Consolidated Financial Statements at 31 December 2018

Banco de Occidente

Del lado de los que hacen.

Banco de Occidente S.A.
and Subsidiaries
Consolidated Financial Statements
at 31-December-2018

Fiduciaria de Occidente S.A.
Banco de Occidente Panamá S.A.
Occidental Bank Barbados Ltd.
Ventas y Servicios S.A.

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REPORT BY STATUTORY AUDITOR

Shareholders
Banco de Occidente S.A.:

I have audited the consolidated financial statements of Banco de Occidente S.A., and the Subsidiaries (the Group) thereof, comprising the consolidated statement of financial situation at December 31, 2018 and the consolidated statements of results, from other integral results, of changes in the equity and the cash flows for the year ended in that date and its respective notes, including a summary of the significant accounting policies and other explanatory information.

Management Responsibility in connection with the consolidated financial statements

The Administration is responsible for the proper preparation and submission of those consolidated financial statements according to the Accounting Standards and Financial Information accepted in Colombia. Such responsibility includes: to design, implement and maintain the relevant internal control for the preparation and submission of consolidated financial statements, free from material significant errors, either due to fraud or error; single out and apply the appropriate accounting policies, as well as establish the reasonable accounting estimates in the circumstances.

Statutory Auditor Responsibility

My responsibility is to issue an opinion about the consolidated financial statements based on my audit. I obtained the information necessary to accomplish with my duties and I made the exam in accordance with international Audit Standards Accepted in Colombia. Such standards require the compliance with ethical regulations, planning and completion of the audit in order to obtain a reasonable assurance for the consolidated financial statements to be free from material significant errors.

Any audit includes the implementation of procedures to obtain evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected are dependent on the statutory auditor’s judgment including the evaluation of material significant risk of errors in the consolidated financial statements. In such evaluation of risk, the statutory auditor takes into account the internal control relevant for the preparation and submission of the consolidated financial statements in order to design auditing procedures approved according to the circumstances. The audit includes as well the evaluation of the use of appropriate accounting policies and the reasonability of the accounting estimates made by the management, as well as the evaluation of consolidated financial statements presentation, in general.

I do consider that the evidence of audit obtained provides a reasonable basis to support my opinion issued below.

Opinion

In my opinion, the consolidated financial statements mentioned, and attached to this report, contain, reasonably, in all the aspects of material significance, the consolidated financial situation of the Group, at December 31, 2018, the consolidated results of the operations and separated cash flows for the year ended in that date, in accordance with the Accounting and Financial Information Standards Accepted in Colombia, applied in an uniform manner with the precedent year, excepting the application of NIIF 9 that began to be enforced as from, January 1, 2018.

Paragraph of Emphasis

Without qualifying my opinion, I draw the attention about the Note 2 to consolidated financial statements indicating that the comparative information of the consolidated financial statements at and for the year ended on December 31 - 2017 and at January 1, 2017 has been restated in order to amend the classification and measurement of a financial instrument of equity investment to investment in associated companies.

Other Issues

The consolidated financial statements at, and for the year ended on December 31, 2017, are given exclusively for comparison purposes and, excluding the adjustment described in Note 2 to consolidated financial statements were audited by other qualified public accountant, member of KPMG S.A.S. who in its report dated February 21, 2018, issued an opinion without qualifications about them.

As a part of my audit to consolidated financial statements at and for the year ended on 31-December-2018, I have audited in addition the adjustments described in Note 2, that were applied in order re-state the comparative information issued at January 1-2017 and for the year ended on 31-December-2017. The adjustments described in such Note are appropriated and have been properly applied.

Signed,

Hugo Alonso Magaña Salazar
Statutory Auditor of Banco de Occidente S.A.
T.P.88619-T
Member of KPMG S.A.S.

22-February-2019

Consolidated Statement of Financial Situation

(Given in Col. Million Pesos)

	Notes		2018	31 December 2017 Restated (see note 2)	1 January 2017 Restated (see Note 2)
Assets					
Cash and equivalent to cash	**8**	**$**	**2.660.714**	**2.457.030**	**2.139.606**
Financial assets at reasonable value					
Financial assets at reasonable value with changes in results					
Investment in debt securities	8		1.255.436	4.657.836	4.063.719
Investment in equity instruments (restated)	8 y 32		29.852	19.126	17.328
Derivative Negotiation instruments	10 y 30		385.647	106.391	155.902
Total Financial Instruments at reasonable value with changes in results (restated)	**5 y 6**		**1.670.934**	**4.783.353**	**4.236.949**
Equity Instruments at reasonable value with changes in ORI					
Investment in debt securities	8		4.310.946	_	_
Investments in equity instruments	8 y 31		72.751	67.079	58.224
Total Financial Instruments at reasonable value with changes in ORI	**5 y 6**		**4.383.697**	**67.079**	**58.224**
Total Financial Asset at reasonable value			**6.054.631**	**4.850.432**	**4.295.173**
Financial Asset at amortized cost					
In debt securities, Net	**8**		**687.267**	**689.023**	**542.008**
Credit Portfolio	**5 y 11**				
Commercial and Leasing Portfolio			**20.385.918**	**20.574.550**	**19.539.099**
Commercial and Commercial Leasing			19.776.605	19.089.969	19.300.205
Repos and Inter-banking and other			609.313	1.484.581	238.894
Consumption Portfolio and Consumption Leasing			6.800.229	6.873.390	6.892.963
Mortgage Portfolio and Mortgage Leasing			1.387.446	1.168.389	1.014.080
Total Credit portfolio	**4 y 11**		**28.573.593**	**28.616.629**	**27.446.142**
Deterioration of portfolio	**11**		**(1.576.939)**	**(1.135.748)**	**(872.280)**
Deterioration Commercial portfolio and commercial leasing			(1.009.339)	(637.634)	(454.641)
Deterioration Mortgage portfolio Mortgage			(64.744)	(29.708)	(21.696)
Deterioration consumption portfolio and consumption leasing			(502.856)	(468.406)	(395.943)
Total financial asset by credit portfolio at amortized cost, Net			**26.996.654**	**27.480.881**	**26.573.862**
Other Receivable Accounts, Net	**12**		**129.430**	**136.534**	**140.104**
Total financial assets, at amortized cost			**27.813.351**	**28.306.438**	**27.255.974**
Investments in Associated Companies and Joint Business (Re-stated)	**14**		**1.247.934**	**1.102.368**	**987.862**
Tangible Assets, net	15				
Properties and own use Equipment			**511.415**	**550.444**	**552.622**
Goods Delivered in Operative Leasing			3.920	4.076	2.076
Investment Properties			212.476	218.164	144.865
Total tangible assets, net			**727.811**	**772.684**	**699.563**
Intangible assets, Net	16				
Plus value			22.724	22.724	22.724
Other intangible assets			212.908	169.347	146.418
Total Intangible Assets, Net			**235.632**	**192.071**	**169.142**
Asset for Income Tax	17				
Current			142.115	147.983	_
Deferred			_	_	25
Total Asset for Income Tax			**142.115**	**147.983**	**25**
Other Assets			**39.422**	**49.717**	**56.451**
Total Assets		**$**	**38.921.610**	**37.878.723**	**35.603.796**

