and liabilities pursuant to paragraph 74 of IAS 12, considering the application of the current tax provisions in Colombia regarding the legal right to offset current tax assets and liabilities. Due to the above, and in accordance with the asset and liability position of each company, their values are reflected in the Statement of Financial Position.

The net deferred tax values by company are listed below:

	2.017	2.016
Deferred tax assets		
SET-ICAP FX S.A.	0	354.746
Set-Icap Securities S.A.	0	268.724
Sophos Banking Solutions S.A.S.	42.313	0
Subtotal	42.313	623.470
Deferred tax liabilities		
Bolsa de Valores de Colombia S.A.	(4.519.070)	(3.468.955)
Infovalmer S.A.	(160.997)	(98.868)
Invesbolsa S.A.S.	(38)	0
Sophos Banking Solutions S.A.S.	(701.943)	(351.352)
deceval S.A.	(5.656.801)	0
Effects of consolidation	(81.609.291)	(2.979.701)
Subtotal	(92.648.140)	(6.898.876)
Total	(92.605.827)	(6.275.406)

The effects of the consolidation occur because of the effect of the deferred tax recognized in the initial **deceval** PPA of COP 80,294,745 and the balance of the effects of the Sophos PPA of COP 1,314,546.

Reconciliation of the Effective Rate

The details of the reconciliation between the total tax expenses and the earnings calculated at the current tax rates in force and the tax expenses effectively recorded in the income statement (effective rate) are as follows:

Concept	2.017		2.016	
Profit before taxes		124.893.637		52.684.375
Income tax at nominal rate	40,0%	49.957.455	40,0%	21.073.750
Effects on effective rate				
Non-deductible expenses	1,2%	1.512.173	3,8%	2.020.729
Non-deductible taxes	0,2%	211.846	0,7%	389.128
Recovery of expense provision	(0,1)%	(153.437)	(0,1)%	(71.917)
Different tax base for CREE surcharge	(0,2)%	(192.000)	(0,3)%	(144.000)
Other effects	0,1%	117.251	(2,6)%	(1.395.912)
Tax credits	(0,1)%	(95.200)	(0,3)%	(134.000)
Non-taxable revenue	0,0%	0	(1,1)%	(582.344)
Adjustments of income from previous year	(0,1)%	(115.784)	0,2%	89.605
Adjustment of deferred tax from previous period	0,0%	0	2,1%	1.091.358
Difference between Tax Profit and Accounting Profit				
Revenue and expenses by equity method	(2,4)%	(2.981.585)	(5,7)%	(2.979.166)
Fair value of deceval investment	(26,9)%	(33.611.017)	0,0%	0
Fair value of contingent consideration	0,3%	313.883	0,6%	325.928
Income tax expenses	12,0%	14.963.585	37,4%	19.683.159

Due to the issuance of **deceval** shares, an adjustment was made to the investment's fair value, which generated a significant impact on the effective rate.

At December 31, 2017 and 2016, the Exchange did not have effects of current or deferred taxes on the other comprehensive income component.

At December 31, 2017 and 2016, the Exchange did not present tax uncertainties that would generate a provision.

The income tax returns of 2016 and 2015 can be reviewed by the tax authorities within the two years following their filing.

At December 31, 2017 and 2016, the Exchange did not constitute deferred tax liabilities on the taxable temporary differences of COP 358,598,575 and COP 37,091,884, respectively, corresponding to the investments that it has in subsidiaries in accordance with paragraph 39 of IAS 12, because **bvc** has the capacity to control the reversal of said temporary differences and it is not likely that they will be reversed in the near future. The variation occurs because **deceval** becomes a subsidiary.



14. Current Financial Liabilities

The financial liabilities at December 31, 2017 and 2016, are as follows:

Concept	2017	2016
Currency forwards (1)	0	3.103.150
Financial liability (2)	3.227.479	876.796
Less non-current part (3)	(2.703.635)	(686.235)
Total current part	523.844	3.293.711

1. The 2016 balance corresponds to a forward of the Sophos subsidiary for USD 1,000,000 with maturity in June and September 2017 in equal parts of USD 500,000 valued with a forward rate of the maturity dates.

Liabilities Measured at Fair Value Hierarchy - 2016:

Description	2016	Prices listed on active markets Level 1	Other significant entry data Level 2
Derivatives			
Forward contracts	3.103.150	0	3.103.150
Total forward contracts	3.103.150	0	3.103.150
Total	3.103.150	0	3.103.150

Sophos classifies the forward in hierarchy level 2, because it has two defined observable inputs which enable classification at this level: the maturity term and trading rate.

2. The values of COP 3,111,152 and COP 876,796, respectively, correspond to the leases of Sophos Banking Solutions, as follows:

Loan	Currency	Interest rate	Months maturity	2017		2016	
				Nominal value	Carrying amount	Nominal value	Carrying amount
180-93965	COP	DTF + 5.7	120 months	1.220.000	793.591	1.220.000	876.796
192500	COP	Annual DTF + 5,0 points	84 months	900.000	661.643	900.000	
200832	COP	Nominal Annual EOM IBR + 3,54 points	72 months	1.305.000	1.124.333	1.305.000	
203876	COP	Nominal Annual EOM IBR + 3,37 points	72 months	604.000	531.586	604.000	
TOTAL				4.029.000	3.111.152	4.029.000	876.796

In turn, **deceval** has a financial lease of COP 116,327 to acquire computer and communications equipment for the Amarw project. This lease has a funding part which was agreed with a rate indexed to the annual DTF (fixed-term deposit rate) less a spread of 5.50678 points. The contract has a term of 36 months from December 2017, the start date of the contract.

Description	2017
Financial lease	116.327
Total	116.327

• Hierarchy levels are not calculated for the financial leases, because according to the policy, the subsequent measurement is carried out at amortized cost.

3. The leasing balance, which has a payment maturity of more than one (1) year.

Entity	Loan Number	Balance at December 31, 2017	Maturity between 1 and 365 days	Maturity Greater than 365 days	Opening Date	Maturity Date
Bancolombia	192500	661,643	79,301	582,342	2/3/2017	2/3/2024
Bancolombia	200832	1,124,333	159,339	964,993	10/3/2017	7/3/2023
Bancolombia	203876	531,586	73,853	457,732	9/29/2017	9/1/2023
Banco de Occidente	180-93965	793,591	95,024	698,567	1/28/2014	1/28/2024
TOTAL		3,111,152	407,517	2,703,635		

15. Employee Benefits

The employee benefits at December 31, 2017 and 2016, are as follows:

Concept	2.017	2.016
Consolidated vacations	2.835.263	2.046.685
Consolidated severance pay funds, current portion	2.425.558	1.750.330
Labor compensation	123.058	123.058
Interest on severance pay	278.820	188.147
Additional benefits to those required by law (1)	3.780.051	3.763.152
Payroll payable	55.777	19.453
Total short term	9.498.527	7.890.825
Long-term benefits - Five-year periods (2)	855.262	927.074
Total employee benefits	10.353.789	8.817.899

Labor obligations present the consolidation of social benefits, which were made pursuant to the internal policies in accordance with current labor law.

(1) The value of the different bonuses made by **bvc** and its subsidiaries, which are broken down as follows:

Concept	2.017	2.016
Colombian Securities Exchange	1.737.000	2.403.600
Sophos	542.651	718.404
deceval	1.500.400	0
Set icap	0	616.714
Icap securities	0	24.434
Total	3.780.051	3.763.152

(2) See Note 18.

16. Trade Creditors and Other Accounts Payable

At December 31, 2017 and 2016, the balances for these concepts were as follows:

Concept	2017	2016
Costs and expenses payable (1)	8.023.023	4.746.818
Other	282.628	128.863
Sundry creditors (2)	9.135.783	7.770.644
Payroll deductions and payments	864.619	403.473
Total	18.306.053	13.049.798

(1) The balance due for general services and other accounts payable with the Group's providers.

(2) The details of sundry creditors at December 2017 and 2016 are included below.

Concept	2.017	2.016
Sundry creditors	1.704.300	1.734.332
Sales tax payable	5.217.985	3.487.067
Withholding tax	1.351.077	1.109.546
Sales tax withheld	142.018	859.340
Industry and commerce tax withheld	48.389	263.186
Industry and commerce tax	672.014	317.173
Total	9.135.783	7.770.644

- The line item of costs and expenses payable includes the obligations in foreign currency of **bvc** and its subsidiaries at December 31, 2017, amounting to USD 252,467.54 and EUR 3,500, and at December 31, 2016, to USD 905,704, which at the exchange rate at December 31, 2017 and 2016, were equivalent to COP 764,171 (thousands) and COP 2,717,754 (thousands) respectively.
- The concept of tax withholding at source corresponds to the obligation payable to the National Directorate of Taxes and Customs (DIAN, for the Spanish original) for withholdings that were made on income at the time of purchase.

The list of accounts payable by terms is as follows:

2017	Total	Between 0-30 days	Between 31-90 days	Between 91-180 days	More than 180 days
Costs and expenses payable	8.023.023	7.532.405	172.888	0	317.730
Other	282.628	147.366	11655	0	123.607
Sundry creditors	9.135.783	6.743.808	2.391.945	0	30
Payroll deductions and payments	864.619	800.220	64.382	0	17
Total	18.306.053	15.223.799	2.640.870	0	441.384

2016	Total	Between 0-30 days	Between 31-90 days	Between 91-180 days	More than 180 days
Costs and expenses payable	4.746.818	4.563.200	168.894	0	14.724
Other	128.863	29.784	0	0	99.079
Sundry creditors	7.770.644	7.718.727	35.079	0	16.838
Payroll deductions and payments	403.473	300.628	0	0	102.845
Total	13.049.798	12.612.339	203.973	0	233.486



Entries with a maturity period greater than 90 days break down as follows:

- **deceval** has COP 292,417 in insurance; COP 9,976 in fees and COP 710 in other accounts payable.
- **bvc** has COP 55,810 in collateral; COP 14,376 in the balance payable for the collaboration agreement of the responsible investment event held; COP 4,898 in the liquidation of Agora; and COP 48,523 in other entries.
- INFOVALMER has COP 12,109 in payments to the Board of Directors, Audit Committee and Valuation Committee, entries that have not been legalized.

17. Estimated Liabilities and Provisions

The estimated liabilities and provisions of **bvc** at the close of December 2017 and 2016, were as follows:

Concept	2017	2016
Agreed future payments results (1)	4.805.231	10.212.966
Contingent labor liability (2)	360.213	360.213
Contingent tax liability (2)	696.000	696.000
Legal payment provision (3)	140.000	0
Disassembly services (4)	70.426	54.826
Restructuring provision (5)	2.413.440	0
Total	8.485.310	11.324.005

1) The estimated value of COP 4,805,231 corresponds to the contingency provision that was assigned as a result of the purchase price allocation (PPA) at the time of acquisition of Sophos Banking Solutions S.A.S., equivalent to the fair value for future payment commitments, according to the future income established in the purchase and sale agreement, and the fair value adjustment at the end of 2017. It is estimated that said value will be paid in March 2019.

The decrease in the provision in 2017 is due to the payment of the first installment of the contingent consideration, which amounted to COP 5,529,920 and was effective on March 29, with prior approval of the Board of Directors in fulfillment of the conditions regarding variations in the 2015 and 2016 EBIDTA agreed in the contract.

2) The contingent labor liabilities and tax values were established with the study of due diligence conducted for the acquisition of Sophos Banking Solutions S.A.S.

3) In accordance with Resolution 0050 / January 11, 2017, which established a penalty against the Exchange consisting of a fine for eight incidents of unavailability of the securities market systems, which amounted to COP 140,000.

4) The estimate corresponds to COP 54,826 of the provision for disassembling the office that **bvc** has leased (one-year renewable contract from 2011) on the fourth floor of the building in which it is located. To date, the possibility of non-renewal of the contract is unknown and the value of COP 15,600 corresponds to the provision for disassembling some buildings that **deceval** has in financial lease.

5) As a result of the new system, the leaders in charge of the following departments, which were part of the **deceval** structure, were excluded from the new organizational chart: Office of the Chief IT Officer, Office of the Chief Operations Office, Office of the Chief Legal Officer, Human Resources Department and Audit Department. The redundancy plans for these employees (compensation and bonuses) amounted to COP 2,260,175, which was fully provisioned at the end of 2017.



In **bvc**, the provision amounted to COP 153,265 as the estimated value that would be paid for the restructuring of human resources according to the integration carried out by Bolsa de Valores de Colombia with **deceval**.

18. Employee Benefits

Employee benefits	2.017	2.016
Long-term benefits - Five-year periods	855.262	927.074
Total employee benefits	855.262	927.074

Bolsa de Valores de Colombia has signed agreements of long-term (five-year) labor benefits for its employees in addition to those required by law. As a result, it has established that in future periods, it is probable that it will release its own resources to honor the corresponding payments of said debts, which have an undetermined due date. At December 31, 2017, the value of COP 855,262 corresponds to **bvc**, and in 2016, the balance was comprised of COP 717,708 of **bvc**, COP 192,526 of SET-ICAP FX and COP 16,839 of SET-ICAP SECURITIES.

With the available information and by virtue of the increase in the probability of payment with the passing of time, the values that best represent the debt in question have been estimated through actuarial calculation procedures.

The assumptions included in the calculation procedure made by the accountant were: type of salary, salary, age, gender, time worked in the Company, possible working life to date of pension, number of five-year periods completed during this time, staff turnover factors, and the information that is used to establish the values of the forecast five-year period bonuses. Finally, the value of the five-year period bonuses is brought to the current value with a 7.15% effective annual discount rate and this value is affected by the proportion earned by the time worked of each employee.

19. Equity

19.1. Subscribed and Paid-in Capital

The authorized share capital of **bvc** is COP 35,000,000,000 in 35,000,000,000 registered common shares at a par value of COP 1 each.

In 2017, 11,584,032,000 shares at a par value of COP 1 each were issued, with the total issued shares in 2017 being 30,256,854,217. There was subscribed and paid-in capital of COP 30,256,854 and COP 18,672,822 for 2017 and 2016, respectively. Likewise, said shares have been outstanding during 2017 and 2016.

19.2. Premium in Stock Placement

On December 14, 2017, as a result of the exchange of shares for **deceval** shares, there is a greater paid-in value with respect to the par value resulting from said transaction. The accumulated value for 2017 increased to COP 279,406,851 and at the same time, it decreased from the transfer of expenses related to stock issuances by COP 2,105,495 to end 2017 with COP 298,397,252, while it amounted to COP 21,095,896 in 2016.

19.3. Reserves

Concept	2017	2016
Legal reserve (a)	9.371.547	9.364.366
Mandatory reserves (b)	0	68.880
Temporary reserves (c)	39.548.179	32.558.410
Total	48.919.726	41.991.656



a) Legal Reserve

Pursuant to current legal regulations, Grupo **bvc** and its subsidiaries in Colombia must create a legal reserve through the appropriation of ten percent (10%) of the net profits of each year until reaching an amount equal to fifty percent (50%) of the subscribed share capital. This reserve may be reduced to under fifty percent (50%) of the subscribed share capital to write off losses in excess of retained profits. The legal reserve may not be less than the aforementioned percentage except to cover losses in excess of the retained profits.

At December 31, 2017, and December 2016, the accumulated amount of the legal reserve amounted to COP 9,371,547 and COP 9,364,366, respectively, with a value of COP 9,336,411 corresponding to the Exchange for both years. The increase in the legal reserve corresponds to the INFOVALMER S.A. and INVESBOLSA S.A.S. subsidiaries.

In 2017, it was not necessary to make a legal reserve from the profits of 2016, because the legal reserve had reached 50% of the subscribed capital since 2009 for **bvc**.

b) Mandatory Reserves

In accordance with the tax provisions, a mandatory reserve must be made in compliance with Decree 2336/1995 for the difference between the market value and the linear value of the investment portfolio. This reserve was eliminated at December 31, 2017.

c) Temporary Reserves

The accumulated reserves for working capital at December 31, 2017, amounted to COP 39,548,179. This value includes the amount that corresponds to **bvc** of COP 39,085,462. At December 31, 2016, these reserves amounted to COP 32,558,410. This value includes the amount that corresponds to **bvc** of COP 31,995,692.

19.4 Profit Distribution

Dividends are declared and paid to the shareholders based on the unconsolidated net profit of the previous year with respect to the profits of the separate financial statements.

On March 28, 2017, the **bvc** Ordinary General Shareholders Meeting declared an ordinary dividend per share of COP 0.90 amounting to COP 16,805,539 payable in two installments: ordinary dividend (COP 0.45 per share) on April 28, 2017; and (COP 0.45 per share) on November 30, 2017, from the profits obtained by the Company in the 2016 period. The dividend payments made by the other members of the Group correspond to Sophos Banking Solutions of COP 5,071,335 for a total of 21,876,874 shares. The value of COP 50 was left in the 2017 account of dividends payable.

On March 31, 2016, the **bvc** Ordinary General Shareholders Meeting declared an ordinary dividend per share of COP 0.89 amounting to COP 16,618,812 payable in two installments: ordinary dividend (COP 0.45 per share) on April 30, 2016; and (COP 0.44 per share) on June 30, 2016, from the profits obtained in the Company. The dividend payments made by the other members of the Group amount to COP 5,095,107 for a total of 21,713,919 shares. The value of COP 52 was left in the 2016 account of dividends payable.

19.5 Net and Accumulated Profit of the Period

The net profit amounts to COP 103,342,724 for 2017.

The changes in accumulated profits were from the distribution of dividends amounting to COP 16,805,539; the release and appropriation of reserves of COP 68,880 and COP 6,996,950, respectively, and a variation of COP 415,774 from the accumulated recognition of the equity methods of the investments in associates of COP 4,451,841; the deferred tax of the methods of (COP 235,006), and the amortization of the accumulated intangible assets of Sophos of (COP 3,018,586) caused by the restatement of the financial statements of Bolsa de Valores de Colombia and a (COP 782,475) increase from the inclusion of the accumulated profits of **deceval**, which correspond to **bvc**.



19.6 Other Comprehensive Income and Other Equity Shares

The changes in other comprehensive income in 2017 and 2016 were as follows:

Concept	2017	2016
Initial balance	12.592.892	9.870.469
Changes	(10.147.714)	2.722.423
Total	2.445.178	12.592.892

The details of the changes due to variations in other equity entries and the variations in the other comprehensive income (OCI) that they comprise for 2016 and 2017 are presented below:

Concept	Initial balance - 2016	Increases	Decreases	Final balance - 2017
Adoption of IFRS	9.476.298			9.476.298
Variation in adoption of IFRS - ICAP Securities	(18.827)		(118.292)	(137.119)
Variation in adoption of IFRS - Sophos	(40.126)			(40.126)
Variation in adoption of IFRS - bvc	(28.255)		(7.444.637)	(7.472.892)
Variation in adoption of IFRS - Derivex	(6.000)			(6.000)
Variation in adoption of IFRS - CRCC	213.824		(212.246)	1.578
Variation in adoption of IFRS - CCD	61.064			61.064
Variation in adoption of IFRS - deceval	0		(3.521.094)	(3.521.094)
Other equity interests	1.368.905	1.007.894		2.376.799
Other equity interests	11.026.883	1.007.894	(11.296.269)	738.508
Foreign business - exchange difference - Sophos	300.452		(2.731)	297.721
Fair value of equity instruments - deceval	164.140	143.392		307.532
Fair value of debt instruments - deceval	352.262			352.262
Asset fair value adjustment - deceval	749.155			749.155
Other comprehensive income	1.566.009	143.392	(2.731)	1.706.670
Total other equity interests	12.592.892	1.151.286	(11.299.000)	2.445.178

Concept	Initial balance - 2015	Increases	Decreases	Final balance - 2016
Adoption of IFRS	9.476.298			9.476.298
Variation in adoption of IFRS - ICAP Securities			(18.827)	(18.827)
Variation in adoption of IFRS - Sophos			(40.126)	(40.126)
Variation in adoption of IFRS - bvc			(28.255)	(28.255)
Variation in adoption of IFRS - Equity Method - Derivex			(6.000)	(6.000)
Variation in adoption of IFRS - CRCC		213.824		213.824
Variation in adoption of IFRS - CCD		61.064		61.064
Other equity interests		1.368.905		1.368.905
Other equity interests	9.476.298	1.643.793	(93.208)	11.026.883
Foreign business - exchange difference - Sophos	290.574	9.878		300.452
Fair value of equity instruments - deceval		164.140		164.140
Fair value of debt instruments - deceval	103.597	248.665		352.262
Asset fair value adjustment - deceval		749.155		749.155
Other comprehensive income	394.171	1.171.838	0	1.566.009
Total other equity interests	9.870.469	2.815.631	(93.208)	12.592.892

The changes in 2017 correspond to transactions which affected the OCI of the subsidiaries and the application of the equity method by **bvc**. There is a realization of OCI of COP 7,444,637, corresponding to the **deceval** investment, the inclusion of **deceval**'s OCI of COP 3,521,094, and the adjustment of the attributable cost of the companies Cámara de Riesgo Central de Contraparte, Cámara de Compensación de Divisas and Derivex, amounting to COP 1,007,894.

19.7 Non-controlling Interest

In 2017, there is a significant change of COP 5,025,374, corresponding to the loss of control of the companies SET-ICAP FX and SET-ICAP SECURITIES, amounting to COP 3,524,605 and COP 1,287,877, respectively. Additionally, there is a change of COP 212,892 corresponding to Sophos Banking.



20. Revenue from Ordinary Activities

The revenue for the years ended on December 31, 2017 and 2016, is broken down as follows:

Concept	2017	2016
Equity	15.307.638	16.709.982
Fixed income	10.810.459	10.781.524
Listing and maintenance of securities	13.237.816	12.486.889
Transactions in foreign currency	19.355.434	20.833.439
Market data publications and subscriptions	8.389.815	8.497.368
Listing services	3.195.609	7.939.523
Terminals	2.761.941	2.567.282
Derivatives	3.965.332	3.940.633
Information for investment valuation	7.824.874	6.965.021
Electronic Access Services	1.731.335	1.717.646
Set-Icap Securities	1.309.809	1.567.775
Education	1.160.902	1.411.737
Other revenue	1.144.191	372.029
Securities lending	73.408	82.728
Development of banking information – Sophos	61.579.820	62.282.444
Securities custody and administration	7.164.567	0
Total	159.012.950	158.156.020

Equity Market Transactions

The revenue of the equity market corresponds to transacted securities that do not have a pre-established return, with stocks being a characteristic security of this market. In 2017, this revenue decreased 8.4% from the revenue in 2016. The lower revenue was related to a 5% decrease in the trading volumes on the spot market (-COP 1.9 trillion), and a lower share in the volume from proprietary trading of the brokerage firms, retail investors and the real sector.

The COLCAP index increased 12% in 2017: The good performance in prices was general across the market and was in line with the region's performance

Fixed Income Transactions

Fixed income instruments are debt issuances that the government and companies make aimed at participants of the capital market. The revenue from the fixed income market was stable in 2017 compared to 2016 (0.17% annual variation) due to the different performance of the trading volumes in the different market segments, which ultimately generated a net positive marginal effect on the revenue from this market. Therefore, while the volumes in the spot market transaction system on treasury securities (TES) reduced to an annual rate of -10%, the repo market on TES and the spot market and repo transactions on private debt showed increases of 33% and 20% from the previous year, respectively.

Securities Listing and Maintenance

The increase in revenue from listing and maintenance is the result of a recovery in access to corporate financing through the capital market, with a 7.09% increase from 2016

Transactions in Foreign Currency

The revenue from transactions in foreign currency decreased 7.16% from 2016 and corresponds to the reduction of one month in the consolidated revenue, because from December, their results are consolidated using the equity method.

Market Data Publications and Subscriptions

Bolsa de Valores de Colombia offers a specialized information system to manage and license securities market information. The slight increase in revenue from information was due to two factors. The first was the increase in revenue from licensing due to the increase in value of the assets managed by ICOLCAP from COP 2.7 trillion in 2016 to COP 3.65 trillion in 2017. The second was the increase in the number of users of e-bvc and its subsequent increase in revenue from COP 1,076 million in 2016 to COP 1,137 million in 2017.

Listing Services

The revenue from this concept is from the transactions that Bolsa de Valores de Colombia makes independently from the transaction systems and which are made upon the request of a client, including stock or share issuances, fixed income securities issuances, tender offers, and transfer of shares. The reduction in revenue in 2017 from 2016 is explained by lower activity as a result of stock issuances and transfers of state property through the Colombian capital market.

Derivatives

Derivatives are financial instruments of a purchase or sale agreement of a given asset, on a specific date and at an established value. The revenue from derivatives at the close of 2017 shows a 0.6% increase from 2016. The main line items that explain the revenue are: the outstanding performance of TES Futures, which accounts for 34% of the total revenue with a



45% increase, explained, among other things, by the expansive cycle of the Central Bank's monetary policy; the fixed charge per member, which accounts for 32%; and Exchange Rate Futures, which account for 27% with a 45% reduction, due to the low volatility of the exchange rate. The contribution of the Overnight Index Swaps to the revenue decreased by 41% and the revenue of Stock Futures decreased by 15%, leaving both instruments with a 7% share of the total revenue. Finally, it is important to highlight the discounts that **bvc** makes in the derivatives market, which decreased 66% to COP 319 million, equivalent to 8% of the year's gross revenue.

Information for Investment Valuation

INFOVALMER transactions increased by 12.35%, mainly due to greater revenue in information for local fixed income, OTC derivatives and OTC valuation.

Transactions through Connection to Electronic Access Services (EAS)

Revenue from electronic access services (EAS) increased slightly by 0.8%. This is due to no large variations in neither in the number of trades made electronically nor in the number of trades partially carried out through EAS.

Education

Bolsa de Valores de Colombia offers an educational program to the general public aimed at increasing awareness of the fixed income, equity, derivatives and

foreign currency markets. The lower revenue is due to a drop in the income from the Millionaire Exchange Contest. Instead of holding two versions of the contest, which are generally held in the first and second half of the year, the strategy was implemented in 2017 to only carry out one version in the second half of the year. The aim of this decision was to carry out single, stronger publicity campaign that would increase the number of participants in all the segments (universities, schools and open). The university segment did not respond to this strategy as hoped, because of its nature of operating in semesters. This resulted in a lower revenue than expected from the contest.

Development of Banking Information – Sophos

The revenue from the development and installation of banking software refers to the operations of the new subsidiary, Sophos Banking Solutions S.A.S., which has shown a 2.06% increase in its revenue in 2017. This result shows that there was not a considerable increase in the company's revenue in 2017.

Securities Custody and Administration

These are the ordinary activities of Depósito Centralizado de Valores de Colombia - DECEVAL S.A., an institution in charge of the custody, management, clearing and settlement of securities in the Central Securities Depository for securities of credit, shares, merchandise and financial instruments that are registered in the National Securities and Issuer Register (RNVE, for the Spanish original), whether they are issued, traded or registered in Colombia or abroad. This

is the revenue from December 2017, when the company started to be consolidated in the **bvc** Group.

Other

Revenue from trading services and transactions related to IT services.

21. Revenue from Investment Activities

The details of this concept for the years ended on December 31, 2017 and 2016, are listed below:

Concept	2017	2016
Valuation of investments (1)	931.285	1.959.436
Financial revenue (2)	1.081.157	546.146
Dividends and shares (3)	4.771	5.258
Total	2.017.213	2.510.840

(1) Valuation of investments for the years ended on December 31, 2017 and 2016.

Type of security	2017	2016
Bonds	79.837	130.494
CDs	796.326	622.620
TES COP	0	142.169
TES UVR	37.952	701.048
TIPS UVR	17.337	0
TIPS COP	(167)	0
Tradable investments in equity securities	0	363.105
Total	931.285	1.959.436



(2) The details of financial revenue at December 2017 and 2016 are provided below:

Concept	2.017	2.016
Other interests	457.077	357.752
Financial returns	623.947	185.384
Sale of available-for-sale securities	133	3.010
Total	1.081.157	546.146

(3) The revenue from dividends corresponded to those declared by XM Expertos Cía de Mercados for the share that **bvc** holds in the company.

Dividends	2017	2016
XM Expertos Cía de Mercados	4.771	5.258
Total	4.771	5.258

22. Earnings or Other Revenue

Earnings and other revenue for the years ended on December 31, 2017 and 2016, are as follows:

Revenue	2.017	2.016
Other revenue (1)	1.585.989	651.548
Exchange difference	745.100	1.663.535
Profit from sale of assets	744	181
Recovery of allowance	0	94.265
Total	2.331.833	2.409.529

(1) The details at December 31, 2017 and 2016, are listed below:

Concepts	2.017	2.016
Lower value paid for contingent consideration	777.965	
Refund of other costs and expenses	379.503	462.095
Management services	262.443	35.535
Other revenue	166.078	153.918
Total	1.585.989	651.548

With respect to the contingent consideration, which amounted to COP 6,248,000, there was a saving of COP 718,080, due to the withdrawal of one of the partners present at the time of acquisition.

23. Profit or Loss from Application of the Equity Method

The profit from the application of the equity method at December 31, 2017 and 2016, is listed below:

Concept	2017	2016
deceval	5.221.645	5.547.353
Cámara de Riesgo Central de Contraparte	1.650.556	1.315.408
Cámara de Compensación de Divisas	655.628	708.072
Derivex	0	146.419
Set-Icap FX	283.509	0
Total	7.811.338	7.717.252

The loss from the application of the equity method was as follows:

Concept	2017	2016
Cámara de Riesgo Central de Contraparte	0	(24.071)
Set-Icap Securities	(11.518)	0
Derivex	(345.858)	(245.267)
Total	(357.376)	(269.338)

23.1 Other Revenue from Controlled Companies and Associates

The amount of COP 84,027,542 at December 31, 2017, recorded for this concept is comprised of:

1.- The value of COP 76,582,906, which corresponds to the update of the fair value of 110,378 **deceval** shares (acquisition by stages) once the exchange price was obtained. It is recorded as a balancing entry of the investment, as non-operating revenue.

2.- The disposal against the period's income of entries that were in equity in the appraisal surplus line item (OCI) of COP 7,444,636 of **deceval** at the time of acquisition.

24. Costs of Ordinary Activities

From January 1, 2017, the Sophos Banking Solutions subsidiary recognizes the entries that reflect the costs incurred by operations in the normal course of business. Therefore, for informative purposes and to provide more clarity in the analysis of the financial statements, we



amended the 2016 information. It is now theoretically estimated for costs and the expenses are reclassified according to the new management guidelines.

Concept	2.017	2.016
Personnel expenses (1)	37.400.975	35.446.735
Memberships	47.086	81.040
Leases (2)	984.755	469.276
Other	126.909	142.327
Representation expenses	8.849	3.124
Travel expenses (3)	206.201	501.020
Fees	376.285	285.053
Legal	135.824	196.200
Licenses (4)	768.595	0
Maintenance and repairs	3.956	22.805
Insurance	22.237	1.070
Services	10.166	1.372
Total	40.091.838	37.150.022

(1) In personnel expenses, the distribution carried out compared to the personnel expenses figure presented in December 2016 is 88.37%, which is the line item that shows the most significant change made for the presentation of the comparative financial statements of 2017. The variation in costs between 2016 and 2017 is 7.90%, which reflects the constant increase of this line item in proportion to the increase in the Company's personnel. There is an increase in this line item in the compared years due to an increase in the in-house staff, as well as the increase in salaries at the start of the year, which is normal in the Company.

The proportion of personnel expenses of the total costs is 95.42% at December 31, 2016, and 93.29% at the same date in 2017.

(2) The composition of leases in the company regarding costs is as follows:

Concept	2.017	2.016
Computer equipment	376.352	0
Offices	27.057	2.400
Apartments	579.991	465.444
Fleet and transportation equipment	0	1.432
Other leases	1.355	0
Total	984.755	469.276

The entry with the largest proportion in the leases item is apartments, which had 58.9% of the total in 2017 and 99.2% of the total in 2016.

Leases are recorded according to the policy in effect (see Note 33.15).

(3) The travel expenses line item shows a 58.84% decrease between the cut-off dates of 2017 and 2016. This is due to the direct hiring of personnel by the subsidiaries, which resulted in less travel of personnel hired in Colombia.

(4) In 2017, the Mexico subsidiary acquired a license as part of the intermediation process for resale of the license to the Mizuho Bank client, which is why it is presented in costs.

25. Expenses of Ordinary and Non-Ordinary Activities

25.1 Expenses of Ordinary Activities

For the years ended on December 31, 2017 and 2016, expenses are broken down as follows:

Concept	2.017	2.016
Personnel expenses (1)	43.989.748	35.135.249
Amortizations	2.845.522	2.044.714
Intangible technology amortization	1.099.161	1.099.161
Amortization of customer relations	2.846.703	2.846.703
Services and maintenance	10.921.273	10.825.258
Fees (2)	6.575.313	8.143.062
Taxes (3)	3.170.803	2.933.324
Depreciations (4)	3.635.020	2.821.420
Marketing and advertising	1.833.834	1.848.391
Leases	2.881.369	2.614.466
Travel expenses	1.751.208	1.747.152
Contributions and affiliations	990.605	1.045.724
Insurance	509.427	442.339
Other	1.075.658	1.355.894
Public relations	535.712	628.730
Meetings and conferences	161.978	139.177
Renovation and installation	73.483	150.955
Stationery, supplies and photocopies	106.599	80.546
Legal expenses	164.811	484.375
Impairment of accounts receivable	1.330.757	177.245
Management and brokerage services	126.519	139.648
Impairment of assets	11.402	8.851
Total	86.636.905	76.712.384

(1) Personnel expenses present an increase, mainly driven by the increase in 2017, the leveling out of salaries approved in the year and the greater provision for payment of variable compensation.



(2) There was a COP 1,567,749 reduction in the fees line item, particularly due to the effect of the loss of control over SET-ICAP FX and SET-ICAP SECURITIES, which are no longer consolidated.

(3) Taxes show an increase explained by the larger payment of industry and commerce tax related to the greater revenue of **bvc** and its subsidiaries in the period.

(4) Depreciations increased due to the purchase of computers and servers, and the start of their depreciation.

25.2 Expenses of Non-ordinary Activities

The details for the years ended on December 31, 2017 and 2016, are as follows:

Expenses	2.017	2.016
Donations	217.169	322.775
Other expenses	140.319	53.681
Losses from sale and removal of PP&E	0	5.798
Total	357.488	382.254

26. Financial Costs

The details for the years ended on December 31, 2017 and 2016, are as follows:

Concept	2.017	2.016
Financial (1)	522.023	485.008
Exchange difference (2)	1.478.306	2.290.522
Sale of investment	0	4.918
Change in fair value (3)	784.708	814.820
Valuation of private equity fund (4)	78.595	0
Total	2.863.632	3.595.268

1) This consists of payments in bank expenses in 2017 and 2016 of COP 522,023 and COP 485,008, respectively.

2) The exchange difference shows a 35.46% decrease of COP 812,216, mainly due to adjustments to the accounts of the balance sheet.

3) At December 31, 2017 and 2016, this consists of COP 784,708 and COP 814,820, respectively, which is equivalent to the adjustment of the fair value of the contingent consideration generated in the business combination of the process of purchasing Sophos in July 2015.

4) The private equity fund consists of COP 78,595 from the loss of monthly valuation of the investment fund.



By determining the value of gains for non-controlling interests over total bvc consolidated earnings, we can calculate the earnings for majority shareholders.

27. Basic Earnings per Share

The basic earnings per share are calculated by dividing the profit attributable to the shareholders by the weighted average of the common outstanding shares in the year, excluding the common shares re-acquired and maintained as treasury shares, if any.

Concept	Note	2.017	2.016
Net profit of the period		109.930.052	33.001.216
Other comprehensive income			
Investments accounted under equity method - share in other comprehensive income	21	0	1.161.960
Gains (losses) due to new measurements of financial assets available for sale, net of taxes	21	143.392	
Gains (losses) from exchange difference from net conversion of taxes	21	(2.731)	9878
Other comprehensive income net of taxes		140.661	1.171.838
Total comprehensive income for the year		110.070.713	34.173.054
Earnings attributable to:			
Parent Company owners	27	103.342.724	24.109.725
Non-controlling interest	27	6.587.328	8.891.491
		109.930.052	33.001.216
Outstanding shares		30.259.854.217	18.672.822.217
Basic earnings per share of the Parent Company (COP)	27	3,42	1,29

The details of earnings attributable to the Parent Company and non-controlling interest are described below.

Non-controlling Interest			2017	
Subsidiary	Profit	Minority Interest (%)	Value	Non-controlling Interest Shares
Sophos Banking Solutions S.A.S. at May	1,841,421	49.00%	902,296	916,261
Sophos Banking Solutions S.A.S. from June to December	5,713,512	45.81%	2,617,531	
Minority interest of Sophos in its subsidiaries			999	
DECEVAL at December	489,716	5.29%	25,915	49,584
SET-ICAP at November	5,874,179	50.09%	2,942,429	552
SET-ICAP SECURITIES at October	196,315	50%	98,158	428,500
Total	14,115,143		6,587,328	
Non-controlling Interest			2016	
Subsidiary	Profit	Minority Interest (%)	Value	Non-controlling Interest Shares
Sophos Banking Solutions	11,317,599	49.00%	5,545,624	980,000
Minority interest of Sophos in its subsidiaries			(630)	
SET-ICAP at November	6,292,878	50.09%	3,152,159	552
SET-ICAP SECURITIES at October	388,677	50%	194,339	428,500
Total	17,999,154		8,891,491	



28. Contingencies, Lawsuits and Other

At December 31, 2017, the following lawsuits had been filed against **bvc**:

TYPE OF PROCEEDING	PLAINTIFF	DATE OF NOTIFICATION	STATUS	SUBJECT	LAWYER RESPONSIBLE	AMOUNT	ACCOUNTING VALUE	PROVISION / % provisioned	PROBABILITY OF LOSS
Direct reparation proceedings.	Carlos Juri Feghali	14/03/2016	The initial hearing for the proceedings was set for August 16, 2018	The plaintiff requests for the Financial Superintendence of Colombia, the Colombian Securities Market Self-Regulatory Authority and the Colombian Securities Exchange to be declared jointly and administratively liable on occasion of the alleged failure and omission of the service of inspection, oversight and control of the legal and constitutional precepts and rules within the exercise of their functions and other unlawful events that led to the economic detriment of the plaintiff regarding the investment in INTERBOLSA S.A. on October 18, 2012.	Juan Pablo Cárdenas	COP 232,000,000.	COP 232,000,000.	N/A.	Remote
Class Action Lawsuit (Isagen)	Jorge Enrique Robledo and others	17/02/2016	The Court rejected the impleader. Through its legal representative, the bvc filed an appeal for reconsideration of the Court's decision. The Court resolved the appeal, not changing the decision.	This class action lawsuit is against the process of selling the shares in the company ISAGEN, of which the auction and established stages were carried out through the Exchange.	Nestor Humberto Martínez and Julián Solorza Martínez - DLA Piper Martínez Neira	N/A	N/A	N/A	Remote
Administrative Investigation - List of Charges	Financial Superintendence of Colombia	05/08/2015	The bvc filed an appeal against Resolution 0050 / January 11, 2017, which established a penalty against bvc consisting of a fine for eight incidents of unavailability of the securities market systems, which amounted to COP 500,000,000	The Financial Superintendence of Colombia made a List of Institutional Changes, identifying a possible breach of the Fundamental Legal Bulletin related to the Operative Risk Management System (ORMS).	Alberto Velandia Rodríguez	\$ 140.000.000	\$ 140.000.000	100%	Probable

NOTE: This report contains the proceedings filed against the **bvc** in force at the end of 2017



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29. Guarantees Agreed with Third Parties, Other Contingent Assets and Liabilities, and Other Commitments

The collateral for the Exchange’s transactions are only executed in favor of third parties in the case of a breach in the transactions. This collateral is not in the custody of **bvc**, but in the respective clearing houses.

The value that represents the basic collateral for forward transactions at December 31, 2017 and 2016, amounts to COP 240,911,541 and COP 1,256,823,903, respectively.



30. Contractual Obligations for Operating Leases

The Company has current contracts for leases and in accordance with IAS 17, the future payments under non-payable operating lease contracts are as follows:

BOLSA DE VALORES DE COLOMBIA S.A.

LEASE CONTRACT	CONTRACT No.	SUBJECT	LEASE AMOUNT	CURRENCY	START DATE	DATE OF EXPIRY
PROMOTORA LA ENSEÑANZA	BVC-CT-857	LEASE OF bvc POINT	COP 12,713,658	COP	01/01/2010	31/12/2017
INVERSIONES PIEDRAGRANDE AND CARLOS LAZARO UMAÑA	LEASE CONTRACT FOR THE REAL ESTATE LOCATED ON CARRERA 7, NO. 71-21, EDIFICIO AVENIDA CHILE	LEASE OF OFFICE 402	COP 29,553,130	COP	15/09/2016	30/09/2019
deceval	SHARED USE CONTRACT FOR OFFICE 602 OF TORRE 1, EDIFICIO SANTA MONICA CENTRAL	LEASE OF OFFICE 602	COP 1,027,336	COP	02/05/2016	AUTOMATIC RENEWAL
CATALINA HERRAN	LEASE CONTRACT OF PROPERTY	LEASE OF APARTMENT 706	COP 1,600,000	COP	02/01/2017	01/01/2017
PROCAFECOL	"CONCESSION OF SPACE CONTRACT NO. 189/2014 BETWEEN PROMOTORA DE CAFÉ COLOMBIA S.A. "PROCAFECOL S.A." AND BOLSA DE VALORES DE COLOMBIA S.A."	CONCESSION OF SPACE	COP 2,680,511	COP	23/02/2015	31/12/2017
deceval	AOC LEASE CONTRACT	LEASE OF SPACE	COP 8,264,180	COP	01/11/2016	01/11/2021



deceval S.A.

LEASE CONTRACT	CONTRACT No.	SUBJECT	LEASE AMOUNT	CURRENCY	START DATE	DATE OF EXPIRY
BOLSA DE VALORES DE COLOMBIA S.A.		LEASE OF AOC OFFICE	COP 8,651,718	COP	01/11/2016	01/11/2021
BOLSA DE VALORES DE COLOMBIA S.A.		LEASE OF OFFICE IN MEDELLÍN	COP 14,500,000	COP	01/04/2017	31/03/2022
LEVEL 3 COLOMBIA S A	VPTEC-CO-18-2011	LEASE OF SPACE TO PLACE RACKS (COLLOCATION)	COP 12,952,260	COP	01/07/2017	01/07/2020
TELMEX COLOMBIA S A	GC-CPST-5015-08	LEASE OF SPACE TO PLACE RACKS (COLLOCATION)	COP 23,617,216	COP	01/04/2017	01/04/2017
SERTISOFT	VPFIN-CO-0021-2013	LEASE OF LICENSING AND CLOUD SPACE FOR GESTIONDOC TOOL CONTINGENCY	COP 23,789,159	COP	01/01/2018	31/12/2018
STELLA RICCI		LEASE OF OFFICE 602 LOCATED IN THE SANTA MONICA CENTRAL BUILDING IN CALI	COP 2,520,467	COP	01/05/2016	AUTOMATIC RENEWAL
LEASING BANCOLOMBIA		OPERATING LEASE OF COMPUTER EQUIPMENT	COP 2,238,241	COP	01/01/2018	REQUEST FOR CANCELLATION 30 DAYS IN ADVANCE
LEASING BANCOLOMBIA		OPERATING LEASE OF COMPUTER EQUIPMENT	COP 2,928,889	COP	01/01/2018	REQUEST FOR CANCELLATION 30 DAYS IN ADVANCE
LEASING BANCOLOMBIA		OPERATING LEASE OF COMPUTER EQUIPMENT	COP 3,719,115	COP	06/12/2017	06/12/2020
CRCC		LEASE OF AOC OFFICE	COP 2,093,850	COP	01/11/2016	01/11/2019

INFOVALMER

LEASE CONTRACT	CONTRACT No.	SUBJECT	LEASE AMOUNT	CURRENCY	START DATE	DATE OF EXPIRY
deceval S.A.		LEASE OF AOC OFFICE	COP 1,251,023.00	COP	01/11/2016	01/11/2021
DERIVEX S.A.		SHARED USE CONTRACT FOR OFFICE 403 BETWEEN DERIVEX AND INFOVALMER	COP 1,621,286.00	COP	01/06/2016	01/06/2018
INVERSIONES LOURDES		LEASE AGREEMENT SIGNED BY INFOVALMER AND INVERSIONES LOURDES S.A.	COP 14,278,230.00	COP	01/06/2016	30/05/2022

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LEASE CONTRACT	CONTRACT No.	SUBJECT	LEASE AMOUNT	START DATE	DATE OF EXPIRY
A PARRA LTDA	NOT APPLICABLE	OFFICE 470	COP 6,519,008 COP	20/12/2011	20/12/2018
LONDOÑO GOMEZ	A-01186-03-2016	OFFICE 901	COP 5,354,000 COP	01/03/2017	01/03/2018
LONDOÑO GOMEZ	A-01287-01-2017	OFFICE 1009	COP 15,500,000 COP	01/01/2017	01/01/2019
IZA BUSINESS CENTERS	NOT APPLICABLE	OFFICE 2323	COP 25,912 MXN	14/10/2016	14/10/2018
FUNDACION CIUDAD DEL SABER	008-17	BUILDING 224 OFFICE H	COP 615 USD	01/07/2017	01/07/2018
LUZ MARIA HERNANDEZ	NOT APPLICABLE	CBZ - B604 (APARTMENT)	COP 20,495 MXN	01/04/2017	01/04/2018
LUZ MARIA HERNANDEZ	NOT APPLICABLE	V 129 (APARTMENT)	COP 11,916 MXN	01/04/2017	01/04/2018
LUZ MARIA HERNANDEZ	NOT APPLICABLE	C001 (APARTMENT)	COP 17,254 MXN	01/04/2017	01/04/2018
LUZ MARIA HERNANDEZ	NOT APPLICABLE	CBZ - B504 (APARTMENT)	COP 20,973 MXN	30/09/2017	30/09/2018
MÓNICA ESTER RUBILAR ZUÑIGA	NOT APPLICABLE	APARTMENT 811	COP 700,000 CLP	09/03/2017	09/01/2018
LIFESTYLE INVERSIONES SAS	NOT APPLICABLE	CALLE 94 A NO 21-80, APT 502 EDIF FONTANA LARES 94	COP 2,932,563 COP	12/04/2015	11/04/2018

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31. Financial Information by Segment

The **bvc** Group has established that its operating segments are classified by groups of products, and it has defined them under this system to internally organize the operating segments, as described below, which are the strategic operating divisions of **bvc**. The strategic operating divisions offer different products or services and are managed separately because they require different technologies and market strategies. For each one of the strategic operating divisions, the **bvc** CEO and Board of Directors are responsible for making the operating decisions, regularly reviewing the internal management reports.

These segments comply with the quantitative thresholds to establish the segments that must be reported for 2017 and/or 2016, adjusting them for comparison in accordance with IFRS 8, paragraphs 13 to 15.

31.1. Operating Segments:

During 2017, **bvc** redefined the operating segments by type of product that complies with the thresholds defined by the IFRS to be a segment. It is comprised of the following operating segments; the products, main services and transactions of which are defined below:

Revenue from Ordinary Activities
Capital Market
Fixed Income
Equity
Derivatives and ETFs
SET-ICAP FX
SET-ICAP SECURITIES
Securities administration
Issuers
Issuer deposits and promissory notes
Securities inscription and maintenance
Listing services
Knowledge and information
Market data publications and subscriptions
Terminals
Connection to EAS
Education
Infovalmer
FX Information
Post-trading
Custody, transaction, clearing and settlement
Technology and innovation
Sophos
Other revenue
Other revenue from ordinary activities

1. Capital Markets: This segment includes the management and administration of stock market transactions and information, managing the fixed income, equity and standardized derivatives markets; and managing the exchange market through the operation of 100% of the market for the transaction, registration and information of the spot market and foreign currency forwards.

2. Issuers: This segment facilitates access for the Colombian market's issuers to funding through debt issuances and stock issuances, and facilitates the process of selling shareholdings in buyout processes.

3. Knowledge and Information: This segment includes the supply of information for the valuation of investments, additional price provision services, valuation of companies, supply and licensing of market information to vendors, and education services.

4. Technology and Innovation: This segment provides services of consulting, implementation of core banking, test manufacturing and software development, mainly for companies of the financial and stock market sector through the intermediary, **Sophos Banking Solutions**.

5. Other Revenue: This segment includes other possible segments that do not comply with the thresholds defined by the IFRS, and are not included in the previous sections.