Banco de Occidente S.A. and Subsidiaries
Consolidated Financial Statements

Liabilities and Equity					
Liabilities					
Financial Liabilities at Reasonable Value					
Derivate of Negotiation Instruments	10 y 30	$	346.665	96.765	192.258
Total Financial Liabilities at Reasonable Value			**346.665**	**96.762**	**192.258**
Financial Liabilities at Amortized Cost					
Deposits of Clients	18				
Current Accounts			6.135.439	6.035.979	6.087.573
Saving Accounts			11.045.313	11.449.504	8.992.828
Time Deposit Certificates			8.367.495	8.623.959	9.048.180
Other Deposits			43.984	59.666	47.475
Total Client's Deposits			**25.592.231**	**26.169.108**	**24.176.056**
Financial Obligations					
Interbank and Overnight Funds			931.537	122.560	678.377
Credits of Banks and Other			1.511.248	1.295.542	1.027.886
Bonuses and Investments Securities			3.147.438	3.281.965	2.811.593
Obligations with Rediscount Entities			1.291.493	1.102.662	986.751
Total Financial Obligations	**19 y 32**		**6.881.716**	**5.802.729**	**5504607**
Total Financial Liabilities at Amortized Cost			**32.473.947**	**31.971.837**	**29.680.663**
Provisions	**21**				
Provision for legal contingencies			4.295	4.332	4.361
Other Provisions			53.452	17.955	17.473
Total Provisions			**57.747**	**22.287**	**21.834**
Liability for Income Tax	**17**				
Current			6.095	10.328	46.789
Deferred			183.418	327.890	277.664
Total Liabilities for Income Tax			**189.513**	**338.218**	**324.453**
Benefits to Employees	**20**		**102.786**	**101.927**	**90.816**
Other Liabilities	**22 y 32**		**1.244.797**	**823.639**	**866.572**
Total Liabilities		**$**	**34.415.455**	**33.354.673**	**31.176.596**
Equity					
Subscribed and Paid up Capital	**23**	**$**	**4.677**	**4.677**	**4.677**
Premium in Stock Placement			**720.445**	**720.445**	**720.445**
Retained Profit			**3.732.803**	**3.897.656**	**3.851.173**
Other Integral Results			**29.097**	**(117.480)**	**(166.691)**
Equity of the Controlling Interest			**4.487.022**	**4.505.298**	**4.409.604**
Non-controlling Interests	**24**		**19.133**	**18.752**	**17.596**
Total Equity			**4.506.155**	**4.524.050**	**4.427.200**
Total Liabilities and Equity		**$**	**38.921.610**	**37.878.723**	**35.603.796**

See Notes accompanying the Consolidated Financial Statements

ALFONSO MENDEZ FRANCO	**JULIAN ANDRES DUQUE MOTOA**	**HUGO ALONSO MAGAÑA SALAZAR**
Legal Representative (*)	**Accountant (*)**	**Statutory Auditor**
	T.P. 101343-T	**T.P. 86619-T**
		Member of KPMG S.A.S.
		(See my Report of 22-Feb-2019)

(*) The undersigned, Legal Representative and Public Accountant hereby certify that we previously verified the statements contained in these separated Financial Statements that they were faithfully taken from the Accounting Books of the Bank.

Consolidated Statement of Results

(Given in Colombian Pesos)

	Note		Years ended on December 31 2018	2017 Restated See Note 2)
Income of Interest				
Interest on Credit Portfolio and Operations of financial leasing, and interbank repo		$	**2.878.602**	**3.252.553**
Interest on Commercial Portfolio			1.708.921	2.019.951
Interest on Consumer Portfolio			1.015.773	1.107.356
Interest on Housing Portfolio			123.713	108.995
Income for Repos and Interbank			30.195	16.251
Income for Deposits			**5.003**	**6.275**
Income for Interest, Other Receivable Accounts			**3.291**	**3.283**
Interest on Investments in Debt Securities at amortized cost			**211.600**	**13.391**
Total Income for Interest	**32**	**$**	**3.098.496**	**3.275.502**
Expenses for Interest and Similar				
Deposits				
Current Accounts			10.744	11.412
Saving Deposits			380.119	487.153
Time Deposit Certificates			403.558	534.843
Total expense for Interest on Deposits			**794.421**	**1.033.408**
Financial Obligations				
Interbank and Overnight Funds			9.936	22.772
Credit of Banks and other			51.132	37.153
Bonuses and Investments Securities			232.959	242.344
Obligations with Rediscount Entities			46.741	52.512
Total financial Obligations			**340.768**	**354.781**
Total Expenses for Interest and Similar	**32**		**1.135.189**	**1.388.189**
Net Income for Interest			**1.963.307**	**1.887.313**
Loss for deterioration of Financial Assets				
Deterioration for Credit Portfolio and Receivable Interest			1.014.424	919.794
Provision for Investment in Debt Securities			(1,777)	_
Recovery of Write-off			(118.122)	(95.486)
Total Loss for Deterioration of Financial Assets, Net			**894.525**	**824.308**
Provision Other Assets				
Deterioration of Property, Plant and Equipment			121	_
Total Provision other assets			**121**	_
Net Income of Interest after Deterioration			**1.068.661**	**1.063.005**
Income of contracts with clients, commissions and fees				
Income for commissions and fees	**26 y 32**		**409.180**	**401.829**
Expenses for commissions and fees	**26 y 32**		**71.993**	**94.184**
Net income for commissions and fees			**337.187**	**307.645**
Income for sale of goods and services	**27**		**173.391**	**138.566**
Net Income of financial assets or liabilities maintained for negotiation (restated)			**104.790**	**178.851**
Net profit on negotiable investments			36.057	174.958
Net profit over financial instruments derived from negotiation			68.733	3.893
Other Income, Net	**27**			
(Loss) Net Profit for Exchange Difference			(10.701)	52.063
Net Profit in Investment sale and/or Realization of ORI			10.455	13.588
Profit Sale Non-current Asset Maintained for Sale	**13**		433	410
Participation in Profit of Associated Companies and Joint Business by patrimonial Participation (Re-	14		182.830	152.041
Dividends (Restated)			2.700	1.630
Net Profit in Valuation of Investment Properties			(2.668)	32.612
Other Income of Operation			71.352	46.597
Total Other Income, Net	**27**		**254.401**	**298.941**
Other Outlays				
Loss Sale Non-Current Assets Maintained for sale	**13**		_	**947**
Personnel Expenses	**27**		**695.443**	**631.312**
Indemnities			33.592	2.848

Payment of Allowances			4.653	4.537
Salaries and Benefits to Employees			657.198	623.927
Administration General Expenses	**27 y 28**		**744.860**	**731.665**
Depreciation and amortization Expenses	**27**		**85.009**	**77.147**
Depreciation of Tangible Assets			68.817	63.837
Amortization of Intangible Assets			16.192	13.310
Other Operation Expenses	**27**		**32.279**	**8.476**
Expenses for Grants			166	507
Other outlays			32.113	7.969
Total other outlays	**27**		**1.557.591**	**1.449.847**
Profit before Income Tax			**380.839**	**537.161**
Expense of Income Tax	**17**		**(35.454)**	**168.792**
Profit of the Operational Period		**$**	**416.293**	**368.369**
Profit Attributable to:				
Controlling Interest		**$**	**413.390**	**366.562**
Non-Controlling Interest		**$**	**2.903**	**1.807**

See the Notes accompanying the Consolidated Financial Statements

ALFONSOMENDEZ FRANCO
Legal Presentative(*)

JULIAN ANDRES DUQUE MOTOA
Accountant (*)

HUGO ALONSO MAGAÑA SALAZAR
Statutory Audit
T.P. 86619-T
Member of KPMG S.A.S.
(See my Report of 22-February- 2019)

(*) The undersigned, Legal Representative and Public Accountant hereby certify that we previously verified the statements contained in these separated Financial Statements that they were faithfully taken from the Accounting Books of the Bank.