6. Custody, Transaction, Clearing and Settlement: The revenue generated by the new **deceval** subsidiary.



31.2. Information on Segments that Must be Reported

The information related to the results of each segment that must be reported is included below:

Revenue from Ordinary Activities	2017	2016
	159.012.950	158.156.020
Capital Market	51.722.585	52.135.492
Fixed Income	10.810.458	10.781.524
Equity	15.381.046	16.792.710
Derivatives and ETFs	4.038.740	3.940.633
SET-ICAP FX	19.340.904	19.052.850
SET-ICAP SECURITIES	1.309.809	1.567.775
Securities administration	841.628	0
Issuers	20.018.425	20.426.412
Issuer deposits and promissory notes	3.585.000	0
Securities inscription and maintenance	13.237.816	12.486.889
Listing services	3.195.609	7.939.523
Knowledge and information	23.946.427	22.748.172
Market data publications and subscriptions	8.389.815	8.305.896
Terminals	2.761.941	2.567.282
Connection to EAS	1.731.335	1.717.646
Education	1.160.902	1.411.737
Infovalmer	7.824.874	6.965.021
FX Information	2.077.560	1.780.590
Post-trading	3.579.567	0
Custody, transaction, clearing and settlement	3.579.567	0
Technology and innovation	61.579.820	62.282.444
Sophos	61.579.820	62.282.444
Other revenue	1.745.693	563.500
Other revenue from ordinary activities	1.745.693	563.500
Costs and expenses of ordinary activities	(126.728.743)	(113.862.406)
Profit (loss) of ordinary activities	32.284.207	44.293.614

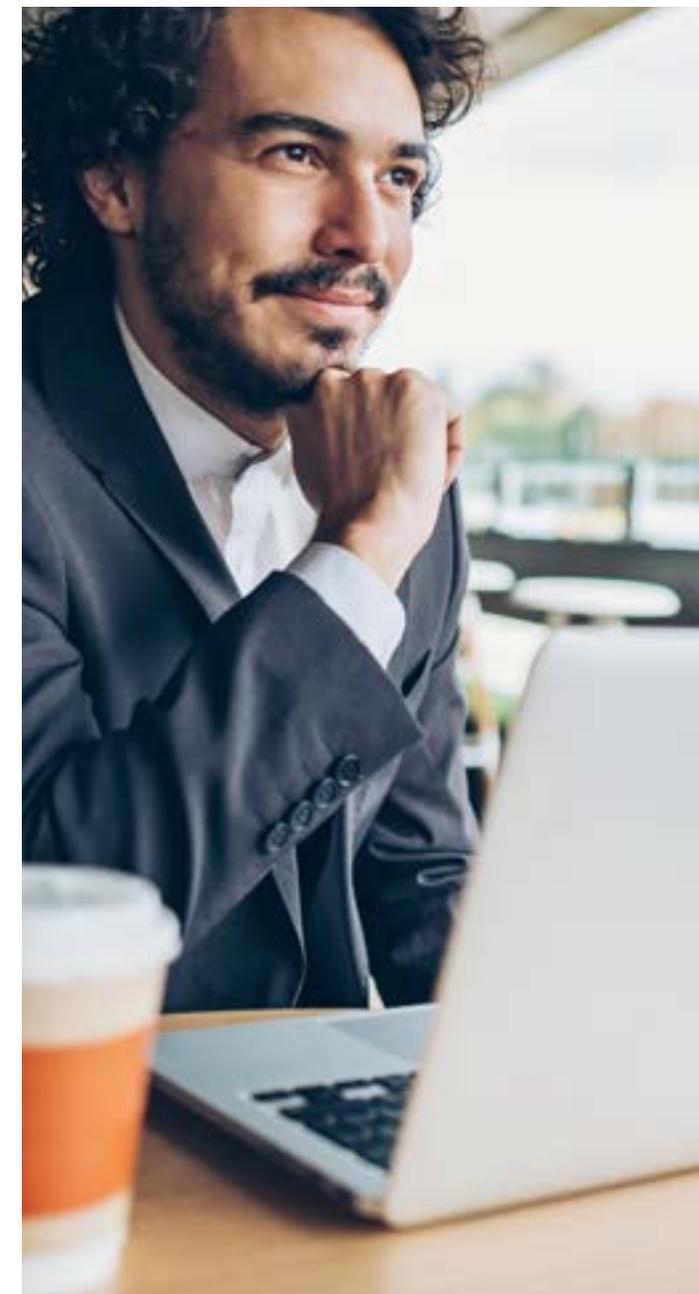
32. Basis for the Preparation of the Consolidated Financial Statements

32.1. Technical Regulatory Framework Applicable to the Consolidated Financial Statements

The consolidated financial statements have been prepared by Management in accordance with the International Financial Reporting Standards (IFRS) and the IFRS Interpretations Committee (IFRIC) issued by the International Accounting Standards Board (IASB), and present the comprehensive, explicit adoption without reservations of said international standards. The standards used correspond to those translated into Spanish and issued on January 1, 2016, and to the amendments made effective in 2016 by the IASB, and present the comprehensive, explicit adoption without reservations of said international standards.

The **bvc** consolidated financial statements have been prepared based on the historical cost except for the valuation of specific non-current assets and financial instruments measured at fair value. The preparation of the consolidated financial statements pursuant to the International Financial Reporting Standards (IFRS) requires the use of estimates and requires that Management exercises its judgment on the process of applying **bvc's** accounting policies.

The separate financial statements serve as a basis for the distribution of dividends and other appropriations by the shareholders. The consolidated financial statements are submitted to the Shareholders Meeting



for its consideration and approval.

32.2. New Standards and Interpretations Not Adopted

32.2.1 New Standards Applicable from January 1, 2018

In accordance with the IFRS, the issued standards applicable from 2018 are listed below. The impact of the application of IFRS 9 and IFRS 15 is indicated in Note 32.2. Regarding the evaluation process by the Management of Bolsa de Valores de Colombia S.A. and its subsidiaries, a significant impact is not expected on the financial information statements.

New Standards and Amendments	Contents
IAS 7 – Statement of Cash Flows	Disclosure Initiative. They require that the entity provides disclosures that enable users of financial statements to evaluate changes in liabilities arising from the financing activities.
IFRS 9 - Financial Instruments	The replacement project refers to the following phases: Phase 1: Classification and measurement of the financial assets and liabilities. Phase 2: Impairment methodology. Phase 3: Hedge accounting In July 2014, the IASB completed the reform of the accounting of financial instruments and issued IFRS 9 - Financial Instruments (in its revised 2014 version), which will replace IAS 39 - Financial Instruments: Recognition and Measurement, after the term of the previous standard expires.
IFRS 15 - Revenue from Contracts with Customers	It establishes a five-step model framework that applies to the revenue from contracts with customers. It shall replace the following standards and interpretations after the date on which it comes into effect: - 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; and - SIC 31 - Barter Transactions Involving Advertising Services.

32.2.2 Impact of the Adoption of the New IFRS 9 and IFRS 15 Standards

Considering that the new IFRS 9 and IFRS 15 Standards will be applied from January 1, 2018, it is not expected that these will have a material impact on the financial

statements of **bvc** and its subsidiaries in the initial period of application.

IFRS 15 – Revenue from Contracts with Customers

Revenue includes the fair value of the remuneration received or receivable from the sale of services in the normal course of business net of deductions. Net revenue is presented before sales tax.

The Company recognizes revenue when its amount may be feasibly measured, it is possible that the future economic benefits will flow to it, and the specific conditions for each one of the Company's activities are met.

With the accounting and financial reporting standard on revenue from contracts with customers (IFRS 15) coming into effect, we made an analysis by **bvc** business line of whether any impact identified with its implementation applied, which is shown in the technical document generated. At the close of December, revenue that needs to be broken down according to the standard's requirements was not identified.

At December 31, 2017, Bolsa de Valores de Colombia generated revenue from fixed income (which has six internal services), equity (seis internal services), derivatives (two internal services), EAS (five internal services), information and media (five internal services) and education (four internal services), according to the analysis of the contracts made with its clients. Additionally, the subsidiaries conducted an analysis of their revenue in Sophos for the provision of IT services; in **deceval** for securities management, issuer deposits and promissory notes, and custody, clearing and settlement; and in INFOVALMER for price provision services for valuation.

Therefore, it is established that there is no implicit revenue that requires classification or the opening of new account, because according to its origin, it is duly recognized, as indicated in the technical standard applicable from January 2018 (IFRS 15).

IFRS 9 – Financial Instruments

The Company made the following analysis of the changes included in the standard:

Classification of Financial Assets

IFRS 9 contains a new approach for the classification and measurement of financial assets that reflect the business model in which the asset is managed and its cash flow characteristics.

In accordance with IFRS 9, Bolsa de Valores de Colombia assesses its investments at fair value through profit or loss, which does not lead to adjustments of its investments. Regarding the subsidiaries, no impact is seen on the classification and valuation of the existing investments to date.

Accounts and leases receivable

On average, the trade accounts receivable of **bvc** are recovered in a period considered as cash sale, because all of **bvc**'s sales are managed with this term or cash equivalent. Therefore, they do not have an implicit financing element that could lead to their amount generating future recovery and having to be calculated at their present value. At December 31, 2017, none of the entries contained in accounts receivable after making the 2017 impairments (see note) present objective evidence of additional impairment to those which the impairment was individually applied and recorded according to the Company's current policy.

To make a better estimation of the expected loss of the financial assets in trade accounts receivable, a calculation of these losses was established that is aligned with the business model. The calculation considers the services provided by the Exchange and the process of recoverability of the cash flows, breaking down the portfolio

into types of client with similar conditions, such as their corporate purpose, similar consumption of services provided by **bvc**, size of their company and the probability of return of the value exposed as an account receivable with which a percentage factor is established according to each segment. This percentage is applied to the total portfolio pending payment at December 31, 2017 and presents a 5% impact on the total portfolio, which is not considered material and shall not significantly affect the information presented in 2017.

Disclosures

In compliance with the regulations, **bvc** provides detailed disclosure of every note to the financial statements.



32.2.3. New Standards and Amendments Applicable from January 1, 2019

Financial Reporting Standard	Standard Topic	Contents
IFRS 16 – Leases	Recognition, measurement, presentation and information to disclose the leases	IFRS 16 – Leases establishes the principles for recognition, measurement, presentation and information to disclose the leases. The aim is to ensure that lessees and lessors provide relevant information that faithfully represents those transactions. This information provides a basis for users of financial statements to assess the effect that leases have on the financial position, financial return and cash flows of the entity.
Annual Improvements to IFRS Standards 2014 – 2016 Cycle	Amendments to IFRS 1 – First-Time Adoption of International Financial Reporting Standards.	Adoption of the International Financial Reporting Standards for the first time. Deleted the short-term exemptions that adopted the IFRS for the first time.
	Amendments to IFRS 12 – Disclosure of Interests in Other Entities	Clarified the scope of the standard.
	Amendments to IAS 28 – Investments in Associates and Joint Ventures	Measurement at fair value of an investment in an associate or joint venture.

The **bvc** Group shall take advantage of the exemption that allows it to not restate comparative information of previous periods with respect to the changes in classification and measurement (including impairment). The differences in the book value of financial assets and liabilities resulting from the adoption of IFRS 9 shall generally be recognized in accumulated earnings at January 1, 2018.

32.3. Basis for Assessment

The consolidated financial statements have been prepared based on the historical cost except for the financial instruments at fair value through profit or loss, which are measured at fair value.

32.4. Functional and Reporting Currency

The entries included in **bvc**'s consolidated financial statements are expressed in the currency of the primary economic environment where the entity operates (Colombian pesos). The financial statements are presented "in Colombian pesos", which is the functional currency of Grupo **bvc** and its reporting currency. All of the information is presented in thousands of Colombian pesos, except if otherwise indicated, and it has been rounded to the closest unit.

Establishing the functional currency of Grupo **bvc** requires analysis of the facts that are considered to be primary factors, and if the result is inconclusive, the secondary factors. The analysis requires that the Company applies its professional judgment, because the primary and secondary factors can be mixed. To establish its functional currency, the Company analyzed the primary and secondary factors, including the currency of the Company's income, the operating costs in the countries in which it operates and the sources of debt and capital financing.

32.5. Use of Estimates and Judgments

The preparation of the separate financial statements according to the aforementioned regulatory framework requires that Management makes judgments, estimates and assumptions that affect the application of the accounting policies and the amounts of assets, liabilities and contingent liabilities on the date of the assessment, as well as the revenue and expenses of the year. The real results may differ from these estimates.

The relevant estimates and assumptions are regularly reviewed. The reviews of the accounting estimates are recorded in the period in which the estimate is reviewed and in any future period affected.

The information on assumptions and uncertainties of estimates that have a significant risk of resulting in a material adjustment in the next financial year is included in the following notes:

- Note 6 Fair Value of Other Financial Instruments
- Note 8 Trade Debtors
- Notes 11 and 12 Intangible Assets and Property and Equipment
- Note 13 Income Tax
- Note 17 Estimated Liabilities and Provisions
- Notes 15 and 18 Long-Term Employee Benefits
- Note 28 Contingencies

These estimates are made on the following components:

Long-Term Employee Benefits

The current value of these obligations depends on certain factors that are established on an actuarial basis using a series of hypotheses used to establish the cost for five-year period bonuses, including the discount rate. Any change to these hypotheses will have an effect on the book value of the obligations of the long-term benefits.

The Group establishes the appropriate discount rate at the end of each year. This rate is the interest rate that must be used to establish the current value of the outgoing cash flows that are expected to be necessary to settle the obligations for five-year period bonuses.

Property and Equipment

The useful life during which the assets depreciate or are amortized is based on Management's judgment of their future use and performance.

The residual value and the useful life of each asset are reviewed at least at the end of each year, and if the expectations differ from the previous estimates, the changes shall be recorded as a change in the accounting estimate in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Intangible Assets

Impairment tests are carried out using the greater value between the fair value less the costs of sale, if they are available, and the calculations of the value-in-use, established using the best estimates of the direction of future cash flows, long-term growth rates and appropriate discount rates. The purchased intangible assets are valued at the time of their acquisition using the appropriate methods and they are amortized in their estimated economic useful life, except in the cases in which it is established that said intangible assets have an indefinite useful life, when there is not a foreseeable limit on these intangible assets generating net cash flows. These valuations and useful lives are based on the best estimates of the management department regarding the future performance and the periods in which these assets are expected to generate value.

Provisions and Contingencies

Using Management's judgment, it is necessary to assess whether the provisions and/or contingencies should be recorded or disclosed and at what value. Management bases its decisions on past experience and other factors that it considers relevant on a specific basis for analysis of each situation.

Accounts Receivable

Management's judgment is required when uncollectible accounts arise. Management bases its estimates on past experience and other relevant factors.

Through the Portfolio Committee, the Parent Company establishes the impairment of the trade accounts receivable, taking into account the objective evidence available on the uncollectible trade accounts receivable, making an individual analysis of the portfolio (by client), and considering the liquidity, legal situation (settlement, intervention, etc.) and the time of payment. Derecognition occurs with the express authorization of the Board of Directors and applies when the contractual benefits on



the cash flows of the financial asset have expired, which is equivalent to the existing uncollectible accounts process on said asset.

In the event that there is evidence of impairment, the amount of loss shall be measured as the value of the asset on the date. The discounted value is not applied, as interest rates are not applied to the pending portfolio balances.

Income Tax

The recording of income tax requires estimates and judgments to be made. When differences occur between the tax provision and its final obligation, an adjustment is made to the identified amount.

Fair Value of Other Financial Instruments

The fair value of the financial instruments that are not traded on an active market is established using valuation techniques.

For these assets, **bvc** values its portfolio through its valuation provider, which can access the information supplied by the price provider authorized by the Financial Superintendence of Colombia daily and on the closing dates, which allows the update of the **bvc** investments to market prices or fair value.

33. Main Accounting Policies

The main accounting policies applied in the preparation of **bvc**'s consolidated financial statements at December 31, 2017 and 2016, are presented below.

When the policy alludes to "**bvc**", it refers to Bolsa de Valores de Colombia S.A. and its subsidiaries, associates and joint ventures.

33.1. Basis of Consolidation

33.1.1. Business Combinations

For the acquisitions made from January 1, 2015, **bvc** measures the goodwill of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount at fair value of the identified assets acquired and liabilities assumed, all valued on the acquisition date. When the excess is negative, a gain in sales in advantageous conditions is immediately recognized in the income statement.

On the basis of each individual transaction, **bvc** decides whether to value the non-controlling interest at its fair value or at its share proportional to the amount recognized in net identifiable assets on the acquisition date.

The transaction costs, other than those associated with the issuance of debt or equity instruments which are incurred in a business combination, are recorded in expenses of the period as they are incurred in accordance with IFRS 3, paragraph 53, and IFRS 3, B64. The expenses incurred are those related to the valuation processes, due diligence costs, legal fees and calculation of the purchase price allocation (PPA).

Acquisition Costs

When costs were incurred in an acquisition process, costs were recorded related to valuation processes, due diligence costs, legal fees and calculation of the purchase price allocation (PPA), which were recorded in expenses of the period in accordance with IFRS 3, paragraph 53 and IFRS 3, B64.

In accordance with IAS 32, paragraphs 35 and 37, the costs can be directly related or attributed to the share issuance, and they are accounted or recorded as a deduction from equity, net of any related tax incentive.



33.1.2. Consolidation Process

The consolidation process of the financial statements of the companies that comprise **bvc** was carried out based on International Accounting Standard (IAS) 27 and IFRS 10.

This consolidation process requires the combination of the financial statements of the Parent Company and its subsidiaries, line by line, adding the line items that represent assets, shareholders' equity, revenue and expenses of similar content.

So that the consolidated financial statements present the financial information of **bvc** and its subsidiaries as if it were a single economic entity, the following shall be applied:

1. The book value of the Parent Company's investment in each of the subsidiaries is eliminated together with the portion of shareholders' equity in each one of the subsidiaries belonging to the Parent Company.
2. The consolidated non-controlling interest in the income statement of subsidiaries for the reporting period is identified; and
3. The consolidated non-controlling interest in the net assets of the subsidiaries in which the Parent Company has a share is separately identified.

33.1.3. Subsidiaries or Controlled Companies

Dependent companies are all the entities over which **bvc** has the power to manage the policies on finance and exploitation, which is generally accompanied by a share of more than half of the rights to vote. When assessing whether **bvc** controls another entity, the existence and effect of the potential rights to vote that are currently exercisable or convertible are considered.

The **bvc** Group also assesses the existence of control when it does not hold more than 50% of the rights to vote but is capable of managing the policies on finance and exploitation through *de facto* control. This *de facto* control may arise in circumstances in which the number of **bvc**'s rights to vote compared to the number and dispersion of the shares of other shareholders grants **bvc** the power to manage the financial and exploitation policies, etc.

The **bvc** Group controls an investee when it is exposed, or has the rights to variable returns from its involvement in the investee and it has the capacity to influence these returns through its power over it. The **bvc** Group controls an investee if and only if it meets all of the following criteria:

- a. Power over the investee.
- b. Exposure or right to variable returns as a result of its involvement in the investee.
- c. Capacity to use its power over the investee to influence the value of the investor's returns.

Adjustments due to the conversion from Colombian principles to IFRS are included in **bvc**'s separate financial statements and the individual financial statements of the subsidiaries and associates, when required, as well as the necessary adjustments and reclassifications to standardize the accounting policies and valuation criteria applied by the Exchange.

The dependent companies are consolidated from the date on which control is transferred to **bvc** and they are excluded from consolidation on the date on which **bvc** ceases activity. The inter-company transactions, balances, revenue and expenses in transactions between **bvc** and its subsidiaries are eliminated. The losses and earnings that arise from intra-group transactions that are recognized as assets are also eliminated.

The accounting policies of the dependent companies are in line with the policies adopted by **bvc**.



33.1.3.1 Changes in Shares of Property in Dependent Companies without Change of Control

The transactions with non-controlling interest that do not result in a loss of control are accounted as transactions of shareholders' equity, that is, as transactions with the owners in their nature as such. The difference between the fair value of the consideration paid and the corresponding proportion acquired of the book value of the dependent company's net assets is recorded in net shareholders' equity. The gains or losses from the transfer of non-controlling interest are also recognized in net shareholders' equity.

33.1.3.2 Loss of Control

When there is a loss of control over a controlled company, IFRS 10, paragraph 25, needs to be applied regarding loss of control, which involves no longer consolidating these companies from the date of loss of control.

When control is lost over a subsidiary, the subsidiary's assets and liabilities, any related non-controlling interest and other components of equity need to be derecognized. Any resulting profit or loss is recognized in income. If any equity in the former subsidiary is retained and this is accounted using the equity method, the part of the profit or loss that comes from the new measurement at fair value is recognized in the income of the period only in the measure of equity in the new associate. If the equity that is retained is accounted in accordance with IFRS 9, the share of the profit or loss is fully recognized in the income of the period.

33.1.4 Associates and Joint Ventures

33.1.4.1 Associates

Associates are all entities over which **bvc** exercises a significant influence but does not have control, which generally involves a share of 20% to 50% of the rights to vote, although this may be higher if it does not exercise control over the entity. Investments in associates are accounted by the equity method. Under the equity method, the investment is initially recognized at cost and the book value increases or decreases to recognize the share of the investor in the results of the investee after the acquisition date.

If the shareholding in an associate is reduced but a significant influence is maintained, only the proportional share of the previously recognized amounts in other comprehensive income are reclassified to income when appropriate.

The share of **bvc** in the profit or loss after the acquisition of its associates is recorded in the income statement using the equity method, and its share in the activity after acquisition is recorded in other comprehensive income with the corresponding adjustment to the investment's book value. When **bvc**'s share in the losses of an associate is equal to or greater than its shareholding in it, including any other uninsured account receivable, **bvc** does not recognize additional losses, unless they have been incurred in legal or implicit obligations or payments made in the name of the associate.

On each date for submission of financial information, **bvc** establishes whether there is any objective evidence that the value of the investment in the associate has been impaired. If this is the case, **bvc** calculates the amount of the loss from impairment of value as the difference between the recoverable amount of the associate and its book value, and records the amount in the income statement.

The earnings and losses of dilution that arise in investments in associates are recorded in the income statement if they occur.

33.1.4.2 Joint Ventures

A joint venture is a collective agreement through which the parties that have joint control of the agreement have the right to the net assets of the agreement.

Regardless of whether it also owns investments in subsidiaries or of whether it reports its financial statements as consolidated financial statements, **bvc** recognizes its share in jointly controlled companies applying the equity method. This currently applies for the companies, Derivex, SET-ICAP FX and SET-ICAP SECURITIES.

See the share percentage in associates and joint ventures in Note 10.1

33.1.4.3 Previously Acquired Share

In accordance with paragraph 32b of IAS 28, the fair value is established of the investment recorded in the separate financial statements on the transaction date. This means that the book value of **bvc's** previous share in an associate or joint venture is updated to the fair value on the day of the transaction. This generates a difference that is recognized as a profit or loss as a result of said update to fair value and it is reflected in the Comprehensive Income Statement as a non-ordinary profit or loss for **bvc**.

IAS 28 - Investments in Associates and Joint Ventures, in the Equity method procedures section, indicates:

- *Paragraph 26: Many of the procedures that are appropriate for the application of the equity method are similar to the consolidation procedures described in IFRS 10. Furthermore, the concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted in accounting for the acquisition of an investment in an associate or a joint venture.*
- *Paragraph 32 indicates "An investment is accounted for using the equity method*

from the date on which it becomes an associate or joint venture. On acquisition of an investment, any difference between the cost of the investment and the entity's share of the net fair value of the investee's identifiable assets and liabilities is accounted for as follows:

(b) Any excess of the entity's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

33.1.4.4 Other Procedures of the Equity Method

When assets are acquired through an acquisition or they are updated in the process of purchasing an associate or joint venture, the greater value resulting from the acquisition must affect the income of the following period in its participation as if the acquired company had held the securities from the start.

IAS 28. Procedures of the Equity Method

26 Many of the procedures that are appropriate for the application of the equity method are similar to the consolidation procedures described in IFRS 10. Furthermore, the concepts underlying the procedures used in accounting for the acquisition of a subsidiary are also adopted in accounting for the acquisition of an investment in an associate or a joint venture.

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Appropriate adjustments to the entity's share of the associate's or joint venture's profit or loss after acquisition are made in order to account, for example, for depreciation of the depreciable assets based on their fair values at the acquisition date.

The above means that an adjustment needs to be made to the calculation of the

equity method, considering the amortization of the assets based on the added fair value, or of the assets generated in the acquisitions through profit or loss.

Related Parties

Transactions between related parties and **bvc** are those that meet the following conditions: (i) they are between entities of the same group - subsidiaries. (ii) they are with entities (associates or joint ventures) in which the reporting entity has a significant influence; and (iii) they are with a key member of management of the reporting entity. Transactions with related parties are made at the fair value or market price at the time of the transaction.

33.2. Foreign-Currency Transactions

Transactions in currencies other than **bvc's** functional currency (foreign currency) are converted using the current exchange rate on the date of the transaction. On the date of each statement of financial position, the monetary assets and liabilities expressed in foreign currency are converted using the closing exchange rates of the statement of financial position. The earnings and losses in foreign currency that result from the settlement of these transactions and the conversion at the closing exchange rates of the monetary assets and liabilities denominated in foreign currency are recognized in the consolidated comprehensive income statement.

At December 31, 2017 and 2016, the representative exchange rate used was COP 2,984.00 and COP 3,000.71, respectively. The exchange differences are registered in the corresponding assets or liabilities, or in income as appropriate.

33.3. Fair Value

The fair value is the price that would be received from selling an asset or paid to transfer a liability in an ordered transaction between market participants on the date

of measurement.

The **bvc** uses a hierarchy of three levels to classify the importance of the factors used in the measurement of the fair value of the assets and liabilities. The three levels of the fair value hierarchy are as follows:

Level 1. Precios de cotización (no ajustados) en mercados activos para activos y pasivos idénticos.

Level 2. Inputs other than the listing price included in Level 1 that are observable for the asset or liability, both directly (for the prices) and indirectly (for the derivatives of the prices).

Level 3. The valuations at this level are the unobservable inputs for the asset or liability. The unobservable inputs are used to measure the fair value when the relevant observable inputs are not available, taking into account, therefore, situations in which there is little, if any, market activity for the asset or liability at the measurement date.

33.4. Clearing Transactions and Balances

As a general rule in the financial statements, neither assets nor liabilities are cleared, nor are the income or expenses, except in cases in which clearing is required or permitted by some regulation and this presentation is the reflection of the transaction's fund.

By requirement of the standard, the Exchange offsets the deferred tax debits and credits, reflecting the largest of them and the current income tax debits and credits, also showing the largest of them in the year-end financial statements in records and presentation, and in the interim financial statements only for the purposes of presentation by express requirement of the control entity.

The income or expenses resulting from transactions that include the possibility



of clearing, contractually or mandatorily by legal regulation, and that **bvc** has the intention to clear by their net amount or to realize the asset and proceed to payment of the liability simultaneously are presented as net amounts in the income statement.

33.5. Classification of Balances in Current and Non-current Assets

The **bvc** Group uses the following criteria to classify its balances:

- a. Current asset: One with a term of maturity equal to or less than twelve months that is intended to be sold or realized in the normal cycle of operation of the different activities or businesses it develops.
- b. Non-current asset: One with a term of maturity greater than twelve months.
- c. Current liability: One with a term of maturity equal to or less than twelve months that is intended to be settled in the normal cycle of operation of the different activities or businesses it develops.
- d. Non-current liability: One with a term of maturity greater than twelve months.

33.6. Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, banks, savings accounts and shares in money market funds. They have the following essential characteristics:

- a. Can be easily converted into cash.
- b. Are subject to an insignificant risk of changes in their value.
- c. Have a maturity of less than 90 days from the date of their formation.