Consolidated statement of other Integral Results

(Given in Col. Million Pesos)

	Note		Years ended on December 31: 2018	2017 Restated (see note 2)
Profit of the Operation Period:			**$416.293**	**368.369**
Items that may be subsequently reclassified to Results				
Net Difference in Exchange in Conversion of Foreign Operations			3.113	(728)
Difference in Exchange for Investments in Subsidiaries abroad	10		11.464	(85)
Net Profit unrealized in Coverage Foreign Operations			(11.464)	85
Adjustments for difference in exchange of Foreign Subsidiaries			96	99
Net Unrealized Loss in Financial Measured Instruments at reasonable value in Debt Securities			(32.658)	_
Deterioration in Financial Instruments measured at Reasonable Value with change in ORI – Debt			(1.545)	_
(Loss) Net Unrealized Profit in Accounted Investments by the Patrimonial Participation	14		(3.578)	5.976
Adjustment Deterioration of Credit Portfolio for Statements Purposes Financial consolidated			–	(73.4493)
Deferred Tax, Items that may be subsequently Reclassified to Results			4.647	31.276
Total Items that May be subsequently reclassified to Results			**(29.926)**	**(36.870)**
Items that will be reclassified to results				
Net unrealized profit in financial instruments of patrimony measured at reasonable value (re-stated)	6		5.057	88.348
Actuarial loss in plans of defined benefits			(311)	(3.741)
Deferred tax recognized in other integral results			(491)	1.090
Total items that will be not reclassified to results			**4.255**	**85.697**
Total other integral results during the operation period, net of tax			**(25.671)**	**48.827**
Total integral results of the operation period			**390.623**	**417.196**
Integral results attributable to:				
Controlling interest			**390.515**	**415.772**
Non-controlling interest		**$**	**108**	**1.424**

See the Notes accompanying the Consolidated Financial Statements

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Consolidated Statement of Changes of Equity

(Given in Million Pesos)

		Subscribed and Paid Capital (Note 23)	Premium in shares placement	Retained Profit	Other Integral Results	Total equityy controlling Interest	Non-Controlling Interest	Total Net Equity
Balance Jan-1-2017 before re-statement of Financial Statements	**$**	**4.677**	**720.445**	**3.589.900**	**73.913**	**4.388.935**	**17.596**	**4.406.531**
Re-statement of prior operation. Periods (Note 2)		_	_	261.273	(240.604)	20.669	_	20.669
Balance re-stated at Jan- 1-2017	**$**	**4.677**	**720.445**	**3.851.173**	**(166.691)**	**4.409.604**	**17.596**	**4.427.200**
ORI performance and/or first time adoption		_	_	_	80.444	80.444	_	80.444
Effect in initial balance for realization of retained profit		_	_	(5)	_	(5)	(2)	(7)
Issue of stocks		_	_	_	_	_	970	970
Distribution of dividends in stocks		_	_	_	_	_	(970)	(970)
Distribution of dividends in cash		_	_	(308.681)		(308.681)	(245)	(308.926)
Net Movement of other integral results		_	_	_	(31.233)	(31.233)	(384)	(31.617)
Wealth Tax (Note 23)		_	_	(15.066)	_	(15.066)	(20)	(15.086)
Operational Period Profit		_	_	366.562	_	366.562	1.807	368.369
Effect in Retained Profits for ORI realization		_	_	3.673	_	3.673	_	3.673
Balance at Dec. 31, 2017	**$**	**4.677**	**720.445**	**3.897.656**	**(117.480)**	**4.505.298**	**18.752**	**4.524.050**
Change in Accounting Policy to IFRS 9 (Note 3.24)		_	_	(314.424)	169.452	(144.972)	(20)	(144.992)
Balance at January 1-2018 Adjusted		**4.677**	**720.445**	**3.583.232**	**51.972**	**4.360.326**	**18.732**	**4.379.058**
Dividend distribution in Cash		_	_	(261.912)	_	(261.912)	294	(261.618)
Effect in Retained by ORI Realization and/or adoption made for the first time		_	_	15	_	15	_	15
Indirect particip. method in Porvenir (Note 14)		_	_	(1.922)	_	(1.922)	_	(1.922)
Net Movement of other integral results		_	_	_	(22.875)	(22,875)	(2.796)	(25.671)
Profit of the Operation Period		_	_	413.390	_	413.390	2.903	416.293
Balance on December 31-2018	**$**	**4.677**	**720.445**	**3.732.803**	**29.097**	**4.487.022**	**19.133**	**4.506.155**

See the Notes making integral part of the Consolidated Financial Statements

ALFONSOMENDEZ FRANCO
Legal Presentative(*)

JULIAN ANDRES DUQUE MOTOA
Accountant (*)
T.P. 101343-T

HUGO ALONSO MAGAÑA SALAZAR
Statutory Audit
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(See my Report of 22-February- 2019)

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Consolidated Statement of Cash Flow

(Given in Million Pesos)

		Years ended on December 31	
			reexpressed (see note 2)
		2018	2017
Cash Flows of the Operation Activities:			
Profit of Operational Period	$	**413.390**	**366.562**
Non-Controlling Interests		2.903	1.807
Net Profit Reconciliation with the Net Cash provided by (used in) the Operation Activities:			
Tangible Assets Depreciation		68.817	63.837
Amortization Intangible Assets		16.192	13.310
Expenses tax on Income		(35.454)	168.792
Deterioration for Credit and Accounts Receivable Portfolio, Net		1.014.424	**919.794**
Expenses for Interest caused on Client's Deposits and Financial Obligations		1.135.189	1.388.189
Income for interest caused on Credit Portfolio and Financial Leasing Operations		(2.878.602)	(3.252.553)
Dividends caused (re-stated)		(2.700)	(1.630)
Deterioration of Investment, Net		(172)	_
Items Reclassified from other Integral Results to Results		(1.558)	_
(Profit) Loss in Sale of non-current Asset maintained to be sold		(433)	537
Profit in Sale of Investment, Net		(9.991)	_
Profit in Sale of Properties and equipment for own use		_	(369)
Net Profit in Valuation of Derivative Financial Instruments		(68.733)	3.893
(Refund) Deterioration of Tangible Assets, Net		(1.190)	3.076
Adjustments in exchange		45.725	5.075
Effect of Valuation of Investments at reasonable value, with change in results		(198.162)	_
Profit in Patrimonial Participation Method in Investments in Associates and Joint Business		(182.830)	(152.041)
Profit in Financial Asset of Investment at Amortized Cost		(13.438)	(13.391)
Adjustment at reasonable Value of Investments Properties		2.668	(32.612)
Reversion of Bonus re-statement		_	73
Net Variation in Operational Assets and Liabilities:			
Diminution (Augment) of derivative Financial Negotiation Instruments		39.378	(38.965)
Augment of Investment at Reasonable Value with Changes in Results (Re-stated)		(793.610)	_
Diminution in Investments at reasonable Value with changes in the Integral Result		244.584	_
Augment in Financial Asset at Reasonable Value		_	(524.636)
Augment of credit portfolio and Financial Leasing Operations		(384.290)	(1.744.344)
Augment in Accounts Receivable		(34.300)	(84,209)
Augment in Non-current assets Maintained for sale		(17,040)	(8.714)
Net Diminution in other Assets		10.268	6.399
(Diminution) Augment of Client's Deposits		(912.132)	2.025.906
Net Augment in Provisions		13.447	496
Augment (Diminution) Net in other Liabilities		348.760	(157.192)
(Diminution) Augment of Benefits to Employees		(97)	7.365
Augment (Diminution) of Interbank Loans and Overnight Funds		943.433	(553.003)
Interest Received of Credit Portfolio and Financial leasing Operations		2.798.594	3.147.224
Interest paid of Clients Deposits and Financial Obligations		(1.152.287)	(1.416.714)
Recovery (Payment) of the Income Tax		68.432	(156.970)

Payment of wealth Tax	_	(15.086)
Net Cash Provided by (used in) the Operation Activities	**479.185**	**(37.880)**
Cash Flow of the Investment Activities:		
Acquisition and own Use Equipment	(49.501)	(82.470)
Acquisition of Assets Delivered in Operative Lease	(1.330)	(3.100)
Acquisition of Investment Properties	(41.937)	(66.712)
Acquisition of Financial Asset at amortized cost	(757.976)	(703.522)
Acquisition of Participation in Associated Companies (Re-stated)	(2.660)	_
Running-down of Investments in Associated Companies (Re-stated)	(14.748)	_
Acquisition of other Intangible Assets	(59.754)	(36.238)
Product of the Financial Redemption Asset of Interest at Amortized Cost	772108	569.903
Product of the sale of Property and Equipment of own use	16.855	22.484
Product of the Sale of Asset delivered in Operative Lease	159	314
Product of the sale of Investment Properties	50.388	22.430
Product of the sale of non-current Asset Maintained for Sale	17.472	8.177
Dividends Received (re-stated)	53.478	75.014
Net cash used in investment activities	**(17.446)**	**(193.720)**
Cash Flow of Financial Activities:		
Acquisition of Financial Obligations	3.526.789	2.966.721
Payments of Financial Obligations	(3.407.241)	(2.577.642)
Issue of outstanding Investment securities	_	1.000.000
Payment of Investment Outstanding Securities	(129.953)	(526.730)
Dividends paid up	(273.950)	(307.767)
Net Cash (used in) Provided by the Financing Activities	**(284.355)**	**554.582**
Effect of the profit or Loss in Exchange in the Cash and equivalent to Cash	26.300	(5.558)
Augment of the Cash and Equivalent to Cash	203.684	317.424
Cash and Equivalent to Cash at the beginning of Year	2.457.030	2.139.606
Cash and equivalent to cash and the end of year	**$ 2.660.714**	**2.457.030**

See the Notes making integral part of the Consolidated Financial Statements

ALFONSOMENDEZ FRANCO	**JULIAN ANDRES DUQUE MOTOA**	**HUGO ALONSO MAGAÑA SALAZAR**
Legal Presentative(*)	**Accountant (*)**	**Statutory Audit**
	T.P. 101343-T	**T.P. 86619-T**
		Member of KPMG S.A.S.
		(See my Report of 22-February- 2019)

(*) The undersigned, Legal Representative and Public Accountant hereby certify that we previously verified the statements contained in these separated Financial Statements that they were faithfully taken from the Accounting Books of the Bank.

Banco de Occidente S.A. and Subsidiary Companies
Notes to Consolidated Financial Statements
At December 31, 2018 and 2017
(In million Col Pesos, except otherwise indicated)

Note 1. - Reporting Entity

Banco de Occidente S.A. hereinafter the Holding Company, is a legal entity private in nature, legally incorporated as bank establishment, authorized to operate in keeping with Resolution No. 3140, September 24, 1993 from Colombia Finance Superintendence. Duly incorporated as documented in the public deed 659, dated April 30, 1965 in the Fourth Notary from Cali.

The headquarters of the Holding Company are located in Santiago de Cali. The term set forth in the Articles of Incorporation is 99 years as from the date of incorporation. In compliance with its business purposes, the Bank may enter into, carry out or conduct all operations and contracts legally allowed to banking establishments commercial in nature, subject to Colombian Laws requirements and limitations.

In developing its business purposes, the Holding Company grants credits to the clients, under credit, commercial, consumption and mortgaging portfolio modality for housing and financial and operative leasing, and makes as well treasury operations in certificates of debt mainly in Colombian market. All these operations are financed with deposits received from the clients in the current accounts, saving accounts, time deposits modality, investment securities modalities of general guarantee in Colombian Pesos and with financial obligations obtained from correspondent banks in local currency and in foreign currency, and from rediscount entities created by Colombian Government to promote the several different Colombian economic sectors.

At December 31, 2018, the Holding Company has in place an authorized personnel plant consisting of 9.792 employees distributed in 730 branch offices with fixed term labor agreement, 6,736 with indefinite term labor agreement, 398 with apprenticeship labor agreement, 1,199 with civil agreement for service supply, and 729 Outsourcing and specialized companies, throughout 242 Attention centers in Colombian territory, distributed in 212 offices, 5 payment and collection centers, 16 credit centers of vehicles and motor cycles, 5 leasing offices, and 4 credit centers of housing.

The Holding Company holds control situation managed by the society Grupo Aval Acciones y Valores S.A., who is its last controlling entity, and this, in turn, holds control situation on 95.00% of entities abroad in Banco de Occidente Panama S.A. and 100% in Occidental Bank Barbados Ltd. and in the country 94.98% of Sociedad Fiduciaria de Occidente S.A. and 45.00% of Ventas y Servicios S.A.

The Holding Company holds a non-banking correspondent contract with Almacenes Exito, an entity with national coverage.

Subsidiaries Corporate Information

Fiduciaria de Occidente S.A. – Fiduoccidente line of business is to enter into mercantile trust contracts and Fiduciary Mandates non-transfer of domain, according to the legal provisions. The basic purposes are to acquire, alienate, taxation, administer movable and immovable property and intervene as debtor or creditor in any type of credit operations. At December 31, 2018, Fiduciaria de Occidente S.A., has in place 558 employees distributed in 30 with fixed term labor agreement, 450 with indefinite term labor agreement, 27 with apprenticeship labor agreement and 51 outsourcing, and specialized companies, throughout 10 agencies located in Bogotá, Medellin, Cali, Barranquilla, Manizales, Bucaramanga, Cartagena, Pereira, Santa Marta, and Monteria Cities.

Banco de Occidente (Panamá) S.A. is an entity incorporated according to República de Panamá legislation, and started banking operations in that country on June 30, 1982 supported on the international license issued by Comisión Bancaria Nacional of the República de Panamá. At December 31, 2018, Banco de Occidente (Panamá) S.A. has in place total 68 employees distributed in 8 with fixed term labor agreement, (5 perform especial duties for Occidental Bank Barbados), 48 with indefinite term labor agreement (13 perform especial jobs for Occidental Bank Barbados), 3 with temporary agreement, occasional or accidental (1 discharges especial tasks to Bank Barbados, and 9 Outsourcing and specialized companies operating in a branch office.

Occidental Bank (Barbados) Ltd. was incorporated under the laws of Barbados, on May 16, 1991, with international license allowing supplying financial services to natural persons, companies not domiciled in Barbados. At December 31, 2018, Occidental Bank (Barbados) Ltd. has in place total 16 employees with indefinite term labor agreement, 2 out of which develop their activities directly in Barbados and 14 are located in the representation office in Colombia of Occidental Bank (Barbados) Ltd.

The corporate purpose of Ventas y Servicios S.A. is to supply technical or administrative services to those indicated in the fifth article in Act 45, 1990, such as: computer programming, marketing, creation and organization of consultation files and performance of statistic calculations and reports at large. The company Ventas y Servicios S-A- is consolidated by virtue of dominant influence at administrative level made by the Holding Company. At December 31, 2018, Ventas y Servicios S.A. has in place 8.089 total employees distributed in 211 with fixed term labor agreement, 6.624 with indefinite term labor agreement, 1,068 with construction and labor contract and 186 with apprenticeship contract through 68 cities grouped in 4 regional branch offices in Colombian territory.

Note 2. Restated of financial statements. Correction the investment classification of Corficolombiana, S.A. that passes form Patrimony Investment to Investment of Associated Companies.

1. **Under IFRS standards are defined Investments in Associated Companies, as follows:**

a) Associated Companies

Associated Companies are named those investments in entities where the Holding Company has not control although holds significant influence. It is supposed for the Holding Company to exercise significant influence on other entity, if directly or indirectly holds 20% or more of voting power on the participated, unless it is possible to clearly prove that such influence is inexistent.

The existence of significant influence by an entity is made evident, usually, through one or several of the following ways:

a) Representation with the Administration Council or equivalent direction body of participated entity;
b) Participation in the processes of the setting policies, among those influencing the participation in the decisions about dividends and other distributions;
c) Transaction of relative significance between the entity and the participated company.
d) Exchange of directive staff; or
(e) Supply of technical essential information

Upon the revision of the concepts given by IAS 28, it was possible to determine for the Holding Company to hold significant influence on Corficolombiana S.A. m through the following ways:

a) Representation with the Administrative Council or the equivalent management body of the participated entity;
b) Participation IN the processes of setting policies, among those including the participation in the decisions about dividends and other distributions;

On October 2018 the division of control was reviewed about the investment in Corficolombiana S.A. and it was decided that the Holding Company holds significant influence and for such reason it is proceeded to reclassify the investment, that at that time was registered as an investment at reasonable value, with in ORI to an investment in associated companies, for such reason, it was proceeded to recognize, accounting the effects on the consolidated financial statement for Holding Company.