They have the purpose of being used to meet short-term payment commitments. They are initially recognized at current cost or exchange value and their subsequent measurement depends on their classification.

Bank overdrafts are shown in current liabilities in the statement of financial position if they arise.

Financial Instruments

In the initial recognition, **bvc** (the Group) shall measure a financial asset or liability at its fair value. In the case of a financial asset or liability that is not recorded at fair value with changes to income, the transaction costs are directly attributable to the acquisition of the financial asset or liability.

33.6.1. Subsequent Measurement of the Financial Assets

All of the financial assets are currently classified in two ways, those measured at amortized cost and those measured at fair value. The classification is made at the time in which the financial asset is initially recognized, which is when **bvc** (the Group) becomes a party of the instrument's contractual provisions.

33.6.2. Debt Instruments

A debt instrument that meets the following two conditions can be measured by its amortized cost (net of any loss from impairment):

- Business model test: The aim of **bvc**'s business model is to hold the financial asset to collect the contractual cash flows (instead of selling the instrument before its contractual maturity to realize its fair value changes).



- Cash flow characteristics test: On the specified dates, the contractual terms of the financial asset give rise to cash flows that are only payments of capital and interest on the outstanding capital.

All of **bvc's** other debt instruments are measured at fair value through profit or loss.

33.6.3. Fair Value Option

Notwithstanding the above, in the initial recognition, **bvc** (the Group) may appoint a financial asset as measured at fair value through profit or loss if by doing so, it eliminates or significantly reduces a measurement or recognition inconsistency (accounting mismatch) that would otherwise arise in the measurement of the assets or liabilities or recognition of the gains or losses on them on different bases.

33.6.4. Investments in Equity Instruments

In its initial recognition, **bvc** may make an irrevocable decision to present in other comprehensive income the later changes in the fair value of an investment in an equity instrument that within the scope of this IFRS is not held for trading.

Investments in equity instruments may be traded through profit or loss and not traded through changes in shareholders' equity.

Through the equity method, **bvc** has recognized the dividends of its subsidiaries. From 2017, due to the change in policy of subsequent measurement using the equity method for associates and joint ventures, it recognizes the dividends from these companies as a lower or greater value of the equity method initially recorded as an equity value over the profit or loss that is generated during a specific period.

Previously, the dividends from investments in associates and joint ventures were recognized in profit or loss when the right to receive the dividend payout was established in accordance with External Bulletin 034 of the Financial Superintendence

of Colombia from January 1, 2015, and in accordance with IAS 27 for investments other than the subsidiaries.

33.6.5. Subsequent Measurement of Financial Liabilities

The **bvc** (Group) classifies its financial liabilities in two categories of measurement: fair value through profit or loss and amortized cost. All the other financial liabilities are valued at their amortized cost unless the fair value option is applied.

33.6.6. Option to Appoint a Financial Liability at Fair Value through Profit or Loss

In the initial recognition, **bvc** (the Group) can irrevocably appoint a financial liability as measured at fair value through profit or loss if by doing so, it leads to more relevant information, because:

- With this it eliminates or significantly reduces any measurement or recognition inconsistency (accounting mismatch) that would otherwise arise when using different criteria to measure liabilities, or to recognize the gains or losses on them on different bases;
- A group of financial liabilities or of financial assets and financial liabilities is managed and its return is assessed according to the fair value in accordance with a documented risk management or investment strategy, and information is internally provided about this group, on the basis of the key personnel of the entity's management.

A financial liability that does not comply with one of these criteria can still be appointed as measured at fair value through profit or loss when it contains one or more embedded derivatives that require separation.



35.6.7. Reclassification

For financial assets, reclassification between the fair value through profit or loss of the period and amortized cost is required. It is carried out if and only if **bvc** (the Group) changes its business model for the management of the financial assets, reclassifying all of the affected financial assets.

If the reclassification is adequate, it must be done prospectively from the date of reclassification. An entity shall not adjust any previously recognized earnings, losses or interest.

33.7. Property and Equipment

Property and equipment are tangible assets that: (a) **bvc** (the Group) owns for use in the production or supply of goods and services, to lease to third parties or for administrative purposes; and (b) are expected to be used for more than one period.

The elements of property and equipment in the initial recognition, as well as in their subsequent measurement, are recorded at cost less the accumulated depreciation and less losses from impairment of value.

The useful lives established for the Company's assets are:

a. Buildings	50 years
b. Office equipment, furniture and fixtures	10 years
c. Electronic equipment	10 years
d. Data processing equipment	5 years
e. Telecommunications equipment	5 years
f. Transportation equipment	5 years

The depreciation method used for all property and equipment is the straight-line method.

The costs of property and equipment elements comprise the cost of their acquisition plus all of the costs directly related to the location of the asset and its installation for operation as planned by the management department. Also considered as a property and equipment cost is the interest on funding directly attributable to the acquisition or construction of assets that require a substantial period of time before being ready for their use or sale.

The later costs for improvements and extensions, among others, are included in the value of the initial asset or are recognized as a separate asset, only when it is likely that the future economic benefits related to the elements of property and equipment are going to flow to **bvc** (the Group) and the cost of the element can be reliably established for the remaining life of the main asset.

The expenses of repairs, conservation and maintenance are charged to the results of the period in which they are generated. At the date of closure or whenever there is an indication that there may be an impairment in the value of the assets, their recoverable value (the greater of the fair value less the costs of sale and the value-in-use) is compared to their net accounting value. Any record or reversal of a loss in value that may arise as a result of this comparison is charged or credited to the income statement as appropriate. The depreciation of property and equipment is calculated using the linear method on their estimated useful lives.

The **bvc** Group and its subsidiaries will annually review the estimates of useful life, salvage value and depreciation method and will conduct tests on impairment of the assets when there is evidence that said assets have been impaired.



33.8. Intangible Assets and Goodwill

An intangible asset is a non-monetary, identifiable asset without a physical appearance.

33.8.1 Goodwill

Goodwill represents the excess of the value paid over the net fair value of the assets acquired and liabilities assumed in a business combination.

The goodwill that arises during the acquisition of subsidiaries is measured at cost less the losses from accumulated impairment.

Goodwill is not amortized, but its impairment is checked annually, or previously if there are indications of a potential loss in the value of the asset.

33.8.2 Acquired Software

The licenses for IT programs purchased are capitalized on the costs that have been incurred to obtain them and prepare them in order to use the specific program. These costs are amortized during the estimated useful life of the recognized asset.

The charges related to the maintenance of IT programs are recognized as expenses when they are incurred in them.

33.8.3 Internally Developed Intangible Assets

With the aim to assess the feasibility of recognizing an internally generated intangible asset, **bvc** classifies the expenditure of projects in the following phases:

- a) Research phase: The costs incurred in this phase are recognized as expenses of the period.
- b) Development phase: The cost is comprised of the sum of the payments incurred since the time at which the following conditions are met for its capitalization, provided that the following is demonstrated:
 - Technical feasibility of the project.
 - Intention to complete the asset for use or sale.
 - Asset's capacity for use or sale.
 - Availability of technical or financial resources, or another kind of resource, to complete the asset for use and/or sale.
 - Probability of the generation of future economic benefits of the asset.
 - Capacity of reliable measurement of the disbursement of the asset.

The costs of development of IT programs recognized as assets are amortized during their estimated useful lives.

In periods after the initial recognition, the intangible assets are measured by the cost model. This is the cost less the accumulated amortization less the accumulated losses from impairment.

33.8.4 Amortization of Intangible Assets

The amortization of intangible assets (licenses and software) is defined by the economically useful time of the asset, which is defined by Technology Management for software and by Project Management for projects.

In the event that a license provides the service of use for a shorter period than that of the amortization policies, the amount must be independently amortized to the date of productive use.



Management of intangible assets (projects underway): **bvc** shall apply the reducing balance method for intangible assets (projects) and/or linear amortization for the economically useful time of the asset, which is defined by IT Management for software and by Project Management for projects. The costs incurred during the stages of organization, construction, installation, assembly and start-up are considered expenses

33.9. Other Assets

Prepaid expenses are rights of access to future services, which are amortized during the term of the contract that covers said services. This line item is comprised of the assets that do not meet the classification criteria of the aforementioned assets.

33.10. Employee Benefits

Employee benefits consist of any kind of payment that **bvc** provides to its employees in exchange for their services.

The payment of short-term employee benefits (different to compensation for contract termination) must be made within the twelve months following the period in which the employees have provided the services that grant these benefits.

Employee benefits are comprised of the following:

- a. **Short-term employee benefits.** Comprised of wages, salaries, social security payments, annual remunerated absences, sick leave, share of profits and incentives (if they are paid within the twelve months following the end of the period), and non-monetary benefits (such as medical care, cars and cellphones) for current employees.

The value corresponding to the variable compensation of bvc (the Group) is also included in this concept, which is established based on the objectives for the year and the achievements made by each employee, and is paid annually.

The accounting of awarded short-term employee benefits is generally immediate, because it is not necessary to establish any actuarial hypothesis to measure the corresponding obligations or costs, and therefore, there is no possibility of actuarial earnings or losses. Furthermore, the obligations for short-term employee benefits are measured without deducting their resulting amounts.

- b. **Benefits from termination.** These are the employee benefits payable as a result of **bvc's** decision to terminate the employee's contract before the normal date of withdrawal or of the employee's decision to voluntarily accept the termination of the work relationship in exchange for said benefits.

The **bvc** Group recognizes the benefits from contract termination as a liability and as an expense when and only when it is clearly committed to terminating the connection that binds it to an employee or group of employees before the normal date of withdrawal; or to pay termination benefits as a result of an offer made to provide an incentive for the employees' voluntary resignation.

- c. **Long-term employee benefits.** These include: bonuses for five-year periods, a value that is established because the probability of future payments for said obligations exists and the procedure of actuarial calculations is applied to establish the value of the obligations.

In this case, the actuarial earnings and losses are immediately recognized; and the cost of the past service is immediately recognized.



3.11. Provisions and Contingencies

A provision is a liability regarding which there is uncertainty about its amount or maturity.

Provisions are recorded when:

- a. The **bvc** Group has a current legal or implicit obligation as a result of a past event;
- b. It is probable that an exit of funds is required to pay the debt; and
- c. The amount can be reliably estimated.

Provisions are measured by the present value of the payments expected to be needed to settle the debt using the best estimate of **bvc**; the discount rate used to establish the present value, which reflects the current assessments of the market on the date of the statement of financial position; and the value of the money at the time, as well as the specific risk related to the particular liability.

A contingent liability is a possible debt arising from past events, the existence of which shall be confirmed only by one or more uncertain future events occurring or not occurring that are not fully under the control of **bvc**. Alternatively, it is a present debt that has arisen from past events that has not been recorded in the accounts because: (i) it is not likely that outgoing funds that incorporate economic benefits are required to pay it; or (ii) the amount of the debt cannot be measured with sufficient reliability.

33.12. Current Tax Assets and Liabilities

Current tax is the tax expected to be paid on the year's taxable earnings, using the current tax rates on the date of the statement of financial position, and any adjustment of the tax payable regarding taxes from previous periods.

Current tax liabilities must be recognized as a liability as long as they have not been paid. If the value of the tax less withholding tax and prepaid tax from the previous period and plus the advance payment of the future period is greater than the tax obligation, the excess must be recognized as an asset.

The current tax liabilities (/assets) as a result of the current period or previous periods must be measured by the amounts expected to be paid to (/recovered from) the tax authority using the taxable rates and regulations that have been authorized or of which the authorization process is practically finished by the end of the reporting period

33.13. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities must be measured using the tax rates expected to be applied in the period in which the asset is realized or the liability is paid, based on the rates (and tax laws).

Deferred tax assets and liabilities are calculated using the balance method, which establishes the temporary differences¹ between the book value of the assets and liabilities for financial reporting purposes and the amounts used for tax purposes. The amount of deferred taxes is always based on the forecast form of realization or on the way in which the book value of the assets and liabilities is paid using the tax rates expected to be in force when the assets and liabilities are realized.

Deferred tax liabilities are the amounts of income tax payable in future periods related to the temporary taxable differences, while deferred tax assets are the amounts of income tax recoverable in future periods related to:

1. Temporary differences are differences between the tax earnings and the accounted earnings that originate in one period and are reversed in another or other later periods. Temporary differences are those that exist between the tax base of an asset or liability and its book value in the statement of financial position. The tax base of an asset or liability is the amount attributed to said asset or liability for tax purposes.

- a. Deductible temporary differences.
- b. Offsetting of losses obtained in previous periods, which have still not been subject to tax deduction.
- c. Offsetting of unused credits from previous periods.

The tax base of an asset or liability is the amount attributed to said asset or liability for tax purposes.

The tax base of an asset is the value that will be deductible from the economic benefits for tax purposes that **bvc** (the Group) obtains in the future when it recovers the book value of said asset. If said economic benefits are not taxable, the tax base will be equal to its book value.

The tax base of a liability is equal to its book value less any amount that will possibly be tax deductible from said entry in future periods. In the case of ordinary revenue that is received in advance, the tax base of the corresponding liability is its book value less any possible amount that is not taxable in future periods.

33.14. Recognition of Revenue and Expenses

The **bvc** (Group) recognizes revenue when its amount may be feasibly measured and it is possible that the future economic benefits will flow to it as described below:

- a. *Service provision*. Revenue from service provision is recognized when in development of an agreement, a series of activities that satisfy the client's requirements and demands has been executed
- b. *Financial returns*. Financial returns are recognized at the time in which the right to receive them arises using the effective interest method.
- c. *Dividends and shares* This type of revenue is recognized when the right to receive it is established.
- d. *Valuation of classified instruments at amortized cost and at fair value* This revenue is recognized at the time at which the positive variation in the market price of the held instrument is recorded, supplied by the duly authorized, recognized and accredited supplier system.

- e. *Other revenue*. Other revenue is recognized when the right to receive it is established.

This revenue is measured at the fair value of the remuneration received or receivable and represents the amounts receivable for the services provided in the normal course of business net of the deductions and related taxes.

Expenses are recognized when there is a decrease in an asset or an increase in a liability that can be feasibly measured.

33.15. Leases

When **bvc** is the Lessee - Finance Lease

Leases in which the lessor maintains an important part of the risks and advantages from ownership of the asset are classified as financial leases.

When **bvc** is the Lessor - Operating Lease

Leases where the lessor transfers the risks or the majority of them, as well as the advantages of ownership of the assets, are classified as financial leases. Grupo **bvc** gives this treatment to an asset that it owns in the Sophos subsidiary, activating the asset (office) and holding the debt at amortized cost

When **bvc** is the Lessor

When the assets are leased under financial leasing, the current value of the payments for leasing is recognized as a financial account receivable. The difference between the gross amount receivable and the current value of said amount is recognized as the financial return of the capital.

The revenue from financial leasing is recognized during the lease period according to the net investment method, which reflects a constant, regular rate of return.

Assets leased to third parties under operating lease contracts are included in the Property, Plant and Equipment or Investment Property line item, as appropriate.

The revenue from operating leases is recognized by the linear method during the term of the lease.

IFRS 16 – Leases comes into effect from 2019.

34. Matters of Interest and Subsequent Events

34.1. Tax Reform:

The draft Tax Reform Law filed with Colombian Congress was passed and came into effect with the issue of **Law 1819 / December 29, 2016**.

The main tax changes in accordance with Law 1819 are the following:

1. CREE fair tax is eliminated but without affecting the resources for the Colombian National Learning Service (SENA, for the Spanish original), Colombian Family Welfare Institute (ICBF, for the Spanish original), health and universities. A unified income tax is created, which will have the following fees in the general system, adding a temporary surcharge to it:

YEAR	INCOME TAX RATE	INCOME SURCHARGE
2017	34%	6%
2018	33%	4%
2019 and subsequent	33%	

2. The presumptive income tax base will be 3.5% of the liquid equity of the year immediately prior. Before it was 3%.

3. It is presumed that the market value of unlisted shares cannot be lower than the intrinsic value increased by 15%.

4. Goodwill cannot be amortized through tax or through the purchase of stocks, or in corporate reorganization processes, or in the purchase of commercial establishments. In the event of the purchase of stocks, an asset must not be recognized for tax.

The existing and pending balances of goodwill to amortize at January 1, 2017, shall be amortized within the five (5) following tax periods, applying the straight-line system in equal proportions.

5. The exemption of mandatory health and parafiscal payments to the SENA and ICBF for employees with a salary of less than ten (10) minimum monthly salaries is maintained.

6. Deductions for investments in research, development and innovation:

Amortization of the Investment. . The general rule for the deduction of expenses due to amortization of this kind of investment will be from the time that the research, development and innovation project is completed, whether or not it is successful. This shall be amortized in equal proportions for the time that it is expected to obtain returns, and in any case, it may not be more than the annual aliquot of 20% of its tax cost, in the case of software: i) If the asset is sold, it is treated as a cost or deduction at the time of its disposal; and ii) If the asset is for internal use or for exploitation, that is, through licensing or use rights, it is amortized by the general rule explained.

Investments and donations in research, technological development and innovation are deducted, provided that the investment is not amortized in the stated terms.



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For the purposes of deduction, the National Council of Tax Benefits in Science, Technology and Innovation (CNBT, for the Spanish original) is responsible for the task of annually establishing the maximum amount of deduction, and the National Council for Social and Economic Policy (CONPES, for the Spanish original) is responsible for updating tax policy.

The request of a tax deduction is applicable without prejudice to the deduction, but it cannot coincide with amortization of the investment. The benefit is increased from 20% of the value incurred to 25%, in which the limit to the deduction is introduced. According to which, the deduction may not exceed 25% of the taxpayer's tax of the period and the excess may be taken within the following four (4) tax periods from the one in which the investment was made in research, development and innovation.

7. Deduction for donation to special tax system entities: The deduction for donations to entities of the special tax system is removed and the tax deduction of 25% of the donation is introduced. This deduction shall be limited to 25% of the income tax of the tax period and the excess may be carried over to the next tax year.

8. There is an amendment to withholding tax for payments abroad where the following applies to **bvc**, but taking into account the double taxation agreements.

CONCEPT OF PAYMENT OR DEPOSIT IN ACCOUNT	AMENDMENT INTRODUCED AND COMMENTS
Rates for capital gains and income from work	15%
Consultancies, technical services and technical support	15%
Payments for concepts of management or administration of the headquarters	15%
Payments or deposits in account for any concept that constitutes taxable income for its beneficiary in non-cooperating jurisdictions or jurisdictions of low or zero taxation	15%
Computer programs	33% out of 80%
Payments or deposits in account for concepts not covered in Articles 407 to 411 of the Tax Code.	15%

9. An increase in VAT from 16% to 19%.

10. The levy on financial activity is made permanent at the rate of 4x1000.

11. The term in which tax returns are subject to review will be three years from the submission of the tax return or the request for the return or payment of a balance in favor. If the taxpayer is subject to transfer prices, the term will be six years. If the taxpayer calculates tax losses, the term will be six years. If said loss is offset in the two last years that the taxpayer has to do so, the loss shall be extended from then for three more years related to the tax return in which said loss was calculated.

12. Dividends and returns on shares in companies: In accordance with Article 10 of Decree 2250 / December 29, 2017, which amended Articles 1.2.4.7.1 to 1.2.4.7.3 of Single Tax Decree 1625 / October 2016, the withholding agents that distribute dividends or shares (see Article 30 of the Tax Code and Section 3 of Article 48 of the Tax Code) must take the following into account for all distributions made from January 2017 onward:

1. If the beneficiary is a resident individual or a resident illiquid estate that will file a tax return (which is required when it receives payments or deposits of more than 1,400 tax value units - UVT, for the Spanish original - in its accounts) and the dividends distributed to the beneficiary are those of 2016 or previous tax years, tax must only be withheld at source on the part delivered as dividends or shares charged by applying the rate of 20% (without any minimum amount applying). If said taxpayers do not meet the requirement of filing a tax return (as they received payments or deposits in their accounts of less than 1,400 UVT), the rate will be 33% (without any minimum amount applying). There is no change here to the regulation that was already being applied (see the transitional paragraph of the new edition of Article 1.2.4.7.1 of Single Tax Decree 1625 / October 2016).



2. If the beneficiary is a resident individual or a resident illiquid estate, regardless of whether or not the beneficiary files a tax return, and the dividends that are distributed to the beneficiary are from 2017 and subsequent tax years, the following calculations must be made:

- a. The table contained in Article 1.2.4.7.1 of Single Tax Decree 1625/2016 shall be applied to the untaxed value delivered, which is equal to the figure in Article 242 of the Tax Code and only taxes the values that exceed 600 UVT (COP 19,894,000 in 2018).
- b. A fixed rate of 35% will be applied to the taxed value delivered (without any minimum amount applying). Then, the table of Article 1.2.4.7.1 of Single Tax Decree 1625 / 2016 will be applied to the net value left after subtracting the first withholding.

In that respect, and although this is covered in Article 242 of the Tax Code, we believe that the tax on dividends should only be charged at the rate of 35% and not with the combination of the rate of 35% plus the table, as this leads to an exaggerated tax on the taxed dividends. In all cases, the above would have to be amended by a new tax reform.

3. If the beneficiary is a non-resident individual, a non-resident illiquid estate, a foreign legal entity without its main domicile in Colombia, or a branch of a foreign entity in Colombia, and the dividends or shares to be distributed are from 2016 or previous tax years, only the taxed amount delivered shall be taken and a fixed rate of 33% shall be applied (without any minimum amount applying; see transitional paragraph of Article 1.2.4.7.2 of Single Tax Decree 1625 / October 2016). In all cases, and even if Decree 2250 / December 29, 2017, has not been taken into account, it would be correct to say that if the dividend or share is distributed to third parties with which Colombia has valid agreements to prevent double taxation (for example, Switzerland, Chile, Spain, etc.), the rates that must be applied are the special reduced rates in the laws that regulate said agreements.

4. If the beneficiary is a non-resident individual, a non-resident illiquid estate, a foreign legal entity without its main domicile in Colombia, or a branch of a foreign entity in Colombia, regardless of whether or not the beneficiary files a tax return, and the dividends or shares to be distributed to the beneficiary are from 2017 or subsequent tax years, the following calculations must be made:

- a. First the taxed part will be taken (without applying any minimum amount), and 35% will be calculated.
- b. Then, the total delivered amount will be taken (adding together the taxed and untaxed amounts), the withholding tax calculated in point a) will be subtracted, and another 5% will be calculated of the net amount (without applying any minimum amount). This is actually indicated in the new versions of Articles 245 and 246 of the Tax Code. However, another incorrect instruction was given in Article 1.2.4.7.2, as it says that 5% is only calculated on the untaxed part. Therefore, this will have to be corrected with another subsequent decree. Furthermore, and even if Decree 2250 / December 29, 2017, has not been taken into account, it would be correct to say that if the dividend or share is distributed to third parties with which Colombia has valid agreements to prevent double taxation (for example, Switzerland, Chile, Spain, etc.), the rates that must be applied are the special reduced rates in the laws that regulate said agreements.

5. If the beneficiary is a Colombian legal entity, regardless of the year the dividends to be distributed are from, only the taxed part delivered will be taken (without applying any minimum amount), and a fixed rate of 20% shall be applied to it. It is clear that this withholding shall only apply if the beneficiary is a legal entity that files a tax return (either in the ordinary or special tax system), but it shall not apply to entities that do not file a tax return (see Article 369 of the Tax Code amended with Article 154 of Law 1819/2016).



De acuerdo con el artículo, para los dividendos que se distribuyen del año 2016 no aplica retención, tal como estaba previsto desde la reforma.

In accordance with the article, the tax withholding shall not be applied for the 2016 dividends distributed, as established since the reform.

The dividends susceptible to distribution as profit of 2017 will be subject to the following fees, according to the amount of the dividend to distribute, as follows:

13. Tax Base: It is proposed that the revenue, deductions, assets and liabilities of the taxpayers are established based on the International Financial Reporting Standards (IFRS).

In light of the effects on the accumulated income of the adoption of these standards for the first time due to the conversion to the new technical framework, it cannot be distributed as a dividend, until the time at which the increase has been made effective, whether through the disposal or use of the respective asset or the liquidation of the corresponding liability. The same procedure shall be applied when an entity changes the technical regulatory framework and must prepare a new opening statement of financial position.

In the year or tax period in which an accounting standard comes into force in Colombia, said standard shall have tax effects if established by the regulatory decree, and it is adjusted in accordance with Article 4 of Law 1314/2009.

The regulation of leasing is amended, leaving a generic standard for leases. This provision shall define the financial and operating leasing and shall indicate the effects on each one.

The revenue, costs, deductions, assets and liabilities in foreign currency shall be measured at the time of their initial recognition at the representative exchange rate,

with which the exchange difference adjustments shall not have tax effects. The fluctuation of the entries expressed in foreign currency shall have no tax effect until the time of disposal or deposit in the case of assets or liquidation or partial payment.

For taxpayers obliged to provide accounts, the taxable revenue is the revenue earned accountably in the tax year or period, and a special rule is established for the following concepts: interest from implicit financing, income from the equity method, revenue earned by measurement at fair value, revenue from reversals of liabilities, revenue from impairment, revenue from loyalty programs, and revenue from variable remuneration.

In the event that the record of revenue is not received in accounts, but there is a right to charge tax, revenue will exist.

14. Creation of CREE Surcharge: This tax shall be applied from 2017 until 2018 and it shall be the amount resulting from applying the following table:

1. For the 2017 tax year:

Tax Base Range in Colombian Pesos		Marginal Rate	Surcharge
Lower Limit	Upper Limit		
0	< 800,000,000	0%	(Tax Base)*0%
>= 800,000,000	None	5%	(Tax Base - 800,000,000)*5%

The asterisk symbol (*) is understood as multiplied by. The (>=) symbol is understood as greater than or equal to. The (<) symbol is understood as less than.