The Holding Company, according to the provisions in IAS 27, proceeds with the application of the participation method as from 01-January-2017, based on adjusted figures of precedent operation periods.

The following is the detail of the affected accounts with the amendment in the Consolidated Financial Statements at 01-January-2017 and 31-December-2017:

- **EFFECT ON THE CONSOLIDATED STATEMENT OF FINANCIAL SITUATION 01-JANUARY-2017:**

Detail	01-January-2017		
	Balances prior Submitted	Adjustment made	Balances Re-stated
Consolidated Statement of Financial Situation			
Assets			
Investments in equity instrument at reasonable value (1)	413.739	(396.411)	17.328
Investments in controlled, associated companies & joint business (1)	570.782	417.080	987.862
Total Re-stated Asset Accounts	$984.521	$20.669	$1.005.190
Total not- re-stated Assets Accounts	$34.598.606	$0	$34.598.606
Total asset	$35.583.127	$20.669	$35.603.796
Total liability	$31.176.596	_	31.176.596

Equity			
Other Integral Results (2)	73.913	**(240.604)**	**(166.691)**
Results of precedent Operation Periods (2)	623.765	**261.273**	**885.038**
Total re-stated Equity Accounts	**$697.678**	**$20.669**	**$718.347**
Total no-restated Equity	**$3.708.853**	**-**	**$3.708.853**
Total Equity	**$4.406.531**	**$20.669**	**$4.427.200**

1. - By recognizing the investment in Corficolombiana S.A. as investment in associated companies it is re-classified as investment in equity instruments toward associates for $396,411 and its determination of initial balance at 01-January-2017, occurring adjustment in the historical cost for ($21,6685), a higher value paid for $48,625 and calculation of other integral results thought patrimonial participation for ($6,271) for total investment $417,080.

2. - The investment in Corficolombiana S.A. because it is classified in associated companies, the other integral result is translated that has in equity instruments to profit of precedent operation periods for (234,333) and the patrimonial participation is reckoned (other integral result) for ($6,271) giving as result an adjustment for ($240,604).

3.- The profits of precedent operation periods is influenced by the transfer of other integral results when valued as equity instrument for $234,333 and the adjustments in the historical cost for ($21,685) and higher paid value $48,625 for a total adjustment by re-statement of $261,273.

- **EFFECT ON THE CONSOLIDATED STATEMENT OF FINANCIAL SITUATION 31-December - 2017.**

Detail	**31-December-2017**		
	Balances prior Submitted	**Adjustment made**	**Balances Re-stated**
Consolidated Statement of Financial Situation			
Assets			
Investments in Equity instruments at reasonable value (3)	335.654	(316.528)	19.126
Investments in controlled, associated companies & joint business (3)	672.169	430.199	1.102.368
Total Re-stated Asset Accounts	**$1.007.823**	**$113.671**	**$1.121.494**
Total not- re-stated Assets	**$36.757.229**	**-**	**$36.757.229**
Total Assets	**$37.765.052**	**$113.671**	**$37.878.723**
Total Liabilities	**$33.354.673**	_	**$33.354.673**
Patrimony			
Other Integral Results (4)	**35.972**	(153.452)	(117.480)
Results of precedent Operation Periods (4)	**383.806**	261.273	645.079
Profit of the Operation Period (5)	**360.712**	5.850	366.562
Total re-stated Equity Accounts	**$780.490**	**$113.671**	**$894.161**
Total no-restated Equity	**$3.629.889**	**-**	**$3.629.889**
Total Equity	**$4.410.379**	**$113.671**	**$4.524.050**

- **EFFECT ON THE CONSOLIDATED STATEMENT OF RESULTS 31-December-2017:**

3.- The investment in Equity instruments is reclassified towards investment in Associated Companies for ($396,411), the movement 2017 is reversed for valuation at market price (changes in other integral results) for $84,117 and the reclassification of dividend in stock received by (4,234), for total adjustment ($316,528).

3.- The investments in associated companies, the initial balance at 01-January-2017 for $417,080, plus the calculation applying the net participation method (other integral results and statement of results) for $13,119, amounting to a re-stated balance in associates for $430,199.

4. - In other integral results, contains the transfer in equity instruments to profit of precedent operation periods for ($24,333) and the equity participation is calculated (other integral result) for ($6.271) the reversion of movement is added up for valuation at reasonable value for $84.117 and the calculation of application of participation method (other integral results) for $3.035 with a final restated results for ($13.452.

4. The profits of precedent operation periods are influenced by the translation of other integral results when valued as equity instrument for $234.333 and the adjustment in the historical cost for ($21.685 and higher paid value for $48.625 for total adjustment by restatement of $261.273.

5. The restatement adjustment in the profit of the operation period, corresponds to the reversion of dividends for ($4,234) (received from Corficol on 2017 according to profit distribution project) and $10,084 for income resulting from the application of the participation method, for a total adjustment $5,850.

Detail	31-December-2017		
	Balances prior Submitted	Adjustment made	Balances Re-stated
Consolidated Statement of Results			
Continuous Operations			
Other Income, Net			
Participation in profit of associated companies and joint business (5)	141.957	10.084	152.041
Dividends (5)	5.864	(4.234)	1.630
Total Other Income, Net re-stated	**$147.821**	**$5.850**	**$153.671**
Total Income not re-stated	**1.833.337**	**-**	**$1.833.337**
Total non-restated expenses	**($1.449..847)**	**-**	**($1.449.847)**
Total tax expense to non-restated profit	**$ 168,792**	**-**	**($168.792)**
Profit of the operation period	**$362.519**	**5,850**	**$ 368,369**

EFFECT ON THE CONSOLIDATED STATEMENT OF OTHER INTEGRAL RESULTS December 31, 2017:

Detail	31 December- 2017		
	Balances previously presented	Adjustment made	Re-expressed balances
Consolidated statements of other integral results			
Profit of the operation period	362.519	5.850	368.369
(lost)Net profit not realized in investments accounted for by the equity method restate (6)	2.943	3.035	5.978
Net profit not realized in financial instruments of equity measured at fair value (restated) (6)	4.231	84.117	88.348
Total ORI accounts restated	**7.174**	**87.152**	**94.326**
Total ORI accounts not restated	**($45,499)**	**$0**	**($ 45,499)**
Total other integral results during the operation period, net of taxes	**(38,325)**	**87.152**	**48.827**
total integral result of the operation period	**$324.194**	**$93.002**	**$417.196**

6.- In other integral results the adjustment made corresponds to reversing of movement for valuation at reasonable value 2017 for $84.117 and the calculation for application of the participation method (other integral results) for $3,035 for a re-stated value for $87,152 that added to result movements by effect of dividends reversion for ($4,234) plus the application of participation method of the year 2017 for $10,084 generates a movement in the other integral result of the operation period for $93,002.

EFFECT ON CONSOLIDATED STATEMENT OF CHANGES IN PATRIMONY 31-December, 2017:

Detail	31-December-2017		
	Balances prior Submitted	**Adjustment made**	**Balances Re-stated**
Consolidated Statement in Equity Changes			
Other integral results (4)	35.972	(153.452)	(117.480)
Profit of precedent operation periods (4)	88.658	261.273	349.931
Profit of the operation period (5)	360.712	5.850	366.562
Total accounts of Equity re-stated	**485.342**	**113.671**	**599.013**
Total Accounts of Equity non- re-stated	**$3.925.037**	**-**	**$3.925.037**
TOTAL EQUITY	**4.410.379**	**$113.671**	**$4.524.050**

4.- In other integral results contains the transfer in equity patrimony instruments to profits of precedent operation periods for ($234.333) and patrimonial participation method is calculated (other integral result) for ($6,271), the reversion of movement is added at reasonable value for $84.117 and the calculation by participation application method (other integral results) for $3,035 with a re-stated final result for ($153,452).