2. For the 2018 tax year:

Tax Base Range in Colombian Pesos		Marginal Rate	Surcharge
Lower Limit	Upper Limit		
0	< 800,000,000	0%	(Tax Base)*0%
>= 800,000,000	None	3%	(Tax Base - 800,000,000)*3%

The asterisk symbol (*) is understood as multiplied by. The (>=) symbol is understood as greater than or equal to. The (<) symbol is understood as less than.



15. Costs and Deductions

The taxable costs are those incurred in the tax year or period, and special rules are established for the following: losses from impairment of inventories, implicit interest, costs generated from measurement at fair value, and costs accounted against other comprehensive income. Generally, rules are included to establish the costs and equity value of the assets and liabilities, following the principle of cost. Therefore, in principle, the adjustment to fair value and impairment of assets shall not have tax effects, with the exception of portfolio impairment.

Estimated liabilities and provisions, impairment of assets and deductions that, pursuant to the technical accounting regulatory frameworks, must be recorded in other comprehensive income shall not have tax deducted until they are carried to the income statement.

For assets acquired after December 31, 2016, the tax cost shall be the price of acquisition plus the directly attributable costs until they are available for use or sale.

16. Industry and Commerce Tax

The tax base of industry and commerce tax includes the revenue obtained from financial returns, commission, and generally, all the revenue that is not expressly excluded.

The revenue base of the Tax Code is taken as a reference for the purposes of income, that is, eliminating IFRS discretions.

17. New Deductions

The following tax deductions shall be accepted provided that they are duly supported and are part of the ordinary course of business, and with the following limitations:

1. Benefits for clients, suppliers and employees, such as gifts, courtesies, parties, gatherings and festivities. The maximum amount to deduct for all of these concepts is 1% of effectively realized net tax revenue.
2. When they come from labor lawsuits; salary and social security payments shall be deductible at the time of payment provided that all of the requirements for deduction from salaries are met.

34.2. Subsequent Events

1. Once the corporate integration process was carried out between Bolsa de Valores de Colombia and **deceval** on February 7, 2018, an Extraordinary General Shareholders Meeting was held to elect the members of the Board of Directors for the period between February 2018 and March 2019
2. On February 9, 2018, by means of the by-law amendment formally registered in Public Deed No. 423 / February 9, 2018, the INFOVALMER company, which is part of the **bvc** Group, changed its business name to PRECIA PROVEEDOR DE PRECIOS PARA VALORACIÓN S.A.
3. Through Resolution 0088 / January 22, 2018, of which **bvc** was personally notified on the same day, the appeal filed by **bvc** was resolved, and a penalty of (COP 140,000,000) was imposed, which was provisioned in the **bvc** financial statements. This was paid to the Financial Superintendence of Colombia on January 24, 2018.

No significant additional events to those mentioned of a financial/accounting nature that could affect the financial structure of **bvc** or the interpretation of the financial statements have occurred between December 31, 2017, the closing date of these financial statements, and their date of submission.





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3.9. 2017 Country code survey results

GRI 102-27, 103-3

Implementation Report on Best Corporate Practices

Bolsa de Valores de Colombia S.A.

Primary Legal Representative

Juan Pablo Córdoba

Legal Representative Appointed To Submit The Implementation Report

Alberto Velandia Rodríguez

Reporting Period

2017

Report Date

January 31, 2018

Introduction

Implementation of the recommendations of the new Code of Best Corporate Practice Recommendations of Colombia must be reported by issuers to the Financial Superintendence of Colombia (SFC, for the Spanish original) through this Implementation Report on Best Corporate Practices.

The aim of the report is to inform the securities market of each issuer's implementation or failure to implement the code's recommendations. To that end, next to each recommendation, there are three checkboxes labeled "YES", "NO" and "N/A", and space to extend your answer, as follows:

If the answer is yes, the issuer must briefly describe the way in which it has implemented said recommendation. If the answer is no, the issuer must explain the reasons why it has not adopted the recommendation.

The issuer can select "N/A" only in cases in which for legal reasons it is unable to adopt the recommen-

ation. In that case, it must accurately indicate the regulation that hinders it.

Given that some recommendations are comprised of a series of specific aspects, it is worth highlighting that these will only be understood as implemented when all the aspects that comprise them are fulfilled, except when the reason for not adopting one of them is legal, which must be indicated.

Each recommendation has a checkbox to indicate the date on which the issuer implemented it for the first time. In addition, there is a checkbox to enter amendment dates.

Finally, when due to its nature, the issuer does not have the specific administrative body described in the recommendation, it shall be understood that said recommendation refers to the body that is equivalent to or acts as such in the organization.





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I. Rights and Equitable Treatment of Shareholders

Measure 1: Principle of Fair and Equitable Treatment

1.1. The company provides equal treatment to all shareholders who, with the same class of shares, are under the same conditions, without implying access to privileged information by some shareholders over others.

1.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 44 of the By-laws guarantees equal treatment to our shareholders regardless of the number of shares they hold. Likewise, Article 2.1.1.1 of the - Good Governance Code complements said Article by indicating that *"the Exchange's shareholders shall be treated equally by the Company's administrators and employees, who, in the scope of their functions, shall ensure that shareholders are allowed to exercise their rights, and that requests, claims and proposals that they make to the Company are answered, regardless of the number of shares they hold"*.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

November 28, 2003

Amendment dates

March 26, 2015





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1.2. The Board of Directors has approved a specific procedure that defines the company's practices for **how it relates to shareholders with different conditions** in matters such as access to information, resolution of requests for information, communication channels, and types of interaction between shareholders and the company, or its board of directors and other administrators.

1.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 79 of the By-laws stipulates that the Board of Directors is responsible for defining the regulations to provide information to its shareholders. - Therefore, in the Good Governance Code, the Board of Directors has defined the procedures for shareholders to access information (Articles 3.2.1.1., 3.2.2.1., 3.2.2.2., 3.2.3.1, 3.4.1.1 and 3.4.1.6.), and the communication channels and procedures that respond to shareholder requests, claims or proposals (Articles 3.1.1.1., 8.1.1.1, 8.1.1.2., 8.2.1.1., 8.3.1.1, 8.3.1.2., 8.3.1.3). Furthermore, certain rules have been established in Article 43 of the By-laws and Article 6 of the Rules of Procedure for the General Shareholders Meeting regarding exercise of the right to inspection.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

November 28, 2003

Amendment dates

March 26, 2015





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Measure 2: Share Information.

2.1. Through its website, **the company informs the public** with clarity, accuracy and integrity regarding **the different types of shares issued**, as well as the number of shares issued for each class, the number of shares in reserve, and the rights and obligations inherent to each share class.

2.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Section 13 of Article 3.4.11 of the Good Governance Code, **bvc** makes information available to the general public about the types of shares issued by the Company, the number of shares in reserve, authorized capital, and the subscribed and paid-in capital: <https://gobiernocorporativo.bvc.com.co/sociedad/certificaci%C3%B3n-capital-social>

In turn, Article 8 of the By-laws describes shareholder rights regarding the type of shares they hold. The Company By-laws are available to the general public on the **bvc** website at the following link: <https://gobiernocorporativo.bvc.com.co/normas-corporativas>

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

July 29, 2009





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Measure 3: No Dilution of Capital

3.1. For transactions that can result in dilution of capital for minority shareholders (event of a capital increase with waiver of the right of preference in subscription of shares, merger, spin-off or separation, among others), **the company shall provide shareholders with detailed information** in a report prepared by the board of directors, and with the opinion of an independent external consultant of recognized creditworthiness regarding the terms of the transaction (fairness opinion), appointed by the board of directors. These reports are made available to shareholders prior to the general shareholders meeting within the terms to exercise the right to inspection of shares in reserve, and the rights and obligations inherent to each share class.

3.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Section 23 of Article 2.2 of the Rules of Procedure for the Board of Directors, establishes that it is a function of the Board of Directors: *"To provide shareholders with a detailed report about transactions that can result in a dilution of capital (event of a capital increase with waiver of the right of preference in the subscription of shares, merger, spin-off, or separation). The report must include the opinion of an independent external consultant appointed by the Board of Directors, and it will be made available to the shareholders prior to the General Shareholders Meeting."*

At the Ordinary Shareholders Meeting held on March 28, 2017, the shareholders renounced their right of preference for the private issuance of shares. In accordance with the above and in compliance with the Rules of Procedure for the Board of Directors, the necessary and relevant documents were made available to the shareholders during the term of the right of inspection for the respective analysis. The opinions of external consultants hired for this process were also made available to the shareholders.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

January 27, 2016

Amendment dates

N.A.



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Measure 4: Information and Communication with Shareholders

4.1. The company has a corporate website in both Spanish and English, with a link to corporate governance or shareholder and investor relations, or equivalent, which includes financial and non-financial information under the terms proposed by Recommendations 32.3 and 33.3. This shall never disclose confidential information about the company or pertaining to industrial secrets, or information that may be used to the detriment of the company if disclosed.

4.1 Do you implement the measure?

YES

X

NO

N/A

YES. Briefly describe:

Yes. The **bvc**'s main website has Spanish and English versions. On said website, there is a space for investor relations, which has non-confidential financial and non-financial information, and may be consulted by shareholders under the terms proposed by Recommendations 32.3 and 33.3. Investors can consult the Spanish website at the following link: <http://www.bvc.com.co/pps/tibco/portalbvc> and the English website at: <http://en.bvc.com.co/pps/tibco/portalbvc>.

Additionally, through the main website, the corporate governance website is enabled for investors, which can be accessed in Spanish at the following link: <https://gobiernocorporativo.bvc.com.co/> and in English, at: <https://gobiernocorporativo.bvc.com.co/english>.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

November 28, 2017



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4.2. The company has permanent access and use mechanisms aimed exclusively at shareholders, including a link on the website accessible only by shareholders, an office for shareholder and investor relations, and regular informative meetings for them to express their opinions, voice their concerns and make suggestions about the company's endeavors, or anything pertaining to their condition as shareholders.

4.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** has the following permanent investor relations link: <http://www.bvc.com.co/pps/tibco/portalbvc/Home/Accionistas/PaginaPrincipal?action=dummy>. Additionally, **bvc** has an Investor Service Department where investors can contact the Company via email at: cbarrrios@bvc.com.co, telephone: (+57 1) 3139800 Ext. 1167, or Fax: (+57 1) 3139766.

Similarly, pursuant to Articles 8.1.1.1. and 8.3.1.2., shareholders may visit the **bvc** offices located at Cra 7 No. 71-21 Torre B Piso 12, Bogotá, Colombia, or they can voice their opinions, concerns or suggestions about the Company or anything pertaining to their condition as shareholders via email at: secretaria@bvc.com.co or through one of the channels established by Annex 5 of the Good Governance Code.

Finally, it is important to indicate that **bvc** also holds quarterly meetings to deliver results.

NO. Explain:**N/A. Specify the regulations that prevent adoption of the recommendation:****Date of implementation**

December 14, 2005

Amendment dates

N.A.





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4.3. The company holds quarterly results presentation events for its shareholders and market analysts, which can be attended in person or remotely via teleconference (conference, videoconference, etc.).

4.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** conducts quarterly results presentation events, which are announced on the website and via email to investors and market analysts. Results are presented via teleconference, available both in English and Spanish at the following link, including the presentation:

<http://www.bvc.com.co/pps/tibco/portalbvc/Home/Accionistas/Informaci%C3%B3n%20Financiera/Resultados%20Trimestrales?action=dummy>

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

November 23, 2017





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4.4. The company organizes or participates in fixed-income presentations, events and forums primarily aimed at investors in debt instruments and market analysts. The events are used to update the issuers' business indicators, liabilities management, financial policies and ratings, and the issuers' performance regarding covenants, etc.

4.4 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

NO. Explain:

The Exchange is not currently an issuer of fixed-income debt. However, it is worth mentioning that it organizes the quarterly delivery of **bvc**'s consolidated financial results in accordance with the IFRS. This is addressed to all investors and posted on the Company's website at: <http://www.bvc.com.co/pps/tibco/portalbvc/Home/Accionistas/Informaci%C3%B3n%20Financiera/Resultados%20Trimestrales?action=dummy>.

Additionally, it should be noted that **bvc** promotes the fixed-income market through the initiative of the "Private Debt Visionaries" program.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

N.A.

Amendment dates

N.A.





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4.5. The company by-laws stipulate that a shareholder or group of shareholders that represents at least five percent (5%) of the capital may request **special audits** on matters other than those audited by the company's statutory auditor. Based on its capital structure, the company may select a percentage lower than five percent (5%).

4.5 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 78 of the **bvc** By-laws establishes the possibility that a number of shareholders representing at least five percent (5%) of the subscribed shares can ask the CEO to conduct special audits on matters other than those audited by the Company's Statutory Auditor, at the expense and liability of the shareholder(s) who requested the audit.

Along those same lines, subsection e) of Article 12 of the Rules of Procedure for the General Shareholders Meeting states that shareholders at a Shareholders Meeting have the right to request special audits in the manner and terms stipulated therein.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

November 28, 2003

Amendment dates

March 26, 2015





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4.6. In exercise of this right, the company has a **written procedure** with the specifications included in Recommendation 4.6.

4.6 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 78 of the By-laws sets forth the procedure for shareholders to exercise their right to request special audits from the **bvc** CEO. The request must be made in writing and describe the grounds for the request, the events and the transactions to be audited, as well as the duration, and provide a list of three (3) firms with a renowned reputation and experience to conduct the audit.

Special audits must be requested by a number of shareholders representing at least five percent (5%) of the subscribed shares. This percentage has been established because the legal restrictions on share ownership of **bvc** are considered sufficient for the protection of minority shareholders.

When the percentage required to request the special audit is comprised of a plural number of shareholders, in their request, said shareholders must designate a representative who will handle all the formalities. The Company's Board of Directors shall respond to the request within ten (10) business days and provide the name of the firm selected to conduct the audit, as well as the audit's start date.

The cost and responsibility for the special audit shall be charged to the shareholders that requested it, and thereafter, the results of the special audit must be disclosed in the first instance to the **bvc** CEO, who will have ten (10) business days to decide on the matter. Subsequently, the results and statement by the **bvc** CEO will be disclosed to the Board of Directors and the oversight and controlling bodies within ten (10) business days following issuance of the results.

Finally, in the event of possible infringements of legal standards, the case will be referred to the corresponding legal and investigative entities.





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NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

November 28, 2003

Amendment dates

March 26, 2015





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Measure 5: Administrative Actions Taken for Exchange Transactions or Company Takeovers

5.1. In the acceptance letters or agreements, members of the Board of Directors and senior management have expressly accepted that upon notification of a tender offer or other relevant transaction, such as a merger or spin-off, there shall be periods during which they agree to not directly or indirectly trade company shares through an intermediary.

5.1 Do you implement the measure?	YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>	N/A	<input type="checkbox"/>
--	------------	-------------------------------------	-----------	--------------------------	------------	--------------------------

YES. Briefly describe:

Yes. It should be noted that the legal system applicable to **bvc** sets forth express prohibitions on matters that coincide with the objective proposed by this measure. In effect, Article 8 of Decree Law 1172/1980 establishes that administrators of brokerage firms are prohibited from acquiring listed stocks.

In addition to the above, Article 10 of Law 27/1990 and Article 5.3.1.3 of **bvc**'s General Regulations establish that the Exchange's legal representatives shall not trade listed securities, neither directly nor through intermediaries; they must have prior express authorization from the Board of Directors; and it must be for reasons other than speculation. Likewise, Article 4.3. of the **bvc** Ethics and Conduct Manual, included in Annex 2 of the Good Governance Code, indicates that employees of the Company or its subsidiaries, including their legal representatives, shall not acquire listed shares.

Finally, it is noted that pursuant to Article 54 of Law 510/1999, no beneficial owner may have a shareholding greater than 10% of the subscribed capital. In view of the above, and pursuant to Article 6.15.2.1.1 of Decree 2555/2010, there is no place for a mandatory tender offer on shares issued by **bvc**.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation	June 27, 2001
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Amendment dates	N.A.
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Measure 6: Listing of Companies Included in Conglomerates

6.1. Without prejudice to each individual company included in the conglomerate and the responsibilities of its administrative bodies, **there is an organizational structure** for the conglomerate that defines the administrative bodies and key individual positions for the three (3) levels of governance (general shareholders meeting, Board of Directors, and senior management), as well as the relations between them. This structure is public, clear and transparent, and able to establish clear lines of responsibility and communication and facilitate strategic and effective guidance, supervision, control and administration of the conglomerate.

6.1 Do you implement the measure?

YES

X

NO

N/A

YES. Briefly describe:

Yes. Inside **bvc**, there is a division between the levels of governance expressed in Article 28 of the Company By-laws.

Regarding the relations between these bodies and the lines of communication and responsibility, the policy called "Grupo **bvc** Corporate Governance Model", officially adopted by the Board of Directors at its meeting on December 7, 2016, clearly, transparently and publicly establishes a set of measures, recommendations and practices that cover the Group's administration, management and control processes.

Additionally, it is worth mentioning that Articles 29 and 31 of the Company By-laws refer to the nature and functions of the General Shareholders Meeting, Articles 46 and 50 to the nature and functions of the Board of Directors, and Articles 55, 58 and 59 to the CEO, his/her alternates, and the other legal representatives. rectorio y el artículo 55, 58 y 59 en relación con el presidente sus suplentes y demás Representantes Legales.

NO. Explain:
N/A. Specify the regulations that prevent adoption of the recommendation:
Date of implementation

December 07, 2016

Amendment dates

N.A.





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6.2. The parent company and its most important subsidiaries have established a frame of reference for institutional relations through the signing of a public agreement approved by the Board of Directors of each one of said companies that regulates the issues indicated in Recommendation 6.2.

6.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

NO. Explain:

Through the implementation of a policy called "Grupo **bvc** Corporate Governance Model", **bvc** has established a frame of reference for relations between the Group's companies, incorporating the guidelines indicated in Recommendation 6.2. In effect, topics are agreed in said policy, including the aim of the Group, recognition and use of synergies, areas of activity between the companies of the Group, and the information channels between **bvc** and its subsidiaries. Said policy is posted on the **bvc** corporate governance website at the following link: <https://gobiernocorporativo.bvc.com.co/normas-corporativas>.

Therefore, given the importance of the transactions made between **bvc** and its subsidiaries, through Article 31 of the By-laws, the criteria have been defined for carrying out these transactions, which simultaneously meet the following conditions: (i) They are made at market rates, generally by the supplier of the good or service concerned; and (ii) They are ordinary transactions of the issuer that are not material.

Through its Good Governance Code, **bvc** has provided special rules on the resolution of conflicts of interest.

Bolsa de Valores de Colombia has signed service-level agreements with its subsidiaries, which describe the services that **bvc** provides to them in greater operational detail.

Despite the above, **bvc** is awaiting the signing of the agreement by the Boards of Directors of each company of Grupo **bvc**.





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N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

N.A.

Amendment dates

N.A.





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Measure 7: Settlement of Disputes

7.1. Except for disputes between shareholders, or between shareholders and the company or its Board of Directors, which by express legal attribution, must necessarily be resolved by the ordinary jurisdiction, **the company by-laws include mechanisms for settling disputes, such as direct agreement, amiable composition and reconciliation or arbitration.**

7.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 82 of the By-laws provides conflict-resolution mechanisms such as direct settlement and arbitration to settle any differences that may arise between shareholders or administrators and the Company, between shareholders, and between the latter and the administrators.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001



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Ii. General Shareholders Meeting

Measure 8: Functions and Responsibility

8.1. In addition to other functions attributed to the general shareholders meeting by the legal framework, **the by-laws expressly define the general shareholders meeting's functions, as indicated in Recommendation 8.1., and emphasize their exclusive, non-delegable nature.**

8.1 Do you implement the measure?	YES <input type="checkbox"/>	NO <input checked="" type="checkbox"/>	N/A <input type="checkbox"/>
--	-------------------------------------	---	-------------------------------------

YES. Briefly describe:

NO. Explain:

This recommendation involves the assignment of four (4) specific functions to the General Shareholders Meeting. The **bvc** complies with three (3) of the functions, which are included in Article 31 of the By-laws, where paragraph one establishes the non-delegable nature of them.

In addition to the above, it should be noted that Article 10 of Law 27/1990 and Article 5.3.1.3 of **bvc's** General Regulations stipulate that the Exchange's legal representatives shall not trade listed securities, neither directly nor through intermediaries; they must have prior express authorization from the Board of Directors, and it must be for reasons other than speculation. Likewise, Article 4.3. of the **bvc** Ethics and Conduct Manual, included in Annex 2 of the Good Governance Code, indicates that employees of the Company or its subsidiaries, including their legal representatives, shall not acquire listed shares.

Despite the above, the function corresponding to Section iii) of the recommendation, which consists of the acquisition, sale or obligation of strategic assets that in the opinion of the Board of Directors are essential for the development of the activity, or that in practice, the transactions may turn into an effective alteration of the corporate purpose, is not fully adopted.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation	N.A.
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Amendment dates	N.A.
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Measure 9: Rules of Procedure for the General Shareholders Meeting

9.1. The company has rules of procedure for the general shareholders meeting that regulate all matters pertaining to it, from notification of meetings to preparing information to be received by shareholders, attendance, and the development and exercise of shareholders' political rights. This is to ensure that shareholders are perfectly informed of the schedule and development of the general shareholders meeting.

9.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Section 11 of Article 31 of the By-laws, it is the function of the General Shareholders Meeting to create its own Rules of Procedure. Therefore, the General Shareholders Meeting approved the latest amendment to the Rules of Procedure on March 26, 2015, in accordance with Minutes no. 026 of the Ordinary Shareholders Meeting.

These Rules of Procedure are posted on the **bvc** website at the following link: <https://gobiernocorporativo.bvc.com.co/normas-corporativas>

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 26, 2015



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Measure 10: Notification of the General Shareholders Meeting

10.1. In order to facilitate the exercise of the shareholders' right to information, the by-laws establish that **the general shareholders meeting must be announced at least thirty (30) calendar days in advance**, and that **extraordinary meetings must be announced at least fifteen (15) calendar days in advance**. The aforementioned without prejudice to the legal terms set forth for corporate reorganizations (for example, mergers, spin-offs or transformations).

10.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Subsections b, c and f of Article 33 of the By-laws indicate that ordinary sessions of the General Shareholders Meeting shall be announced at least thirty (30) calendar days in advance, and extraordinary sessions shall be announced at least fifteen (15) calendar days prior to the meeting, except in the case of meetings to analyze end-of-year financial statements, in which case the notification will be fifteen (15) business days prior to the meeting.

If the meeting topic is a corporate transformation, merger or spin-off, notification of the meeting must be at least fifteen (15) business days in advance.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 26, 2015





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10.2. In addition to the traditional and mandatory means included in the legal framework, **the company ensures maximum dissemination and publicity of the notification** through the use of electronic media, including the corporate website, alerts via individual emails, and if deemed appropriate, even on social media.

10.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** ensures maximum dissemination and publicity of the notification of the General Shareholders Meeting via publication in a widely circulated national newspaper as a traditional means, and by posting it on its website as an alternative means, at the following link:

<https://gobiernocorporativo.bvc.com.co/asambleas/asamblea-2017>

<https://gobiernocorporativo.bvc.com.co/asambleas/asamblea-extraordinaria-2017>.

The aforementioned pursuant to the provisions of Article 33 of the By-laws and Articles 3.2.1.1 and 3.2.3.1 of the Good Governance Code.

The **bvc** also uses Twitter for the maximum dissemination of the notification of its General Shareholders Meetings.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

February 24, 2017





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10.3. In order to increase transparency in the decision-making process during the general shareholders meeting, the company not only provides the meeting agenda with a point-by-point list of the items to be debated, but it also makes **agreement proposals available** to shareholders **at the same time as the notification, or at least fifteen (15) calendar days prior to the meeting**, which will be raised by the board of directors for each item at the general shareholders meeting.

10.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. In effect, subsection g of Article 33 of the By-laws stipulates that simultaneously with the notification, or at least fifteen (15) calendar days prior to the date of the meeting, shareholders must receive all the items on the agenda to be addressed, and the text of the proposal that the Board of Directors will submit to the vote of the shareholders.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 26, 2015





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10.4. Spin-offs can only be analyzed and approved by the general shareholders meeting if the point was expressly included in the respective meeting's notification.

10.4 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Paragraph 2 of Article 31 of the **bvc** By-laws stipulates that the General Shareholders Meeting is responsible for analyzing and approving matters corresponding to a change of corporate purpose, waiver of the right of preference in subscription of shares, change of registered office, early dissolution, merger, spin-off or separation, provided that these matters were expressly included in the notification of the meeting in which they will be addressed. In turn, paragraph one of Article 1 of the Rules of Procedure for the General Shareholders Meeting includes this same rule.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 26, 2015





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10.5. The agenda proposed by the Board of Directors accurately lists the content of the topics to be discussed, so that nothing is concealed or disguised under inaccurate, generic, too general or ambiguous statements such as *“others”* or *“suggestions and various”*.

10.5 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. In that regard, subsection d) of Article 33 of the By-laws and paragraph one of Article 5 of the Rules of Procedure for the General Shareholders Meeting both stipulate that the notification of the General Shareholders Meeting must clearly indicate the topic, ensuring that the agenda is presented to the shareholders with the exact content of the topics. Similarly, Section 2 of Article 2.1.1.2 of the Good Governance Code and subsection b) of Article 12 of the Rules of Procedure for the General Shareholders Meeting stipulate that in order to be presented for the shareholders' approval, the agenda of ordinary and extraordinary sessions of the General Shareholders Meeting must break down the different matters to be discussed so as to avoid confusion, except for items that must be discussed collectively because they are interconnected.

Furthermore, failure to meet this requirement pursuant to Article 33 of the By-laws can result in poor decisions being made on said topics.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation June 27, 2001

Amendment dates N.A.





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10.6. In the case of amendments to the By-laws, each article or group of articles that is substantially independent is voted on separately. In any case, if a shareholder or group of shareholders representing at least five percent (5%) of the share capital makes the request, separate votes will be held for articles as needed. Shareholders are notified of this right in advance.

10.6 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** posted the By-laws Amendment Proposal to be put to the consideration of the General Shareholders Meeting on March 28, 2017, and on December 20, 2017, on its website. The proposal was divided according to the topics addressed in each article.

However, taking into account that on these occasions, (i) the amendments to the articles were not substantially different to each other; (ii) all the amendments, according to the respective meeting, had the same objective; and (iii) the articles were not substantially independent and no shareholder or group of shareholders with least 5% of the share capital requested individual voting on them during the General Shareholders Meetings, just a single vote was carried out, whereby the General Shareholders Meeting approved the amendments of the By-laws.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

March 30, 2016

Amendment dates

December 20, 2017





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10.7. Without prejudice to the provisions of Article 182 of the Code of Commerce, and in order to reinforce and ensure the shareholder's right to inspection and information prior to the general shareholders meeting, **the by-laws recognize the right of shareholders, regardless of the size of their shareholding, to propose the introduction of one or more items to be discussed on the agenda** of the general shareholders meeting within a reasonable time, and provided that the request for new items is justified with supporting documentation. Shareholders' requests must be submitted within five (5) calendar days following publication of the notification.

10.7 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 44 of the By-laws stipulates that all shareholders, regardless of the number of shares they hold, may propose the inclusion of one or more items of debate on the agenda for the General Shareholders Meeting, provided that the request is accompanied by justification. This request must be submitted within five (5) calendar days following publication of the notification. Along those lines, subsection a) of Article 12 of the Rules of Procedure for the General Shareholders Meeting includes the same rule.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

November 28, 2003

Amendment dates

March 26, 2015





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10.8. If the request is rejected by the Board of Directors, **the Board is obligated to respond in writing** to requests supported by at least five (5%) percent of the share capital, or a lower percentage established by the company, according to the degree of concentration of ownership, **explaining the reasons that motivated its decision and** informing shareholders of their right to present their proposals during the general shareholders meeting pursuant to the provisions of cited Article 182 of the Code of Commerce.

10.8 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. In accordance with Section 1 of Article 2.1.1.2 of the Good Governance Code, the Board of Directors may reject the request to include new items on the agenda when it is supported by at least five percent (5%) of the share capital. In this case, the Board of Directors must respond in writing explaining the grounds for the Board's decision and informing the shareholders of the right they have to put forward their proposals during the General Shareholders Meeting.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

January 27, 2016

Amendment dates

N.A.





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10.9. If the Board of Directors accepts the request and the shareholders' time to propose topics pursuant to the preceding recommendations has expired, the company **shall publish a supplement to the notification of the general shareholders meeting at least fifteen (15) calendar days prior to the meeting.**

10.9 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Subsection h of Article 33 of the **bvc** By-laws stipulates that in the event that the Board of Directors accepts the request from a shareholder to include one or more items on the agenda of the General Shareholders Meeting following expiry of the term established for proposing topics, as per the procedure established by the Company, a supplement to the notification of the General Shareholders Meeting will be published at least fifteen (15) days prior to the meeting. Paragraph 5 of Article 5 of the Rules of Procedure for the General Shareholders Meeting includes the same rule.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 26, 2015





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10.10. Within the same term described in Section 10.7., shareholders may also submit new substantiated agreement proposals on matters already included in the agenda. For these requests, the Board of Directors shall act in a similar manner as described in Sections 10.8 and 10.9.

10.10 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Section 2 of Article 2.1.1.2 of the Good Governance Code establishes that shareholders may submit new substantiated proposals on matters already included in the agenda of the General Shareholders Meeting within five (5) calendar days following publication of the notification.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

January 27, 2016

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N.A.





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10.11. The company is obligated to use electronic media, primarily the corporate website with exclusive access for shareholders, to provide shareholders with the documents and information regarding each item on the agenda of the general shareholders meeting.

10.11 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. Pursuant to Articles 3.2.1.1 and 3.2.3.1 of the Good Governance Code, information pertaining to the development of the General Shareholders Meeting and specifically related to items on the agenda is posted on the **bvc** website.

Documents and information regarding every item on the agenda of the General Shareholders Meetings held in 2017 can be consulted at the following link:
<https://gobiernocorporativo.bvc.com.co/inicio>, in the menu, under General Shareholders Meetings, Ordinary Meeting 2017 and Extraordinary Meeting 2017.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation December 14, 2005

Amendment dates March 30, 2016.





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10.12. The company by-laws recognize the shareholders' right to request with sufficient notice any information or clarification deemed relevant, using traditional channels and/or when applicable, using new technologies for that purpose, or to submit in writing any questions deemed necessary with regard to matters included on the agenda, the documentation received or public information provided by the company. Depending on the term selected by the company to convene the general shareholders meeting, the company shall determine the period during which the shareholders may exercise this right.

10.12 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. Pursuant to the provisions of Article 44 of the **bvc** By-laws, all shareholders have the right, within ten (10) calendar days following publication of the notification, to request any information or clarifications they deem relevant and to ask any questions they consider necessary regarding the subjects included on the agenda, the documentation received, or the public information provided by the Company. In said cases, **bvc** shall respond to shareholders through the Company's General Counsel.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation November 28, 2003

Amendment dates March 26, 2015





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10.13. The company has established that information requested may be denied if pursuant to internal procedures it can be classified as: i) unreasonable; ii) irrelevant in disclosing the company's progress or interests; iii) confidential, which includes privileged information in the scope of the securities market, industrial secrets, and transactions for which the company substantially depends on secret negotiations; and iv) other, when its disclosure could put the company's competitiveness in imminent and grave danger.

10.13 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. In Article 43 of the By-laws and Article 6 of the Rules of Procedure for the General Shareholders Meeting, **bvc** establishes objective rules to deny requests for information about industrial secrets or information that, if disclosed, could be used to the detriment of the Company, such as privileged information of the Company or contracts that disclose the Company's competitive advantages. In addition to the above, Articles 8.1.1.1 and 8.1.1.2 of the Good Governance Code establish **bvc's** obligation to respond to any request, claim or proposal made by a shareholder without being able to reject processing of it due to subjective reasons, such as the fact that it is deemed unreasonable or irrelevant, for example.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

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Amendment dates November 28, 2003





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10.14. When the answer to shareholders can place them at an advantage, the **company ensures that the other shareholders will have access to said answer** concomitantly, according to the mechanisms established for that purpose, and under the same conditions.

10.14 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. Pursuant to the provisions of Article 8.1.1.2 of the Good Governance Code, **bvc's** General Counsel shall respond in writing all to requests, claims or proposals made by the shareholders. However, when, in **bvc's** opinion, the answer to a shareholder could put it at an advantage, **bvc** will ensure that the other shareholders will immediately have access to said answer, according to the mechanisms established for that purpose, and in the same conditions.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation December 14, 2005

Amendment dates July 29, 2009





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Measure 11: Representation Regulation

11.1. Without prejudice to the limits set forth by Article 185 of the Code of Commerce, External Bulletin 24/2010, and the regulations that amend, supplement or replace them, **the company does not limit the right of the shareholders to be represented at the general shareholders meeting** or to delegate their vote to any individual, whether the person is a shareholder or not.

11.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to subsection b of Article 35 of the By-laws, **bvc** does not limit the right of shareholders to be represented at the General Shareholders Meeting, or to delegate their vote to any individual, as long as that individual holds the proxy indicating the name of the proxy holder, the person represented, and the date or time of the General Shareholders Meeting for which it is granted. This rule of representation is complemented by the provisions of Article 7 of the Rules of Procedure for the General Shareholders Meeting.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 26, 2015





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11.2. The company minimizes the use of proxy blank votes without voting instructions, actively promoting the use of a standard model letter of proxy that the company provides to the shareholders or posts on its website. The model includes the items on the agenda and corresponding agreement proposals, which are decided pursuant to a previously established procedure and are submitted to the shareholders for their consideration, with the aim to allow shareholders to indicate the direction of their vote to their proxies for each case, as they deem appropriate.

11.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

NO. Explain:

The **bvc** posts instructions on its website on how to grant powers of attorney for General Shareholders Meetings, proxy models for individuals or legal entities, and practices deemed unsafe or unauthorized as issued by the SFC with regard to shareholders' legal representation at the General Shareholders Meetings. These instructions and recommendations must be taken into consideration by shareholders at the time they grant the proxy. The aforementioned complies with Chapter 6, Title I, Part III, of External Bulletin 029/2014.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

N.A.

Amendment dates

N.A.





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Measure 12: Attendees Other than Shareholders

12.1. In order to refresh the role of the general shareholders meeting to form corporate intent, and in order to make it a more interactive body, the rules of procedure for the company's general shareholders meeting require Board members, and particularly, chairmen of the board's committees, as well as the company's CEO, to attend the general shareholders meeting to respond to the shareholders' queries.

12.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Paragraph 5 of Article 7 of the Rules of Procedure for the General Shareholders Meeting establishes the participants of the General Shareholders Meeting and indicates that the Company's CEO as well as the Chairmen of the Board's committees shall attend the meeting. The latter in order to respond to shareholders' queries regarding the activities carried out and the results obtained by each committee.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

March 23, 2006

Amendment dates

March 26, 2015





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III. Board of Directors

Measure 13: Functions of the Board of Directors

13.1. The by-laws expressly indicate the **functions that may not be delegated to senior management**, including those stipulated in Recommendation 13.1.

13.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 50 of the Company By-laws establishes the functions of the Board of Directors and expressly indicates that said functions may not be delegated to Senior Management.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

March 30, 2016

Amendment dates

N.A.





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13.2. Without prejudice to the autonomy of the governing bodies of the subsidiaries, **anytime the company acts as parent company of a conglomerate**, these functions of the Board of Directors have a group focus and **are developed through general policies, guidelines or requests for information that respect the balance between the parent company's interests and the interests of the subsidiaries and conglomerate as a whole.**

13.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. In effect, these functions are exercised by the **bvc** Board of Directors with a group approach, respecting the autonomy of the governance bodies of each subsidiary as developed by the Grupo **bvc** Corporate Governance Model. The Board of Directors has explicitly informed that in the applicable cases, the rights of shareholders who are strategic partners of **bvc** must be respected.

Said policies and general guidelines are included in the document called the "**bvc** Corporate Group Model" approved by the **bvc** Board of Directors on December 7, 2016.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 7, 2016

Amendment dates

N.A.





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Measure 14: Rules of Procedure for the Board of Directors

14.1. The Board of Directors has approved the rules of procedure that regulate its organization and operation, as well as the roles and responsibilities of its members, chairman and secretary, and its duties and rights.

These are disseminated to the shareholders and are of a binding nature for Board members.

14.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc's** Board of Directors approved its own Rules of Procedure, and their purpose is to establish the principles of performance and functions of the Board of Directors of Bolsa de Valores de Colombia S.A. and its committees; to regulate the organization and operation thereof; and to set the standards of conduct for its members, as provided by law and in the By-laws. These Rules of Procedure are mandatory for Board members and the Secretary of the Board.

The Rules of Procedure are available to shareholders for consultation at the following link:
<https://gobiernocorporativo.bvc.com.co/normas-corporativas>

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2007

Amendment dates

July 25, 2012





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Measure 15: Scope of the Board of Directors

15.1. In its by-laws, the company has opted not to appoint alternate members of the Board of Directors.

15.1 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. The Board of Directors does not have alternate members pursuant to Article 47 of the By-laws.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation June 27, 2001

Amendment dates March 26, 2015





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Measure 16: Formation of the Board of Directors

16.1. Based on the premise that once elected, all Board members act in the company's best interest, the company engages in an exercise of maximum transparency **to identify the origin of its Board members** in accordance with the framework described in Recommendation 16.1.

16.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The bvc provides the list of members elected for the statutory period 2017-2019, along with their curricula vitae, at the following link:

<https://gobiernocorporativo.bvc.com.co/consejodirectivo/informaci%C3%B3n>

This framework identifies who are independent members and equity members. The Management Reports prepared by the Company also identify which Board members are independent and which are non-independent. It should be noted that there are no executive members of the Board of Directors who are also legal representatives or part of the Company's Senior Management.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

April 7, 2001

Amendment dates

March 28, 2017





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16.2. The company has a procedure that is coordinated through the appointment and remuneration committee, or another that performs its functions, which allows the board of directors to achieve objectives indicated in Recommendation 16.2 through its own dynamics and conclusions of the annual assessments.

16.2 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. In effect, Section 3 of Article 3 of the Rules of Procedure for **bvc's** Corporate Governance Committee indicates that it is the responsibility of this committee to review the most appropriate criteria of skills and abilities for the Board of Directors. Additionally, the Rules of Procedure for the Corporate Governance Committee establish that the same committee is responsible for ensuring that the candidate selection process for Board members meets the legal and statutory regulations, and standards of the Good Governance Code, ensuring that candidates meet the special conditions and qualities, and have no incompatibility or disqualification. Finally, the Corporate Governance Committee presents a report to the shareholders on the attendance of Board members and the result of the assessment of the annual work of the Board of Directors.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation January 27, 2016

Amendment dates N.A.





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16.3. The Board of Directors provides shareholders with copies of the professional profiles deemed necessary so that the different participants, primarily controlling or significant shareholders, families, shareholder groups and institutional shareholders, if any, and the Board of Directors, are ready to identify the most suitable candidates.

16.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 47 of the **bvc** By-laws describes the qualifications and requirements that candidate Board members must meet. Additionally, Article 4.1.2.3 of the Good Governance Code describes mechanisms included in the procedure to verify qualifications and conditions of candidate Board members to inform shareholders about the candidates, so that they can decide on the most suitable ones.

The **bvc** posts information about its By-laws and Board member profiles at the following links:

<https://gobiernocorporativo.bvc.com.co/normas-corporativas>

<https://gobiernocorporativo.bvc.com.co/consejo-directivo/informaci%C3%B3n>

During the election process, there is a link to post information about candidates nominated by shareholders.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 28, 2017





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16.4. The company considers that just the assessment of the curricula vitae by the shareholders is insufficient to establish the candidates' suitability. Therefore, **it has an internal procedure to assess any legal disqualification or incompatibility, and how the candidates meet the needs of the Board of Directors**, through the assessment of a set of criteria that the candidates' personal and functional profiles must meet, and verification of compliance with some objective requirements to be a board member, as well as other additional requirements to be an independent member.

16.4 Do you implement the measure?	YES	<input checked="" type="checkbox"/>	NO	<input type="checkbox"/>	N/A	<input type="checkbox"/>
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YES. Briefly describe:

Yes. The procedure established by **bvc** to verify any disqualification or incompatibility of candidates to be part of the Board of Directors is established in paragraph 6 of Article 47 of the By-laws. Therefore, acting through the Corporate Governance Committee, the Board of Directors is responsible for verifying any disqualification or incompatibility of candidates to be Board members. If the committee finds that a candidate has any disqualification or incompatibility, said candidate may not be part of any published lists. Furthermore, Article 4.1.2.3 of the **bvc** Corporate Governance Code describes the procedure to be followed by the Corporate Governance Committee to verify qualities and conditions of candidates to be Board members.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation	June 27, 2001
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Amendment dates	December 16, 2009
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16.5. In addition to the requirements of independence already stated in Law 964/2005, **the company has voluntarily adopted a definition of independence that is more rigorous** than the one established by said law. This definition has been adopted as a frame of reference through its rules of procedure for the board of directors and includes relations or connections of any nature of the candidate to be an independent board member with controlling or significant shareholders and related parties, both domestic and foreign, and requires a double declaration of independence: (i) By the candidate before the company, its shareholders and members of senior management through his/her letter of acceptance; and (ii) By the board of directors regarding the candidate's independence.

16.5 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 47 of the By-laws and Article 3.3 of the Rules of Procedure for the Board of Directors include independence criteria that **bvc** has adopted, which are more rigorous than those provided by Law 964/2005. In addition to the above, according to Article 4.1.2.3 of the Good Governance Code, candidates to be Board members must complete a declaration of independence that corresponds to a pre-established document.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

December 20, 2017





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16.6. Through its internal regulations, the company considers that the board of directors, through its chairman and working with the appointment and remuneration committee, or whichever performs its functions, is the most suitable body to centralize and coordinate the process of forming the administrative body prior to the general shareholders meeting. Therefore, shareholders who, based on their shareholding, aspire to be part of the board of directors may find out the needs of the board and propose their aspirations, negotiate the shareholding balances and distribution among the different member categories, present their candidates, and accept that the suitability of their candidates will be assessed by the appointment and remuneration committee by vote at the general shareholders meeting.

16.6 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 5.1 of the Rules of Procedure for the Board of Directors indicates that the Chairman of this administrative body acts as the connection between shareholders and the Board of Directors, especially during the process of electing the Board of Directors. Adding to this role, Article 47 of the **bvc** By-laws and Article 4.1.2.3 of the Corporate Governance Code indicate the procedure to be followed by shareholders to nominate candidates prior to the General Shareholders Meeting, centralizing the process in the Corporate Governance Committee of the Board of Directors. This aspect is also regulated in the committee's Rules of Procedure.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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December 16, 2009





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16.7. The rules of procedure for the Board of Directors stipulate that assessing candidate suitability is an activity to be carried out prior to the general shareholders meeting, so that shareholders can have sufficient information (personal qualifications, suitability, record of accomplishment, experience, integrity, etc.) about the proposed candidates prior to elections in order to assess them adequately.

16.7 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. Articles 3.1 and 3.2 of the Rules of Procedure for the Board of Directors establish that the Corporate Governance Committee shall verify compliance with the general qualities of all the candidates to be Board members and specific qualities of candidates to be independent members of the Board of Directors, as well as the inexistence of any legal incompatibility and ongoing conflict of interest in accordance with the procedure established in Article 4.1.2.3 of the Good Governance Code prior to election by the General Shareholders Meeting.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation June 27, 2001

Amendment dates March 30, 2016





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Measure 17: Functional Structure of the Board of Directors

17.1. The rules of procedure for the board of directors stipulate that **independent and equity members are always in the majority over executive members**, whose number, in the case of joining the board of directors, is the minimum necessary to address the needs for information and coordination between the company's board of directors and senior management.

17.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 47 of the Company By-laws set forth that the Board of Directors will have thirteen (13) members, of which seven (7) should be independent members. It should be noted that the **bvc** Board of Directors does not have members who are legal representatives or who are part of the Company's Senior Management. This rule is also included in Article 3.1 of the Rules of Procedure for the **bvc** Board of Directors.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 26, 2015





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17.2. Based on the minimum percentage of twenty five percent (25%) of independent members set by Law 964/2005, **the company analyzes and voluntarily adjusts the number of independent members, upwards,** taking into account that the number of independent members must be in relation to the floating capital.

17.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Given **bvc**'s particular legal system, independent members of its Board of Directors must comprise at least 40% (see Article 2.10.1.1.1 of Decree 2555/2010). Pursuant to Article 47 of the By-laws, the absolute majority of members is independent.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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Measure 18: Organization of the Board of Directors

18.1. The roles of the chairman of the board are indicated in the by-laws, and his/her primary responsibilities are those established in Recommendation 18.1.

18.1 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

Article 71 of the By-laws establishes most of the roles of the Chairman of the Board. However, the role of “ensuring that the Board of Directors sets and efficiently implements the Company’s strategic management” is explicitly established in Article 5.1 of the Rules of Procedure for the Board of Directors, which are equally binding for the Company.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation March 26, 2015

Amendment dates March 30, 2016





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18.2. The Company's internal regulations describe the possibility that **the chairman of the board may be treated differently than other members** regarding his/her obligations as well as his/her remuneration, resulting from the scope of his/her specific roles and more time spent on the job.

18.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Given the responsibilities of the Chairman of the Board, paragraph 1 of Article 5.1 of the Rules of Procedure for the **bvc** Board of Directors establishes differential treatment for his/her remuneration. The General Shareholders Meeting on March 28, 2017, approved the respective remuneration.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

January 27, 2016

Amendment dates

N.A.





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18.3. The by-laws contain the rules for appointing the secretary of the board of directors, including those indicated in Recommendation 18.3.

18.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

NO. Explain:

Article 71 of the By-laws states that the Company will have a Secretary appointed by the **bvc** CEO. It also states that the Secretary will act as Secretary of the General Shareholders Meeting and the Board of Directors, and may not be a member thereof.

Finally, the Board of Directors deemed it appropriate for all of the Company's chief officers to be appointed and dismissed by the **bvc** CEO.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

N.A.

Amendment dates

N.A.





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18.4. The rules of procedure for the Board of Directors establish the roles of the secretary, which include those in Recommendation 18.4.

18.4 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 5.3 of the Rules of Procedure for the Board of Directors establish that the Secretary has roles including the following: to supervise the formal and material legality of the Board's actions and to guarantee that its procedures and rules of governance are respected; to maintain all company documents; to duly record meeting proceedings in the minutes books and attest to the agreements of corporate bodies in which he/she acts as Secretary; to publish the notification of meetings of the Board and its committees; and to ensure the information that the Board members must know is available in the required format and term.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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N.A.





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18.5. The Board of Directors has an appointment and remuneration committee.

18.5 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. Pursuant to Article 50 of the By-laws, the **bvc** Board of Directors proposed the creation of a permanent Corporate Governance Committee. The **bvc** Board of Directors declared that the Corporate Governance Committee would assume functions including those that the *Código País* Survey makes the responsibility of the Appointment and Remuneration Committee, which are defined in Article 3 of said committee's Rules of Procedure.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation June 27, 2001

Amendment dates January 27, 2016





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18.6. The Board of Directors has a risk committee.

18.6 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. Pursuant to Article 50 of the By-laws, the **bvc** Board of Directors proposed the creation of a permanent Risk Committee. Said committee's functions and rules of operation are provided in the Rules of Procedure for this committee.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation June 27, 2001

Amendment dates January 27, 2016





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18.7. The Board of Directors has a corporate governance committee.

18.7 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. In accordance with Article 50 of the By-laws, the **bvc** Board of Directors established the creation of a permanent Corporate Governance Committee, which was already mentioned, also assumes the functions of the Appointment and Remuneration Committee. The rules of operation of this committee are defined in Article 3 of its Rules of Procedure.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

January 27, 2016





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18.8. If the company has deemed it unnecessary to form all these committees, their functions have been distributed among existing committees or they have been fully assumed by the board of directors.

18.8 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** has formed four committees: Administration and Finance Committee, Corporate Governance Committee, Regulation Committee, and Audit and Risk Committee, which exercise the functions established in their own Rules of Procedure. The functions of the Risk Committee are specifically assigned to the Audit and Risk Committee of the **bvc** Board of Directors.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

January 27, 2016





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18.9. Each one of the board's committees has its own rules of procedure, which regulate the details of the committee's formation, subjects, functions on which it must work, and its operations, paying special attention to the communication channels between the committees and the board of directors, and in the case of conglomerates, to the relations and coordination mechanisms between the committees of the parent company's board of directors and those of the subsidiaries, if they exist.

18.9 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The rules of operation of each one of the committees are established in their Rules of Procedure. Additionally, for the purposes of communication between the **bvc** Board of Directors and its committees with the subsidiaries, the Grupo **bvc** Policy was approved, which clearly and transparently establishes the communication channels.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

January 27, 2016

Amendment dates

N.A.





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18.10. The board's committees are exclusively comprised of independent or equity members, with a minimum of three (3) members, and chaired by an independent member. In the case of the appointment and remuneration committee, independent members are always in the majority.

18.10 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. Article 50 of the By-laws and Article 2 of the Rules of Procedure for the Corporate Governance Committee and the Audit and Risk Committee establish that the committees are chaired by an independent member. In both cases, independent members are always the majority. It is important to clarify that the **bvc** Board of Directors and its committees have no executive members.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation 27 de junio de 2001

Amendment dates N.A.





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18.11. The board's committees can obtain on-going or occasional support from members of senior management who have experience on matters of their responsibility, and/or outside experts.

18.11 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. Section 5 of Article 4.1.4.2 of the Good Governance Code authorizes committees to invite third parties and/or outside experts to their meetings, and to request support from **bvc's** Senior Management.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation December 14, 2005

Amendment dates March 18, 2015





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18.12. To form its committees, the Board of Directors considers the profiles, knowledge and professional experience of the members regarding the purpose of the committee.

18.12 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

The **bvc** Board of Directors considers the profiles, knowledge, evaluations, professional experience and affinities of all members for their participation in each committee. As a result of this analysis, people with exceptional professional qualities participate in the committees and the development of topics inside each committee is fluid given the specificity of the subjects of each participant's resources. Therefore, to fully comply with this recommendation, **bvc** shall establish these guidelines for formation of the committees as part of the corporate documents that the entity manages.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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18.13. The minutes of each committee meeting are taken and a copy is forwarded to all the board members in the company. If the committees have delegated decision-making powers, the minutes are adjusted to the requirements of Articles 189 and 431 of the Code of Commerce.