4.- The profit of precedent operation periods is affected by the translation of other integral results when valued as patrimony instrument for $234,333 and the adjustment of the historical cost for ($21,685) and higher paid value $48,625 for a total adjustment for re-statement for $261,273.

5.- The re-statement adjustment in the profit of the operation period corresponds to the dividends reversion for ($4,234) (received from Corficol on 2017 according to profit distribution project) and $10,084 for income resulting from the application of participation method, for a total adjustment $5,850.

- **EFFECT ON CONSOLIDATED STATEMENT OF CASH FLOWS 31-December 2017:**

Detail	31-December-2017		
	Balances prior Submitted	**Adjustment made**	**Balances Re-stated**
Consolidated Statement of Cash Flow			
Profit of the operation period (5)	360.712	5.850	366.562
Reconciliation of the profit of the operation period with the Net asset provided (used) by the activities of the operation:			
Dividends caused (re-stated) (5)	(5.864)	4.234	(1.630)
Profit in patrimonial participation method in investment in associates and joint business (Re-stated) **(5)**	(141.957)	(10.084)	(152.041)
Other items of reconciliation of operation period with EFE not re-stated	(250.771)	-	(250.771)
Net cash provided (used in) by the operation activities	**(37.880)**	**-**	**(37.880)**
Net cash used in investment activities	**(193.720)**	**-**	**(193.720)**
(Used in) provided by net cash the investment activities	**554.582**	**-**	**554.582**

Effect of the profit or loss in profit exchange and equivalent to cash	**(5.558)**	**-**	**(5.558)**
Augment of cash and equivalent to cash	**317.424**	**-**	**317.424**
Cash and equivalent to cash at beginning the operation period	**2.139.606**	**-**	**2.139.606**
Cash and equivalent to cash at the end operation period	**2.457.030**	**-**	**2.457.030**

5.- The effect on the operation period profit, corresponds to the reversion of dividends for ($4,234) (received from Corficol on 2017 according to profit distribution project) and $10,084 for income derived from the application of participation method, for an adjustment total $5,850.

Note 3.- Bases for preparing the consolidated financial statements and summary of the principal significant accounting policies.

3.1 Declaration of compliance and technical regulatory framework

The annual consolidated financial statements have been prepared according to Accounting Standards and Financial Information accepted in Colombia (NCIF), set forth in Act 1314, 2009, regulated by the Unique Regulatory Decree 2420/2015 as amended by Decrees 2496, 2015, 2131, 2016, 2170, 2017 and 2483, 2018, issued by the National Government, excepting for the requirement of Colombia Financial Superintendence about the registration of differences of provisions of credit portfolio stablished under the regulation by such Superintendence and those calculated under IAS 39, for consolidated financial statements purposes, which are recorded in other integral results in the equity, and the optional causation of the wealth tax charged to patrimonial reserves rather than charged to results according to the Act 1739 – 2014. The NCIF applicable on 2018 are based on the International Standards of Financial Information (NIIF), together with its interpretation, issued by the International Accounting Standards Board – IASB), ; the base standards correspond to the official translations to Spanish and issued by IASB on the first semester 2016.

For legal purposes in Colombia, the principal financial statements are the separated financial statements.

This is the first set of annual financial statements where the IFRS 15 income contracts with clients and the IFRS 9 Financial Instruments have been applied. The changes to the significant accounting policies related, are described in Note 3.24.

3.2 Presentation of Consolidated Financial Statements

The consolidated Financial Statements hereto, are presented taking into account the following aspects:

- The consolidated financial situation statement is issued showing the different assets and liabilities accounts ordered, taking into account its liquidity in the event of realization or exigibility, considering that for any financial entity this presentation form provides reliable and more relevant information. Due to above, in the development of every one of the notes of financial assets and liabilities, the accounts expected to be recovered or paid within the two following months and after twelve months, according to NIC 1 "Presentation of Financial Statements".

- The consolidated statements of results and of the other integral results are separately presented in two statements as allowed by IAS 1 “Presentation of Financial Statements”. In the same way, the consolidated statement of results is presented discriminated according to the nature of the expenses, such model more used by financial entities because it provides more appropriate and relevant information.
- The consolidated statement of cash flows is given by the indirect method, where the net flow by operation activities is determined adjusting the net profit before profit tax for the effects of the items that do not generate cash flows, the net changes in assets and liabilities derived from the operation activities, and for any other item which monetary effects are considered cash flows of investment or financing. The income and expenses for interest are presented as components of the operation activities.

3.3. Consolidation Bases

a. Subsidiaries

According to International Financial Information IFRS 10 the Parent Company must to prepare consolidated financial statements with the entities where holds control. The Holding Company has control in other entity if and only if it gathers all the following elements:

- Power on the participated entity granting the current capacity to manage is relevant activities significantly affecting its performance.
- Exposure or right to variable returns derived from it implication in the participated entity.
- Capacity to use its power on the participated to influence on the amount of returns of the investor.

In the consolidation process the Holding Company combines the assets, liabilities and results of the entities where it determines control, previous the homogenization of its accounting policies and conversion to Colombia pesos of the abroad controlled entities. In such process it proceeds to the removal of reciprocal transactions and unrealized profit among them. The participation of the non-controlling interest in the equity of controlled entities, is included in the patrimony separately from the equity of the Holding Company´s stockholders.

The financial statements of controlled companies abroad in the consolidation process, their financial statements are converted as follows: Assets and liabilities are converted to Col. pesos at the closing exchange type of period and the accounts of equity at the historical rates, excepting the ORI accounts for adjustments at reasonable value. The resulting net adjustment in the conversion process is included in the patrimony as “adjustment by conversion of financial statements in foreign currency” in the account “Other Integral Results”.

The financial statements of subsidiaries are included in the consolidated financial statements from the date when control begins up to the date of finishing the control.

Financial statements of subsidiaries used in the consolidation process correspond to the same operation period and same time of presentation of the Holding Company.

The consolidated financial statements include the following subsidiaries:

Subsidiaries	**Origin**	**% Participation**	**No. stocks at December 31**
Fiduciaria de Occidente S.A.	National	94.98%	18,250,806
Ventas y Servicios S.A.	National	45.00%	1.343,300
Banco de Occidente Panamá S.A.	Overseas	95.00%	1,561,001
Occidental Bank (Barbados Ltd.)	Overseas	100.00&	2,015

The total amount of assets, liabilities, equity, operational income and results at December 31, 2018 and 2017 of each one of subsidiaries included in the consolidation is as follows:

31-December 2018		**Assets**	**%Part.**	**Liabilities**	**%part**	**Patrimony**	**% Part**	**Operat. Income**	**% Part**	**Results**	**%Part**
Banco de Occidente S.A. (H.C.)	$	$36.097.504	94.3%	31.603.022	93.4%	4.494.483	101.3%	9.075.140	127.8%	425.858	116.1%
Fiduciaria de Occidente S.A.		265.484	0.7%	15.853	0.0%	249.631	5.6%	86.053	1.2%	19.811	5.4%
Banco Occidente Panamá S.A.		2.745.097	7.2%	2.665.135	7.9%	79.962	1.8%	118.086	1.7%	16.374	4.5%
Occidental Bank (Barbados) Ltd.		1.026.393	2.7%	945.125	2.8%	81.268	1.8%	37.524	0.5%	3.795	1.0%
Ventas y Servicios S.A.		74.017	0.2%	42.617	0.1%	34.400	0.7%	255.704	3.6%	6.023	1.6%
Total	**$**	**40.208.495**	**105%**	**35.271.752**	**104%**	**4.936.744**	**111%**	**9.572.507**	**135%**	**471.861**	**129%**
Consolídate Finantial Statements Banco de Occidente S.A.	**$**	**38,921,610**		**34,415,455**		**4,506,155**		**9,410,154**		**416,293**	