18.13 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. Minutes are taken for each committee meeting, which are signed by the Chairman and Secretary of the committee. Said minutes contain all the formalities of Articles 189 and 431 of the Code of Commerce, and are made available to the members within the term provided in Article 4.1.4.2 of the Good Governance Code. Moreover, Article 7.2 of the Rules of Procedure for the Board of Directors indicates that all members shall have access to the minutes five (5) days prior to the respective meeting.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation December 14, 2005

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18.14. Unless legal or regulatory frameworks require the creation of committees, in the case of conglomerates, the internal regulations stipulate that the **subsidiaries' boards of directors may opt out of forming committees** to deal with certain matters. Instead, these tasks may be assumed by the committees of the parent company's board of directors, without this involving a transfer of the boards' responsibilities from the subsidiaries to the parent company.

18.14 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

The Exchange's subsidiaries overseen by the SFC and, by the regulations issued by said superintendence, must have an audit committee. Additionally, the policy called "bvc Corporate Group Model" does not provide the possibility for subsidiaries not to form committees to handle certain subjects that will be assumed by the committees of the bvc Board of Directors. Bolsa de Valores de Colombia considers that by virtue of the independence of each one of the subsidiaries, they may form the committees they require, taking charge of said responsibilities.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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18.15. The audit committee's main task is to assist the Board of Directors in its supervisory function, by assessing accounting procedures and relations with the statutory auditor, and in general, through review of the company's control architecture, including an audit of the risk management system implemented by the company.

18.15 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. Article 3 of the Rules of Procedure establishes that the Audit and Risk Committee is a body that supports the Board's functions regarding monitoring of the Exchange's internal control and its oversight responsibilities with respect to risk management, assessment of accounting procedures, review of risk management system audits, verification of the audit function, and the relationship between the Board of Directors and the Statutory Auditor.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation December 14, 2005

Amendment dates January 27, 2016





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18.16. Members of the audit committee are sufficiently experienced in accounting, finance and other related matters to be able to comprehensively decide on issues of the committee's responsibility with a sufficient level to understand their scope and complexity.

18.16 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

Members of **bvc's** Audit and Risk Committee are experienced in accounting, finance and other related matters. Therefore, they are professionals that, thanks to their ample professional and work experience, have in-depth knowledge of risk management, securities market and accounting matters. All this information can be checked in each member's curriculum vitae, which are always posted on the **bvc** website.

Notwithstanding the aforementioned, to fully comply with this recommendation, **bvc** shall include these guidelines as part of the entity's corporate documents.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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18.17. Upon the request of the chairman of the general shareholders meeting, **the chairman of the audit committee reports to the general shareholders meeting** on specific aspects of the work carried out by the committee, such as the analysis of the scope and content of the statutory auditor's report.

18.17 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

Although he did not attend the General Shareholders Meeting, the Chairman of the Audit and Risk Committee submitted a written report to this body about specific aspects of the work carried out by the Audit and Risk Committee in accordance with Article 3 of the Rules of Procedure for the Committee. In all cases, the Chairman of the Board attends the General Shareholders Meeting as its Chairman.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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18.18. The rules of procedure for the audit committee describe its functions as indicated in Recommendation 18.18.

18.18 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

Although the Exchange complies with 20 items of this recommendation in the application of best corporate governance practices, it has decided that the Board of Directors and the Corporate Governance Committee shall be the bodies responsible for managing the material or apparent conflicts of interest that may arise pursuant to Article 77 of the By-laws and the Rules of Procedure for the Corporate Governance Committee.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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18.19. The appointment and remuneration committee's primary objective is to assist the Board of Directors in the exercise of its decision-making and guidance functions in appointment and remuneration matters for members of the board and senior management, and to oversee the observance of corporate governance regulations, regularly inspecting their compliance, recommendations and principles (in cases in which this function is not expressly attributed to another committee in the company).

18.19 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 1 of the Rules of Procedure for the Corporate Governance Committee, this committee's primary objective is to assist the Board's efforts regarding **bvc's** good governance; assessing candidates in the election process; recommending fees for Board members; and assessing its own performance and that of its members by regularly reviewing compliance, recommendations and principles of corporate governance. It also supports the Board in performing its duties of evaluating the Company's Senior Management, and assessing candidates for Company CEO.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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18.20. Some members of the appointment and remuneration committee are sufficiently experienced in strategy, human resources (recruitment and selection, hiring, training, personnel management and administration), salary policy, and similar matters to understand the scope and complexity of these matters in the company.

18.20 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. The members of **bvc**'s Corporate Governance Committee are experienced in strategy, human resources, salary policy and similar or related matters, as can be ascertained upon revision of their curricula vitae posted on the **bvc** website.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation December 14, 2005

Amendment dates March 30, 2016





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18.21. At the request of the chairman of the general shareholders meeting, the chairman of the appointment and remuneration committee can inform the general shareholders meeting concerning specific aspects of the work performed by the committee; i.e., monitoring the remuneration policies for the board of directors and senior management.

18.21 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

Although he did not attend the General Shareholders Meeting, the Chairman of the Corporate Governance Committee submitted a written report to the General Shareholders Meeting through which he reported on the committee's actions during the period pursuant to Article 3 of the Rules of Procedure for the Corporate Governance Committee.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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18.22. The rules of procedure for the appointment and remuneration committee describe its functions as indicated in Recommendation 18.22.

18.22 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

Although the Exchange complies with 21 items of this recommendation, in Article 3 of the Rules of Procedure for the Corporate Governance Committee, the Exchange does not consider it to be good corporate governance practice for the Board members to have roles other than those assigned to them as members of this governing body, which is established in the Remuneration Policy for the Board of Directors approved by the Ordinary General Shareholders Meeting held on March 30, 2016.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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18.23. The primary objective of the **risk committee** is to assist the Board of Directors in fulfilment of its supervisory responsibilities regarding risk management.

18.23 Do you implement the measure?

YES

NO

N/A

18.24. At the request of the Chairman of the general

YES. Briefly describe:

Yes. Pursuant to Article 1 of the Rules of Procedure for the Audit and Risk Committee, this committee supports the Board's functions regarding monitoring of the Exchange's internal controls and its oversight responsibilities with respect to risk management, assessment of accounting procedures, review of risk management system audits, verification of the audit function and the relationship between the Board of Directors and the Statutory Auditor.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

December 14, 2005





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shareholders meeting, **the chairman of the risk committee can inform the general shareholders meeting** about specific aspects concerning the work carried out by the committee.

18.25. The rules of procedure for the risk committee

18.24 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

Although he did not attend the General Shareholders Meeting, the Chairman of the Audit and Risk Committee submitted a written report to this body about specific aspects of the work carried out by the Audit and Risk Committee in accordance with Article 3 of the Rules of Procedure for the Committee. In all cases, the Chairman of the Board attends the General Shareholders Meeting as its Chairman.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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describe the functions stipulated in Recommendation

18.25. with any necessary amendments to distinguish between companies that are part of the financial or real sector of the economy, and without prejudice to the functions assigned to this committee by current regulations.

18.26. The primary task of the corporate governance

18.25 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

Although the Exchange complies with 11 of the 14 items of this recommendation in Article 3 of the Rules of Procedure for the Audit and Risk Committee, at its meeting on July 19, 2017, the Audit and Risk Committee decided not to adopt the recommendations, because it considers that the current functions of the Audit and Risk Committee comply with the purposes of **bvc**'s current structure.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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committee is to **assist the Board of Directors in its functions of proposal and supervision of the corporate governance measures** adopted by the company.

18.27. The rules of procedure for the corporate gover-

18.26 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 1 of the Rules of Procedure for the Corporate Governance Committee, which performs the functions of the Appointment and Remuneration Committee, this committee's primary objective is to assist the Board's efforts regarding **bvc's** good governance; assessing candidates in the election process; recommending fees for Board members; and assessing its own performance and that of its members by regularly checking compliance, recommendations and principles of corporate governance. It also supports the Board in performing its duties of evaluating the Company's Senior Management, and assessing candidates for Company CEO. Additionally, this committee has the function of ensuring compliance with corporate governance policies, regulations and practices, as well as compliance with the Ethics and Conduct Manual.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

January 27, 2016





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nance committee describe its functions as indicated in Recommendation 18.27.

18.27 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

Bolsa de Valores de Colombia does not adopt the recommendation, because although the Corporate Governance Committee monitors the trading of shares by the Company's Administrators and employees, pursuant to Article 3.4 of the Ethics and Conduct Manual, Board members and Administrators of the Company are forbidden from trading and/or purchasing securities issued by **bvc** (Section vii of Recommendation 18.27 is not applicable to the Company).

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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Measure 19: Operation of the Board of Directors

19.1 With the support of the company's general counsel and CEO, the chairman of the board prepares a **work plan for the board of directors** for the assessed period. This tool helps determine a reasonable number of ordinary meetings per year, and their estimated duration.

19.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The functions of the Chairman of the Board of Directors described in Article 71 of the By-laws include coordinating the Board's operation through the General Counsel with the implementation of an annual work plan. Additionally, Article 3.3.1.2 of the Good Governance Code indicates that topics included in the annual work plans for the Board and its committees will serve as guidelines for the effective management of the topics to address at each meeting. However, **bvc's** Management may alter the information in said plans, if necessary.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

March 26, 2015

Amendment dates

N.A.





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19.2. Except for entities subject to oversight, which because of their nature, must hold at least one (1) meeting per month, **the company's Board of Directors holds between eight (8) and twelve (12) ordinary meetings per year.**

19.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 51 of the By-laws and Article 6.1 of the Rules of Procedure for the Board of Directors indicate that ordinary meetings are held at least once a month on the day and time indicated in the notification, at the Company's headquarters, unless otherwise stated in the notification.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

July 25, 2012





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19.3. One (1) or two (2) board meetings a year are clearly focused on defining and monitoring the company's strategy.

19.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** Board of Directors met in November 2017 to review the Company's strategic corporate plans. This is in accordance with the Annual Work Plan approved by the Board of Directors at the beginning of the year.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

March 18, 2015

Amendment dates

November 29, 2017





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19.4. The Board of Directors approves a schedule of ordinary meetings without preventing it from holding extraordinary meetings as often as necessary.

19.4 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 6.1 of the Rules of Procedure for the Board of Directors, it is the Board's function to approve the schedule of ordinary meetings presented by the Secretary.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

March 18, 2015





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19.5. At least five (5) calendar days in advance, members of the Board of Directors receive the meeting notification and documents or information related to each item on the agenda, so that they can actively participate and make reasonable decisions.

19.5 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 3.3.1.2 of the Corporate Governance Code and Articles 7.1 and 7.2 of the Rules of Procedure for the Board of Directors, five (5) calendar days prior to the meeting, **bvc** provides the members of the Board and its committees with the information related to each item on the agenda.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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Amendment dates

July 25, 2012





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19.6. With the assistance of the board's secretary, the chairman of the board assumes the ultimate responsibility of ensuring that members receive information sufficiently in advance and that the information is useful. Therefore, quality must prevail over quantity in the set of documents provided (Board of Directors dashboard).

19.6 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 71 of the By-laws describes the functions of the Chairman of the Board, including ensuring that timely and appropriate information is provided to Board members, directly or through the Board's Secretary.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

March 26, 2015

Amendment dates

N.A.





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19.7. The ultimate responsibility for preparing board meeting agendas lies with the chairman of the board, and not with the company's CEO. The agenda follows certain parameters that make it possible to follow a logical order in the presentation of topics and discussions.

19.7 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 71 of the By-laws, it is the duty of the Chairman of the Board to assist in the preparation of meeting agendas, in coordination with the Company's CEO and the Secretary of the Board of Directors. Additionally, Article 5.1 of the Rules of Procedure for the Board of Directors indicates that the preparation of the agenda is the responsibility of the Chairman of the Board in coordination with the Company's CEO and the Secretary of the Board of Directors.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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N.A.





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19.8. Members' attendance at board and committee meetings is made public by the company in its annual corporate governance report as well as on its corporate website.

19.8 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 3.4.1.1 of the Good Governance Code establishes that the information made available to the general public through the website includes the Annual Corporate Governance Report and Annual Report for each committee. Both documents include attendance of Board and committee members at the meetings.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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Amendment dates

January 27, 2016





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19.9. Every year, the Board of Directors assesses the efficacy of its work as a collegiate body, and that of its committees and individual members, including a peer assessment, as well as the reasonableness of its internal regulations, and the dedication and performance of its members. On that basis, it proposes the amendments to its organization and operations that it deems appropriate. In the case of conglomerates, the parent company's board of directors requires that the assessment is also carried out in its subsidiaries' boards of directors.

19.9 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 4.1.3.3 of the Good Governance Code and Article 10.1 of the Rules of Procedure for the Board of Directors, every year, the Board engages in individual and collective self-assessments of its members and of the Board of Directors as a collegiate body. Said assessment, which is managed and processed by a suitable outside consultant independent from the Company, aims to establish the levels of efficacy and efficiency in fulfillment of its duties and functions. Additionally, **bvc's** Corporate Group Policy establishes that each subsidiary must carry out an annual assessment process of the Board of Directors based on the methodology proposed by **bvc's** Chief Corporate Officer.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

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19.10. The Board of Directors alternates between internal assessments and external assessments by independent advisors

19.10 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 4.1.3.3 of the Good Governance Code sets forth that through the application of the individual and collective self-assessment methodology, the individual participation of each Board member and the performance of the Board of Directors as a whole will be examined. The relevance and depth of the different subjects, and frequency with which they must be addressed by the Board of Directors and its committees, will also be assessed. For that purpose, the means and mechanisms defined by the Board of Directors shall be used. These include using external assessments. Said assessment is practiced and reported by an outside consultant hired especially for that purpose.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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Measure 20: Rights and Duties of the Members of the Board of Directors

20.1. The rules of procedure for the Board of Directors complement the provisions of the regulatory framework regarding the rights and duties of Board members.

20.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 4.1 of the Rules of Procedure for the **bvc** Board of Directors adds to the rights and duties established in Article 50 of the By-laws and Article 4.1.1.2 of the Good Governance Code.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

January 27, 2016





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20.2. The rules of procedure for the Board of Directors develop the company's understanding regarding the **duties of board members stated in Recommendation 20.2.**

20.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 4.1 of the Rules of Procedure for the Board of Directors develops the understanding of the duties established in Article 50 of the By-laws and Article 4.1.1.2 of the Good Governance Code.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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March 26, 2015





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Measure 21: Conflicts of interest:

21.1. The company has a policy and procedure that is defined and formalized in the internal regulations **for the understanding, management and resolution of conflicts of interest**, either directly or indirectly through related parties, which can affect board members and other administrators.

21.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 77 of the By-laws, and Articles 4.1.1.2, 7.1.1.1 and subsequent articles of the Good Governance Code describe the policy and procedures to promptly and autonomously disclose and manage any conflict of interest that might arise between a Board member and the Exchange or its shareholders, parent companies, controlling companies or subsidiaries, as well as any situation that may generate a possible conflict of interest.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

November 28, 2003

Amendment dates

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21.2. The procedure to manage conflicts of interest distinguishes the nature of the conflicts, differentiating between a sporadic and ongoing conflict of interest. If the conflict of interest is sporadic, the applicable procedure indicates the rules and steps to follow. These must be relatively easy to manage and hard for the affected party to evade. For ongoing conflicts of interests, the procedure indicates that if the situation affects the company's overall operations, then it is considered grounds for mandatory resignation by the affected party, as it has become impossible for him/her to exercise his/her position.

21.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. In effect, Article 7.1.1.1 of the **bvc** Good Governance Code defines conflicts of interest as sporadic or ongoing. Sporadic conflicts of interest are those that arise in a particular situation, in an isolated manner, and ongoing conflicts of interest are those in which the circumstances that give rise to the conflict are maintained without interruption. The procedure to manage sporadic conflicts of interest is established in Article 7.1.1.2, and the procedure to resolve ongoing conflicts of interest is established in Article 7.1.1.4 of the same Good Governance Code. It indicates that in the event that an employee or administrator has an ongoing conflict of interest and the situation may affect the Company's overall operations, this may be understood as grounds for mandatory resignation by the affected party, as it prevents his/her exercise of his/her position.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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N.A.





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21.3. Board members, legal representatives, members of senior management and other company administrators regularly inform the Board of Directors of the relations, either direct or indirect, that they engage in among themselves or with other entities or structures belonging to the conglomerate of which the issuer is a part, with the issuer, with suppliers, with clients or with any other stakeholder that could result in conflicts of interests, or sway the direction of their opinion or vote. This procedure is used to construct a *“Map of Related Parties”* for administrators.

21.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Board members promptly and autonomously disclose in the way indicated in the Company Bylaws any conflict of interest that might arise between a member of the Board of Directors and the Exchange or its shareholders, parent companies, controlling companies or subsidiaries, as well as any situation that might potentially generate said conflict of interest. Additionally, members of Senior Management and the Board of Directors must comply with Article 7.1.1.4 regarding the duty of disclosure to their hierarchical superior. In any case, the Chief Corporate Officer of **bvc** submits a quarterly report on situations that the administrators or employees of **bvc** have reported, trading of listed shares or any other situation that could lead to conflicts of interest.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

March 18, 2015





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21.4. Relevant conflicts of interest, understood as those that would force the affected party to abstain from a meeting and/or voting where members of the board of directors and other administrators are present, **are included in the public information** that the company posts every year on its website.

21.4 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

NO. Explain:

To date, potential conflicts of interest are not part of the public information published annually by the Company. Notwithstanding the aforementioned, the Board's minutes expressly include events in which a member abstains from participating because he/she is involved in a potential conflict of interest.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

N.A.

Amendment dates

N.A.





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21.5. For these purposes, the definition of related parties applicable to the company is consistent with International Accounting Standard 24 (IAS 24).

21.5 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. As of January 1, 2012, **bvc** decided to adopt the International Accounting Standards voluntarily and in advance. The standards were fully adopted. Therefore, the preparation, presentation and disclosure of all the Company's accounting and financial information is carried out under these principles, which include IAS 24. The **bvc** Consolidated Financial Statements fully address the enrollment criteria established in international accounting principles.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

January 1, 2012

Amendment dates

N.A.





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Measure 22: Transactions with Related Parties

22.1. The company has a policy that defines the specific procedure to assess, approve and disclose transactions with related parties, including outstanding balances and relations between them, except for transactions that have a specific regulation.

22.1 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. The **bvc** Board of Directors approved the protocol for contracts with subsidiaries, through which policies were established that define the specific procedure for the valuation, approval and disclosure of transactions with related parties, including the outstanding balances between them.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation February 22, 2017

Amendment dates N.A.





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22.2. The company's policy on transactions with related parties addresses the aspects included in Recommendation 22.2.

22.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** Board of Directors approved the protocol for contracts with subsidiaries, through which policies were established that define the specific procedure for the valuation, approval and disclosure of transactions with related parties, including the outstanding balances between them, adopting the aspects of this recommendation.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

February 22, 2017

Amendment dates

N.A.





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22.3 The policy does not require express authorization from the board of directors for recurring related transactions inherent to the company's line of business carried out by virtue of standard-form contracts or general framework contracts with perfectly standardized terms, which are applied in a mass scale and are carried out at market prices, generally set by the acting supplier of the good or service in question, and of which the individual amount is not relevant for the company.

22.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 31 of the **bvc** By-laws, the General Shareholders Meeting is responsible for approving relevant transactions carried out with economically related parties, except for transactions that meet the following conditions: (i) They are made at market rates, generally set by the supplier of the good or service concerned; and (ii) They are ordinary transactions of the issuer that are not material.

Similarly, the protocol for contracts with subsidiaries establish that is mandatory for the transactions to be made at market prices, established generally by the provider of the respective good or service.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

February 22, 2017





Measure 23: Payment of Board Members

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23.1. The company has a remuneration policy for its Board of Directors that was approved by the general shareholders meeting and is revised every year, which identifies all the remuneration components that it is effectively able to satisfy. These components may be fixed or variable. They can include set fees for a board member, fees for attending board and/or committee meetings, and other additional remuneration of any type earned over the course of the year, whatever the cause, in money or in kind, as well as obligations acquired by the company in terms of pensions or life insurance payments or other concepts for both former and current members, as well as insurance premiums for civil liability (D&O Policies) contracted by the company for its board members.

23.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. On March 30, 2016, the **bvc** General Shareholders Meeting approved the Remuneration Policy for the Board of Directors, which identifies the remuneration components to recognize.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

March 30, 2016

Amendment dates

N.A.





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23.2. If the company adopts remuneration systems based on the recognition of a variable component related to the company's good performance in the medium and long term, **the remuneration policy must include limits to the amount** that the board of directors can distribute, and if the variable component is related to the company's benefits or other management indicators at the close of the assessed year, it must consider the reservations listed in the statutory auditor's report, which could bring down the period's results.

23.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

NO. Explain:

The Exchange does not compensate Board members under variable remuneration systems. Payment of fees is exclusively in cash and dependent on attendance at Board and committee meetings.

In addition to the above, the Remuneration Policy for the Board of Directors approved by the General Shareholders Meeting on March 30, 2016, prohibits payment in shares or other securities issued by the Exchange. Compensation or incentives for the Board members by delivery or the option to acquire said securities are also not permitted.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

N.A.

Amendment dates

N.A.





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23.3. Equity and independent members of the Board of Directors are expressly excluded from retribution systems that include stock options or variable retribution based on the absolute variation of the stock price.

23.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. It should be noted that the legal system applicable to **bvc** sets forth express prohibitions on matters that coincide with the objective proposed by this measure. In effect, Article 8 of Decree Law 1172/1980 establishes that administrators of brokerage firms are prohibited from acquiring listed stocks.

In addition to the above, Article 10 of Law 27/1990 and Article 5.3.1.3 of **bvc's** General Regulations establish that the Exchange's legal representatives shall not trade listed securities, neither directly nor through intermediaries; they must have prior express authorization from the Board of Directors; and it must be for reasons other than speculation.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2007

Amendment dates

July 25, 2012





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23.4. For each assessed period and in the framework of the remuneration policy, the general shareholders meeting approves a maximum cost for the Board of Directors for all the approved remuneration components.

23.4 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

The Remuneration Policy approved by the General Shareholders Meeting on March 30, 2016, indicates that the fees shall be allocated according to the members' attendance of Board and committee meetings.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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23.5. The board's actual cost during the assessed period, which includes all the remuneration components paid to Board Members, as well as reimbursement of expenses, is known by the shareholders and posted on the company's website with the level of detail and breakdown approved by the board.

23.5 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Fees paid to Board members in 2017 were published in the Management Report and made available to shareholders, and posted permanently on the **bvc** website at the appropriate level of breakdown approved by the Board of Directors.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

March 28, 2017





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Measure 24: Company CEO and Senior Management

24.1. The company's governance model establishes effective separation between its management or governance (represented by the board of directors) and the regular course of business (under senior management and headed by the company's CEO).

24.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** Corporate Group Policy clearly establishes the separation and interaction between Company Management and the ordinary course of business, which is the responsibility of Senior Management. Additionally, it indicates the channels of interaction between them. Similarly, Articles 46 and 55 of the By-laws establish an effective separation between Senior Management and the Board of Directors.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

November 28, 2003

Amendment dates

March 26, 2015





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24.2. Generally, the board's policy consists of delegating the regular course of business to the senior management team, concentrating its own activity on the general functions of strategy, supervision, governance and oversight.

24.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 46 of the By-laws, the main function of the **bvc** Board of Directors is to implement strategic and organizational tasks in the Company. Similarly, it specifies that the Company shall have a CEO and two alternates, which shall act separately and have powers and attributions as established by the Board of Directors. In turn, the CEO and other legal representatives may partially delegate their functions in branches or to employees that they consider appropriate, without being prevented from carrying out the delegated functions themselves. Finally, it indicates that the Company's CEO shall make decisions as necessary for the preservation of the Company's assets, to supervise employee activities and impart order or instructions as required for the Company's good progress, all pursuant to Articles 55, 56 and 58 of the By-laws.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 26, 2015





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24.3. As a general rule, members of Senior Management are identified, assessed and appointed directly by the company's CEO, as they are his/her direct employees. Alternatively, **the company may opt to have its members of senior management appointed by the Board of Directors upon the recommendation of its CEO.** Regardless of who makes the final appointment, candidates for key executive positions in the Company are known and assessed by the board's appointment and remuneration committee, which must issue an opinion.

24.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Articles 50 and 58 of the By-laws, one of the CEO's roles is to appoint and dismiss Company employees whose appointment and dismissal do not correspond to the Board of Directors or the General Shareholders Meeting. One of the Corporate Governance Committee's functions is to regularly assess the activities of said employees, based on achievement of the goals and indicators, and to make recommendations to the Board of Directors.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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24.4. The company has a clear policy regarding delegation of functions approved by the board of directors and/or a system of powers that describes the level of power of the CEO and other members of senior management.

24.4 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Articles 50, 56 and 58 of the By-laws, it is the duty of the Board of Directors to appoint, dismiss and assess the Company's CEO and to set his/her remuneration, as well as establishing the criteria to partially delegate the CEO's roles to other Company employees.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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24.5. Acting through the appointment and remuneration committee, or whichever fulfills its duties, **the board of directors annually leads the performance assessment for the company's CEO** and is aware of the performance assessments of the other members of senior management.

24.5 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. In accordance with Article 4.2.1.2 of the Good Governance Code and Article 3 of the Rules of Procedure for the Corporate Governance Committee, the Corporate Governance Committee has the role of performing a regular review of the mission of the **bvc** CEO and his/her remuneration, supporting the Board of Directors in the assessment of his/her management and reviewing the succession plans thereof, as well as evaluating and preparing recommendations for the Board of Directors concerning the Company's Senior Management.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

January 27, 2016





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24.6. The company has a remuneration policy for its CEO and other members of senior management, approved by the board of directors, which identifies all the remuneration components that can be effectively satisfied, tied to achievement of long-term objectives and risk levels.