31-December 2018		**Assets**	**%Part.**	**Liabilities**	**%part**	**Patrimony**	**% Part**	**Operat. Income**	**% Part**	**Results**	**%Part**
Banco de Occidente S.A. (H.C.)	$	$34.301.279	89.6%	30.267.399	89.5%	4.033.880	90.9%	6.652.950	93.7%	329.120	87.7%
Fiduciaria de Occidente S.A.		234.733	0.6%	14.795	0.0%	219.938	5.0%	80.146	1.1%	19.048	5.2%
Banco Occidente Panamá S.A.		2.491.583	6.5%	2.413.992	7.1%	77.591	1.7%	114.071	1.6%	15.116	4.1%
Occidental Bank (Barbados) Ltd.		1.174.465	3.1%	1.095.681	3.2%	78.784	1.8%	38.385	0.5%	2.506	0.7%
Ventas y Servicios S.A.		59.601	0.2%	33.906	0.1%	25.695	0.6%	213.618	3.0%	1.025	0.3%
Total	**$**	**38.261.661**	**100%**	**33.825.773**	**100%**	**4.435.888**	**100%**	**7.099.170**	**100%**	**366.815**	**100%**
Consolidated Finantial Statements Banco de Occidente S.A.	**$**	**37,765,052**		**33,354,673**		**4,410,379**		**6,994,318**		**362,519**	

Effect of consolidation

The effect of consolidation on the structure of financial statements of the Holding Company with closing ate December 31, 2018 and 2017 was as follows:

		31-December 2018				**31-December 2017**		
		Total H.C.	**Total Consolidated**	**Increase (Decrease)**		**Total Hold Company**	**Total Consolidated**	**Increase (Decrease)**
Assets	$	36.097.504	38.921.610	2.824.106	$	$34.301.279	37.765.052	3.463.773
Liabilities		31.603.022	34.415.455	2.812.433		30.267.399	33.354.673	3.087.274
Equity		4.494.483	4.506.155	11.672		4.033.880	4.410.379	376.499
Results	$	$425.858	416.293	(9.565)	$	329.120	362.519	33.399

b. Investments in associated companies

The investments of the Holding Company in entities where the parent control has not control, although it has a significant influence, is named “investments in associated companies” and is accounted by the patrimonial participation method. It supposed that the Hold Company performs a significant influence in other entity if directly or indirectly holds between 20% and 50% of voting right of the participated company, unless it is possible to demonstrate that such influence is inexistent. The participation method is an accounting method according to which the investment is recorded initially at cost, and subsequently is periodically adjusted by the changes in participation of the investor in the net assets of the participated company. The integral results of period includes its participation in the result of period of participated company and in account “other integral results of the investor”, and in the patrimony includes its participation in the account “other integral results” of participated company. (See Note 14).

c. Joint agreements

The joint agreements are classified in joint operations and joint business, depending on the contractual rights and obligations of each investor. In the joint operations, the parties holding the joint control of the agreement are entitled to the assets and obligations with regard to the liabilities related to the agreement. in the joint business, the parties holding the control of the agreement are entitled to the net assets of the agreement. (See Note 14).

The joint operations are included in the consolidated financial statements based on the proportional and contractual participation of each one of the assets, liabilities and results of the contract or entity where the agreement held.

The joint business is accounted for the participation method as previously indicated for the accountable record of the investments in associated companies.

d. Transactions removed in the consolidation

The balances and transactions inter companies and any income of expense unrealized resulting from transaction between the company of the Group, are eliminated during the preparing of consolidated financial statements. The profit unrealized derived from transactions with societies whose investment is recognized according to the participation method are eliminated of the investment in proportion of participation of Group in the investment. The unrealized loss is eliminated in the same way as the unrealized profits, but only in the extent that there is no evidence of deterioration.

e. Entities structure not consolidated

The subsidiary Fiduciaria de Occidente S.A. performs operation in the normal exercise of its activities whereby transfers financial assets to third parties. Depending on the circumstances, such transference may result for these financial assets to be discarded or continue to be recognized.

3.4. Functional and presentation currency

The primary activity of the Holding Company is to grant credits to Colombian clients and the Investments in securities issued by the Republic of Colombia or by national entities, whether or not recorded in the National of Securities and Issuers – RNVE – in Col. pesos; and in lesser stent in granting of credits also to Colombian residents in foreign currency and investment in values issued by banking entities abroad, securities issued by foreign companies of the real sector whose stocks appear registered in one or several stock exchange internationally recognized, bonuses issued by credit multilateral bodies, foreign government or public entities. Such credits or investment are financed basically with client’s deposits and obligations in Colombia, also in Colombian Pesos. The performance of the Hold Company and is reported to its stockholders and to the public at large in Colombian pesos. Due to above, the Hold Company’s management considers that Colombian pesos is the currency representing with more faithfulness the economic effects of transactions, events and underlying conditions of the

Holding Company, and for such reason, the consolidated financial statements are given Colombian pesos. As its functional currency.
The figures reported in the individual financial statements of the subsidiaries of Holding Company are given in the currency of the primary economic environment (functional currency), where each entity operates:

Countries	**Functional Currency**
Colombia	Colombian Peso
Panamá	US Dollars
Barbados	US Dollars

The consolidated financial statements are reported in million Colombian pesos, the functional currency of the Holding Company, excepting otherwise indicated; consequently all balances and transactions given in currency different from, Col Pesos, are considered conversion to foreign currency.

The Holding Company and its subsidiaries perform all the conversion effects of their financial statements under IFRS according to their accounting policies based on the IAS 21.

Conversion of functional currency to reporting currency: Information reported in consolidated financial statements of the Holding Company and Subsidiaries is converted from functional currency to reporting currency and converted to the exchange rate prevailing on the date of the period reported.

The information reported in consolidated financial statements, are converted from functional to reporting currency as follows:

a. The asset and liabilities of each one of financial situation statement reported (i.e., including the comparative figures), will be converted to the exchange closing rate on December 31, 2018 and 2017, corresponding to the periods of financial situation statements.
b. The income and expense for every statement reported of period and other integral result (i.e., including the comparative figures), will be converted to average exchange rates at December 31, 2018 and 2017; and
c. Any exchange rates differences resulting will be recognized in other integral result.

At December 31, 2018 and 2017, the exchange rates used for functional currency conversion to reporting currency are the following related to Col Peso (Figures in Pesos):

Type of Currency		December 31, 2018	December 31, 2017
USD Dollars			
At the closing period	$	3.249,75	2.984,00
Average of period		2.956,55	2.951,15
Euros (EURO/COP)			
At closing period		3.722,82	3.563,02
Average of period	$	3.489,21	3.332,73

The assets and liabilities of business abroad are converted to Col Pesos at the exchange rate prevailing in the date of closing period reported, and its statements of results are converted to average rates prevailing at the date of transactions. The EQUITY at the respective historical rate.

3.5 Transactions in foreign currency

Transactions in foreign currency are translated to Colombian pesos using the exchange rate prevailing in the date of transaction. Monetary assets and liabilities in foreign currency are converted to functional currency using the exchange rate prevailing in the date of closing the financial statement situation and the non-monetary assets in foreign currency are measured at the historical exchange rate. The profits or loss resulting in the conversion process are included in the statement of results, unless financial liabilities are used as coverage instrument of any investment abroad, an such event they recorded in the patrimony in the account Other Integral Results.