24.6 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** has a Remuneration Policy for Senior Management approved by the Board of Directors, which identifies the remuneration components that are recognized for the team members, including the CEO, which are tied to achievement of the targets.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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Amendment dates

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24.7. If the company CEO's compensation **includes both fixed and variable components**, its technical design and calculation **will keep the variable component from exceeding the maximum limit established by the board of directors.**

24.7 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The remuneration of the **bvc** CEO is established by the Board of Directors, and has variable remuneration according to the achievement of results of the Balanced Scorecard; a management system with its design and targets approved by the Board of Directors before starting the corresponding year.

In any case, compensation or incentives for the CEO through the delivery of or option to acquire shares or other securities issued by **bvc** are not permitted pursuant to Article 4.2.1.1 of the Good Governance Code.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

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IV. Control Architecture

Measure 25: Control Environment

25.1. The Board of Directors is ultimately responsible for the existence of a solid control environment in the company adapted to its character, size, complexity and risks so that it complies with the estimates set forth in Recommendation 25.1.

25.1 Do you implement the measure?	YES <input checked="" type="checkbox"/>	NO <input type="checkbox"/>	N/A <input type="checkbox"/>
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YES. Briefly describe:

Yes. Pursuant to Articles 46 and 50 of the By-laws, the Board of Directors is the Company's administrative body responsible for ensuring the existence of an adequate internal control environment. In addition, the Board of Directors regularly monitors the Company's risk management by reviewing the reports submitted by the Audit and Risk Committee. Similarly, the Board of Directors is also responsible for establishing the policies for managing the risks inherent to the Company, regular monitoring of these risks, and the development and operation of ordered, transparent and secure markets with proper price setting.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation	June 27, 2001
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25.2. In the case of conglomerates, the parent company's board of directors **will ensure the existence of a control architecture with a scope that** is consolidated, formal and encompasses all the subsidiaries, establishing responsibilities for policies and guidelines on this matter at the conglomerate level, and defining clear reporting lines that provide a consolidated vision of the risks to which the conglomerate is exposed and the control measures required.

25.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. In effect, in accordance with the policy called "**bvc** Corporate Group Model" approved by the **bvc** Board of Directors on December 7, 2016, the **bvc** works to have a control architecture with a consolidated scope that covers all the subsidiaries, indicating the responsibilities of each one in the Group's model and describing the flows of information to and from the Parent Company, permitting a consolidated vision of the risks and application of control measures.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 7, 2016

Amendment dates

N.A.





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Measure 26: Risk Management

26.1. In the company, the **risk management objectives** are the ones included in Recommendation 26.1.

26.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The objectives of risk identification; risk assessment and measurement of the degree of risk exposure; effective risk management; risk monitoring; and regular reporting to the Board of Directors and Senior Management regarding risk management are established in several of the Company's documents, particularly in the ORMS Manual, the Internal Control Policy and Title VI of the Good Governance Code.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

March 18, 2015





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26.2. The company has a *risk map*, understood as a tool to identify and monitor the financial and non-financial risks to which it is exposed.

26.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** has a Risk Map for every process. Furthermore, it has a Corporate Risk Map, which was reviewed and updated on November 24, 2017, unifying the risk methodologies of the Anti-Money Laundering and Counter Terrorist Financing (AML/CFT) System and the Operative Risk Management System (ORMS).

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

September 10, 2007

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November 24, 2017





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26.3. The Board of Directors is responsible for defining a risk management policy and setting maximum exposure limits for each risk factor identified.

26.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Articles 46 and 50 of the By-laws, the Board of Directors is also responsible for establishing the policies for managing the risks inherent to the Company, regular monitoring of these risks, and the development and operation of ordered, transparent and secure markets with proper price setting. Similarly, the Board of Directors sets the policy to manage risks inherent to the Company.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

April 7, 2001

Amendment dates

March 26, 2015





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26.4. The Board of Directors is knowledgeable of and regularly supervises the company's effective exposure to the maximum risk limits defined, and proposes corrective and monitoring actions in case of deviations.

26.4 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The Board of Directors is responsible for defining the maximum risk exposure limits and assessing risk reports, as well as analyzing and assessing the Company's risk control systems and tools. The Board's Audit and Risk Committee assesses and makes recommendations on these aspects, proposing to the Board of Directors the Company's risk policy and improvement initiatives on infrastructure and the internal control and risk management systems. The aforementioned in the development of the provisions of Articles 46 and 50 of the By-laws, Title VI of the Good Governance Code, and other corporate regulations that regulate the internal control system.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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26.5. As part of the risk management policy, **senior management owns the processes and is responsible for risk management**, in other words, for identifying, assessing, measuring, controlling, monitoring and reporting risks; defining methodologies; and ensuring that risk management is consistent with the strategy, the defined risk policy, and the approved maximum limits.

26.5 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The Company has a department with the essential objective to manage risks. This department has clearly defined roles and responsibilities and internal reporting processes, which include regularly and periodically submitting reports directly to the Board's Audit and Risk Committee. The aforementioned pursuant to Article 58 of the By-laws; Title VI of the Good Governance Code; **bvc's** Financial Risk Management, ORMS and AML/CFT System Manuals; and its Internal Control Policy.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

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26.6. The company has a risk delegation policy approved by the board of directors that establishes the risk limits that can be directly managed by each level in the company.

26.6 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** has an Internal Control Policy, approved by the Board of Directors, a Financial Risk Management Manual, an ORMS Manual, an AML/CFT System Manual, and an Anti-fraud Program Manual. These documents are approved by the Board of Directors, which establishes the limits, responsible parties and delegation criteria to manage the Company's risks.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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Amendment dates

N.A.





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26.7. Risk management in conglomerates must be consolidated in such a way that it contributes to the cohesion and control of the companies that comprise them.

26.7 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. In accordance with the policy called "bvc Corporate Group Model" approved by the bvc Board of Directors on December 7, 2016, through the Chief Corporate Officer, and specifically risk management, the Company has the tools and carries out a consolidated analysis for identifying risks in the Group.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation December 7, 2016

Amendment dates N.A.





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26.8. If the company has a complex and varied structure of businesses and operations, **it shall have a position for a Chief Risk Officer (CRO)** with responsibility at the conglomerate level in the case of integrated companies in control and/or corporate group situations.

26.8 Do you implement the measure? YES NO N/A

YES. Briefly describe:

NO. Explain:

Despite the fact that **bvc** has a Corporate Chief Risk Officer and a Corporate Group Policy that sets forth the responsibilities of each governing body in **bvc** as well as in its subsidiaries, the existence of the figure of a Chief Risk Officer has not been established for the whole Organization, because it fosters the coordination of a complex risk structure rather than the imposition of one. Therefore, it is clarified that the CEOs and Managers of the subsidiaries are the first people responsible for the subsidiary's control environment, but aligning it with good practices of the industry, regulatory requirements and those proposed by **bvc**.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation N.A.

Amendment dates N.A.





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Measure 27: Control Activities

27.1. The Board of Directors is responsible for ensuring the existence of an adequate internal control system adapted to the company and its complexity, and consistent with the risk management in effect.

27.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Articles 46 and 50 of the **bvc** By-laws and the **bvc** Corporate Group Model policy approved by the **bvc** Board of Directors on December 7, 2016, establish that one of the Board's functions is to ensure the existence of an adequate internal control system and approve its implementation and oversight according to the complexity of the Company. In this regard, along with other activities, the Board must know and assess the relevant reports regarding the Internal Control System that are submitted by the Company's different controlling bodies and the Audit and Risk Committee, and provide the necessary orders so that the recommendations and remedies are adopted.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

April 7, 2001

Amendment dates

December 7, 2016





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27.2. The Board of Directors is responsible for supervising the efficacy and suitability of the internal control system. The board of directors may delegate this responsibility to the audit committee without losing its supervisory responsibility.

27.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Articles 46 and 50 of the By-laws, the Board of Directors must monitor and ensure the efficacy and suitability of **bvc's** Internal Control System. Article 3 of the Rules of Procedure for the Audit and Risk Committee assigns the responsibility to this committee of monitoring the Exchange's internal control and supervising risk management; assessing accounting procedures; reviewing the risk management system's audits; verifying the audit function and relations between the Board of Directors and the Statutory Auditor.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

April 7, 2001

Amendment dates

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27.3. The company applies and requires the principle of self-control, understood as the “*capacity of people who participate in the different processes of considering control as an inherent part of their responsibilities, fields of action, and decision-making*”.

27.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Compliance with the Internal Control Policy is mandatory for the administrators and employees of the Exchange and its subsidiaries, as established by the Board of Directors. Said policy includes principles of self-control, defined as the capacity of all employees, regardless of their hierarchical level, to evaluate and assess their work, to detect deviations, and to make the necessary corrections in the exercise and compliance of their roles, as well as to improve their tasks and responsibilities.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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Amendment dates

N.A.





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Measure 28: Information and Communication

28.1. The company's culture, philosophy and risk policy are communicated from the top down and horizontally, as well as the approved exposure limits, so that the entire organization can consider the risks and control activities in its endeavors.

28.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** disseminates its culture, philosophy and risk policy through its Risk Awareness Plan. This is contained in the Risk Awareness Plan document, which includes topics such as Operational Risk Quality, Information Security Management System, Information on Business Continuity, and the AML/CFT System, through different methodologies, such as training sessions and workshops.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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Amendment dates

N.A.





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28.2. There is a bottom-up reporting mechanism in the company (up to the board of directors and senior management), which is accurate, understandable and complete, supporting and enabling informed decision-making and risk and control management.

28.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The bottom-up reporting mechanism is described in both the Internal Audit Charter and the Internal Control Policies. In the former, both the Internal Audit Manager and internal audit personnel are responsible for submitting quarterly reports to the Board of Directors about the overall progress of tasks or matters of the task that may be relevant. In the latter Article 4.5.1, each department or process supervisor or leader at all levels must, as a regular part of his/her responsibilities, implement continuous supervision processes of employee activities to ensure that they are fulfilled according to plan, and any deviations that arise are detected and corrected on time. Senior Management and the Chief Risk Officer coordinate and manage the information reports required by the Audit and Risk Committee and/or Board of Directors through an Internal Risk Committee.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

November 4, 2009

Amendment dates

December 17, 2015





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28.3. The company's **communication and reporting mechanism** allows: i. senior management to involve the entire company, highlighting its responsibility to manage risks and define controls; and ii. company personnel to understand its role in managing risks and identifying controls, as well as individual contributions regarding the work of others.

28.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The Company's communication and reporting mechanism involves different levels of decision-making and risk management. The Risk Awareness Plan provides clarity on these concepts and allows people to acquire skills and retain knowledge about their own role in managing risks and identifying controls.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

September 09, 2009

Amendment dates

N.A.





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28.4. The company provides internal lines for anonymous reporting or “whistleblowers”, which allow employees to anonymously report illegal or unethical behavior, or anything that can get in the way of the company’s risk management and control culture. A report of these complaints is submitted to the company’s board of directors.

28.4 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 50 of the By-laws establishes that one of the Board’s duties is to implement ethical control policies and plans for Company administrators and employees, which can include anonymous reporting systems. Therefore, the Company’s Ethics and Conduct Manual develops the incident reporting procedure through the Ethics Hotline.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 26, 2015



Measure 29: Monitoring of Control Architecture

29.1. In the company, through the audit committee, the Board of Directors is responsible for supervising the effectiveness of the different components of the control architecture.

29.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 50 of the **bvc** By-laws and Article 3 of the Rules of Procedure for the Audit and Risk Committee, this committee is a body that supports the Board's functions regarding monitoring of the Exchange's internal controls and its oversight responsibilities with respect to risk management; assessment of accounting procedures; review of risk management system audits; verification of the audit function; and relations between the Board of Directors and the Statutory Auditor.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 26, 2015



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29.2. In the company, **monitoring tasks aimed at providing assurance of the control architecture's efficacy** primarily involve **internal auditing in collaboration with the statutory auditor** on matters inherent to its responsibility and, particularly, regarding financial information generated by the company.

29.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Title VI of the Good Governance Code establishes that **bvc's** Internal Control System is structured according to interactions between the Statutory Auditor and Internal Auditing Department. One of the Statutory Auditor's roles is to assess whether **bvc's** actions are in line with current regulations, especially its accounting, bookkeeping, and safeguarding of Company papers and assets. The Internal Auditing Department's functions include assessing the efficacy of the Company's strategic definitions and monitoring the implementation of corrective and preventive actions adopted to fix problems, and to recommend the actions or adjustments necessary to strengthen the Company's internal control.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

March 18, 2015





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29.3. The company's internal auditing department has an internal audit charter approved by the audit committee that expressly describes the scope of its functions on this matter, which should include the topics indicated in Recommendation 29.3.

29.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The topics indicated in Recommendation 29.3 are expressly stipulated in the **bvc** Internal Audit Charter, approved by the Board of Directors. The roles are established in the "Responsibility" Section for the Internal Audit Manager and internal audit personnel, with the following scope. The Internal Audit Manager must appear at least once a year before Audit Committee and Senior Management to confirm the independence of the Organization's internal auditing activity; prepare a flexible internal audit plan with assurance and/or consultation tasks using an appropriate risk-based methodology, including any identified concern of risk or control; submit said plan to the Audit Committee for its review and approval; and assess key business risks, including risk management by responsible parties, and reporting mechanisms.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

October 5, 2007

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October 5, 2015





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29.4. The internal audit manager maintains a relationship of professional independence from senior management of the company or conglomerate that hires him/her through functional dependence exclusive to the audit committee.

29.4 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 50 of the By-laws, the Internal Auditor is appointed directly by the Board of Directors, which guarantees his/her independence from Senior Management from a functional viewpoint. Moreover, the Internal Audit Charter establishes that the Internal Audit Manager is functionally coordinated with the Board's Audit and Risk Committee.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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29.5. In the company, the Board of Directors is responsible for appointing and dismissing the internal **audit manager**, at the suggestion of the audit committee, and the market is notified of any dismissal or resignation.

29.5 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 50 of the By-laws, the Board of Directors is responsible for appointing and dismissing the Internal Audit Manager, at the suggestion of the Audit and Risk Committee, and the market must be notified of any dismissal or resignation.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

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29.6. The statutory auditor of the company or conglomerate maintains clear independence from them, and this quality must be declared in the respective audit report.

29.6 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Articles 61, 62, and 63 of the By-laws, the Statutory Auditor must be a suitable individual and not own shares in the Company or any of its subsidiaries, and may not be an employee, partner, spouse or relative of any **bvc** employee. These provisions are assessed by Management and the Audit Committee in the process to select and hire a Statutory Auditor, which is put to the General Shareholders Meeting for consideration.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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29.7. If the company acts as parent company of a conglomerate, the statutory auditor is the same for all companies, including offshore companies.

29.7 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

NO. Explain:

While **bvc** prefers to have the same statutory audit firm for all the companies that make up the **bvc** Corporate Group, as of December 31, 2017, not all its companies did. It is expected that the policy to unify the statutory audit into one single firm will materialize in 2018.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

N.A.

Amendment dates

N.A.





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29.8. The company has a policy to appoint the statutory auditor approved by the board of directors and disclosed to the shareholders, which includes the provisions set forth in Recommendation 29.8.

29.8 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Articles 61 and 62 of the **bvc** By-laws indicate that the Statutory Auditor (both principal and alternate) must be a legally suitable individual. They also indicate that the Statutory Auditor's principal and alternate must be public accountants, or associations or firms of public accountants that comply with the relevant legal requirements. Furthermore, regarding the election period, the By-laws indicate that elections will take place at the same time as Board member elections. This is without detriment to the General Shareholders Meeting being able to dismiss the Statutory Auditor at any time. The Rules of Procedure for the General Shareholders Meeting states that the Board of Directors can submit options for appointment of the Statutory Auditor. To submit these options, the Board of Directors must indicate in writing the reasons why it recommends a particular candidate.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001





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29.9. In order to avoid excessive relations between the company and the statutory audit firm and/or its teams and maintain its independence, **the company has established a maximum contract period of five (5) to ten (10) years.** For the statutory auditor, **an individual not connected to a firm, the maximum contract period is five (5) years.**

29.9 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 6.1.1.2 of the Good Governance Code and without prejudice to the right of the Company's shareholders to elect the Statutory Auditor, when possible, **bvc** will attempt to rotate individuals within the statutory audit firm at least every five (5) years. Additionally, it must be agreed that any individual who has been rotated may only resume the role of Statutory Auditor at the Exchange after a minimum period of two (2) years.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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29.10. As part of the maximum contract period, the company **promotes rotation of the statutory audit firm's partner assigned to the company** and its work teams at the half-point of the period. At the end of the period, rotation of the firm is mandatory.

29.10 Do you implement the measure? YES NO N/A

YES. Briefly describe:

Yes. Pursuant to Article 6.1.1.2 of the Good Governance Code and without prejudice to the right of the Company's shareholders to elect the Statutory Auditor, when possible, **bvc** will attempt to rotate individuals within the statutory audit firm at least every five (5) years. Additionally, it must be agreed that any individual who has been rotated may only resume the role of Statutory Auditor at the Exchange after a minimum period of two (2) years.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation December 14, 2005

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29.11. In addition to the existing ban on hiring professional **services from the statutory auditor** other than the company's own financial auditing, and other functions included in current regulations, the company extends this limitation to individuals or entities related to the statutory audit firm. Entities include companies in its own group as well as companies with a large number of partners and/or administrators in common with those of the statutory audit firm.

29.11 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 62 of the By-laws establishes that the Company may not hire statutory auditing services with entities or professionals that directly or indirectly provide services to the Company other than those of the statutory audit.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

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29.12. In its public information, the company discloses the monetary amount of the contract with the statutory audit firm, as well as the proportion of the fees paid by the company of the firm's total revenue from its statutory auditing activity.

29.12 Do you implement the measure? YES NO N/A

YES. Briefly describe:

The total monetary amount of the contract with the statutory audit firm is posted on the **bvc** website, as well as the proportion of the fees paid by **bvc** of the firm's total revenue from its statutory auditing activity for the 2016 and 2017 periods. Said certificate issued by KPMG S.A.S. can be consulted at the following link: <https://drive.google.com/file/d/1bynM8yaBjKCLInViaXwwYW1YJixMYD54/view>

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation January 20, 2017

Amendment dates N.A.





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V. Transparency and Financial and Non-Financial Information

Measure 30: Information Disclosure Policy

30.1. The Board of Directors has approved an information disclosure policy that identifies the information described in the recommendation as a minimum.

30.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Title III of the Code of Good Governance provides a full, comprehensive description of the procedure for preparing and disclosing information, including rules on timeliness, access to content and classification of financial and non-information. Furthermore, said title regulates the information to be brought to the General Shareholders Meeting and information that the Company must regularly make public as part of its corporate purpose.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

January 27, 2016





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30.2. In the case of conglomerates, disclosure of information to third parties regarding the company is comprehensive and complete, allowing external entities to form an opinion based on the conglomerate's actual situation, organization, complexity, activity, size and governance model.

30.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** prepares, presents and publishes consolidated financial information with the entities that comprise the economic group. These financial statements fully comply with the provisions that regulate the way these consolidated financial statements must be prepared, complying with the International Accounting Standards. Additionally, through the **bvc** website, all the non-financial information that may interest stakeholders is promptly delivered, including the organizational, governance and internal control structure, **bvc** strategy and guidelines.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

July 1, 2016





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Measure 31: Financial Statements

31.1. In the event that the statutory auditor's report contains reservations, a statement on these and the actions the company intends to take to resolve them shall be made by the chairman of the audit committee to the **shareholders** gathered at the general shareholders meeting.

31.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Article 3.2.3.1 of the Good Governance Code, information put to the consideration of shareholders during the exercise of the right to inspection includes the Statutory Auditor's opinion on the Financial Statements. If this contains reservations, these shall be listed along with action plans proposed by Management to correct them. They shall be subject to a declaration by the Chairman of the Audit Committee to the shareholders at the General Shareholders Meeting.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

March 18, 2015





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31.2. When the Board of Directors considers that it must maintain its position regarding the reservations and/or emphasis-of-matter paragraphs of the statutory auditor, this position is adequately explained and justified in writing to the general shareholders meeting, specifying the content and scope of the discrepancy.

31.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 3 of the Rules of Procedure for the Good Governance Code establish the following as a function of the Audit and Risk Committee: *"... in the event that the opinion issued by the Statutory Auditor contains reservations and/or unfavorable opinions, a statement on its contents and scope must be made and brought to the attention of shareholders and the public securities market through the bvc website, verifying compliance with the recommendations by bvc Management so that it can lead the process of responding to the observations included in the report."*

Likewise, pursuant to Article 3.2.3.1 of the **bvc** Good Governance Code, 15 calendar days prior to the date of the General Shareholders Meeting, the Statutory Auditor's opinion on the Financial Statements shall be made available to the shareholders. If this contains reservations, these shall be listed along with action plans proposed by Management to correct them. They shall be subject to a declaration to the shareholders at the General Shareholders Meeting.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

May 24, 2017





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31.3 Transactions with or between related parties, including transactions between conglomerate companies, which due to objective parameters such as volume of the transaction, percentage of assets, sales or other indicators are considered significant by the company, **are listed in detail in the public financial information, as well as the mention of offshore transactions carried out.**

31.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Pursuant to Articles 3.2.2.1 and 3.2.2.1 of the Good Governance Code, **bvc** includes transactions between related parties in its financial statements, as well as any offshore transactions. This information is posted on the **bvc** website.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

March 18, 2015





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Measure 32: Information for the Markets

32.1. In the framework of the information disclosure policy, the board of directors (or the audit committee) **adopts the measures required to ensure that all financial and non-financial information about the company is reported to the financial and capital markets**, as required by legislation in force, in addition to any information deemed relevant for investors and clients.

32.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Article 50 of the By-laws stipulates that it is a function of the Board of Directors to “supervise the financial and non-financial information of the Company that, as an issuer and according to the framework of information disclosure and communication policies, it must publish regularly”. Moreover, Title III of the Good Governance Code indicates the frequency and information that must be made available to shareholders with all the financial and non-financial information, important events, and other relevant issues for shareholders and the general public.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

June 27, 2001

Amendment dates

March 26, 2015





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32.2. The company's website is user-friendly and simple to use, providing users with access to information regarding corporate governance.

32.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** website is user-friendly and simple to use for shareholders. Indeed, for better access, the website is provided in both English and Spanish. To access corporate governance information, shareholders can go to the **bvc** Investor Relations menu and enter the corporate governance menu at the following link: <https://gobiernocorporativo.bvc.com.co/>

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

November 19, 2017





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32.3. The company's website at least includes links regarding Recommendation 32.3.

32.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The **bvc** considers its website to be one of its main communication channels with shareholders, and keeps it up-to-date with relevant information.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

November 19, 2017





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32.4. The **support** that the company generally uses to communicate information to the markets **are documents that can be downloaded, printed and shared.**

32.4 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. On its website, **bvc** publishes all the information pertaining to Title III of the Good Governance Code. This information is presented in formats that can be downloaded, printed and shared with electronic devices for safekeeping and storage.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

March 18, 2015





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32.5. If the company is of great size and complexity, it annually posts a detailed report on its website explaining the organization, methods and procedures of its control architecture, with the aim to provide accurate and secure financial and non-financial information, and safeguard the organization's assets, as well as the efficiency and safety of its transactions. Information on the control architecture is complemented with a risk management report.

32.5 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. Every year, **bvc** publishes a Management Report and dedicates an entire chapter to describe the different activities designed to develop the Company's internal control. Furthermore, pursuant to Section 3 of Article 3.2.2.2 of the Good Governance Code, **bvc** makes the Company's internal control and audit structure available to its shareholders. Moreover, Section 2 of the same Article indicates that the Risk Management Report is published every six months for shareholders.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

March 18, 2015





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Measure 33: Annual Corporate Governance Report

33.1. The company prepares an annual corporate governance report, and the board of directors is responsible for its content, with the prior review and positive report of the audit committee, which is submitted together with the rest of the year-end documents.

33.1 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The Audit Committee's functions include reviewing the Corporate Governance Report, pursuant to Article 3 of the Rules of Procedure for the Audit and Risk Committee and Article 3.2.3.1 of the Good Governance Code. This report is published as one of the chapters in the Annual Management Report.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

March 18, 2015





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33.2. The company's **annual corporate governance report is not a mere transcription of the corporate governance regulations** included in the by-laws, rules of procedure, good governance codes and other company documents. Its aim is not to describe the company's governance model, but to explain the reality of its operations and relevant changes during the period.

33.2 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

Yes. The Annual Corporate Governance Report provides a detailed, comprehensive explanation of **bvc's** Governance Model and any changes to it during the period.

NO. Explain:

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

December 14, 2005

Amendment dates

March 18, 2015





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33.3. The company's annual corporate governance report contains end-of-year information that describes how the corporate governance recommendations adopted by the company were met, and the main changes generated.

The structure of the company's annual corporate governance report is in line with the system covered in Recommendation 33.3.

33.3 Do you implement the measure?

YES

NO

N/A

YES. Briefly describe:

NO. Explain:

Most of the recommendation's requirements are included in the Management Report's Corporate Governance Chapter. However, given the scope of the information requirements of this measure, **bvc** is working to ensure that the Management Report fully includes all of these requirements.

Nevertheless, **bvc** is one of the first companies to adopt the GRI Standard for the presentation of its annual reports.

N/A. Specify the regulations that prevent adoption of the recommendation:

Date of implementation

N.A.

Amendment dates

N.A.