3.6 Financial assets

i. **Recognition and initial measurement**

A financial asset according to IAS 9 is any asset that:

- Is effective
- Is an equity instrument of other entity;
- A contractual right:
  - To receive effective or other asset from other entity:, or
  - To exchange financial assets or financial liabilities with other entity, in conditions potentially favorable to the entity; or
  - A contract that will or may be liquidated using instruments of equity owned by the entity

The regular purchases and sales of investment are recognized in the date of negotiation, where the Holding Company and subsidiaries undertake to purchase or sell securities. The financial assets at reasonable value by results are initially recognized at reasonable value and the transaction costs are recorded and expense when incurred.

The financial assets classified at amortized cost are accounted in its acquisition or granting for its transaction value, in the event of investments, or by its nominal value in the event of credits that, excepting contrary evidence, coincides with its reasonable value plus the transaction costs directly attributable to the acquisition or granting, less the commissions received.

ii. **Classification and measurement**

Policy applicable after 01-January-2018

The IFRS 9 (version 2014) contains a new approach of classification and measuring for financial assets reflecting the model of business where these assets are managed and their features of cash flow.

This standard includes three classification principal categories for financial assets: measured at amortized cost (AC), at reasonable value with changes in other integral results (VRCORI), and at reasonable value with changes in results (VRCR).in the precedent IFRS 9 of CA and VRCR that are currently in force in Colombia for the consolidated financial statements, adding the category of VRCORI.

A financial asset is measured at amortized cost and not at reasonable value with changes in results if it accomplishes with the conditions below:

- The asset is maintained within a business model the purpose of which is to maintain assets to obtain contractual cash flows; and

- The contractual terms of financial asset set forth specific dates for the cash flows derived only from principal and interest payments on the outstanding balance.

Any debt instrument is measured at VRCORI only if it accomplishes with both of the following conditions and has not been designed as VRCR:

- The asset in maintained within a business model the purpose of which us obtained by charging flows of contractual cash and to sell those financial assets; and

- The contractual terms of the financial asset establish specific dates for the cash flows derived only from payments of principal and interest on the outstanding balance.

During the initial recognition of investments in equity instruments, not maintained for negotiation, the Group may select irrevocably to record the subsequent changes in reasonable value as portion of other integral results in the equity. This selection must be made based on instrument by instrument.

All financial assets unclassified as measured at amortized cost or at reasonable value with changes in ORI as previously described, are measured at reasonable value with changes in results.

Additionally, in the initial recognition the Group may design, in an irrevocable manner one financial asset meeting with the measurement requirements to CA or VRCORI to be measured at VRCR if doing so, an accounting asymmetry is significantly removed or reduced that other way will occur. The Group, for the time being will not use this option.

A financial asset is classified in any of the categories aforementioned at the time of its initial recognition.

Under IFRS 9, the implicitly derived contracts in other contracts, where the principal contract is a financial asset under the approach of IFrRS 9, are not separated, and rather the financial instrument is measured and recorded together as an instrument, at reasonable value with changes through the statement of results.

Evaluation of Business Model

The Group carried out an evaluation of the objectives of business models where the different financial instrument at portfolio level are maintained in order to reflect, in best manner, the form as the business is managed by the Holding Company, every subsidiary, and how the information is supplied to management. The information considered included:

- The policies and objectives stated for each portfolio of financial instruments and the practical operation of those policies. Such policies include whether the management strategy is focused on collecting income for contractual interests, to maintain a performance profile of actual interest or coordinate the length of financial assets with that of liabilities financing them, or the outlays of cash expected, or perform cash flows through the sale of assets;

- How the key personnel of the management is evaluated and informed of every subsidiary of the Group about the returns of portfolios;

- The risks affecting the returns of the business models (and the financial asset maintained in the business model) how such risks are managed;

- how business managers are paid (e. gr. if compensation is based on the reasonable value of the assets managed or on the contractual cash flows obtained); and

- The frequency, the value and the calendar of sales in previous periods, the reasons of such sales and the expectations about the future sales activity. Nevertheless, the information about the sale activity is not to consider in an isolated manner, but rather as part of an evaluation about how the aims established by the Group have been reached, to manage the financial assets and how the cash flows are made.

Financial assets maintained or managed to negotiate, and which return is assessed on a reasonable basis, are measured at reasonable value with changes in results because they are not maintained within the business models to collect contractual cash flows, nor to obtain contractual cash flows, and sell these financial assets.

Evaluation whether the contractual cash flows are only payments of principal and interest (SPPI)

For the purpose of this evaluation "principal" is defined as the fair value of financial asset at the time of initial recognition. "Interest" is defined as the consideration of the currency value in time and for the risk of credit associated to the amount of the principal outstanding for a specific time period, and for other basic risks of a loan agreement and other associated costs (e. gr. Liquidity risks and administrative risk), the same as the profitability margin.

By evaluating whether the contractual cash flows are only payments of principal and interest, the Group considered the contractual terms of the instrument. This influenced the evaluation to determine whether the financial asset contains a contractual term that may change the period or amount of the contractual cash flows, in such a way that it does not accomplish with this condition. By doing this evaluation the Group considered:

- Contingent events that changed the amount and periodicity of the cash flows;
- Leverage conditions;
- Advance payment terms and extension
- Terms limiting the group to obtain cash flows of specific assets (example, agreements of assets without resources); and
- Characteristics amending the consideration for the currency value through the time

The interest rate on some consumption and commercial loans are based on variable interest rates established at the Group discretion. The variable interest are usually established in Colombia based on the DTF and the IBR (published by the Central Bank), and in other countries according to the local practices, plus some additional discretional points. In those events the Group will assess whether the discretional characteristic in consistent with criterion of only payment the principal and interest considering some number of factors including whether:

- The debtors are in conditions to prepay the loans without significant penalties. In Colombia is illegal to make collects by prepayments of the credits.
- The competitive market factors ensure for the interest rates to be consistent for the banks;
- Any regulatory protection regulation in favor of the client's country requiring for the banks to treat the clients in a just manner.

All consumption and commercial loans at fixed rate, contain prepayment conditions.

Any prepayment characteristic is consistent with the criterion only payment of capital and interest if the amounts substantially prepaid represent unpaid amounts of principal and interest over the outstanding principal, which may include reasonable compensation for the anticipated termination contract.

In addition, any prepayment characteristic is treated as consistent with this criterion, if a financial asset is acquired or originated with a premium or discount from its contractual nominal amount, and the amount substantially prepaid represents the contractual amount at the same time plus the contractually accumulated interest but unpaid (which may include a reasonable compensation for the early termination), and the reasonable value of the prepayment characteristic is insignificant in its initial recognition.

The following accounting policies apply to the subsequent measurement of the financial assets.

Financial assets at reasonable with changes in results (VRCR)	These assets are subsequently measured at reasonable value. The net profit and loss, including the income for interests or dividends, are recognized in results.
Financial assets at amortized cost (CA)	These assets are subsequently measured at the amortized cost using the effective interest method. The amortized cost is reduced for loss due to deterioration. The income for interest, exchange gains and loss are recognized in profit or loss. Any gain or loss in reduction of accounts is recognized in earnings or loss.
Investments of debt with changes in other integral results (VRCORI)	These assets are subsequently measured at reasonable value. The income of interest calculated using the effective interest method, gains in exchange difference and the loss for deterioration, and are recognized in results. Other profits and the loss for valuation are recognized in ORI. In low account, the profit and loss accumulated in ORI are reclassified to profit or loss for realization of the ORI.
Equity investments with changes in other integral results (VRCORI)	These assets are subsequently measured at reasonable value. The dividends are recognized as income in profit or loss, unless the dividend clearly represents a recovery of cost of investment. Other net profits and loss are recognized in ORI and never are reclassified to the result.

Applicable policy before January 1, 2018

For financial assets by credit portfolio, the Group, taking into account that its main aim is the placement and collection or credit portfolio according to its contractual terms, were classified as “At amortized cost”. In the evaluation it has considered that its credit portfolio accomplishes with the contractual conditions allowing, on specific dates to cash flow that are only payments of the principal and interest on the outstanding balance.

For financial assets in equity instruments, and irrevocable choice to include in “Other Integral Results – ORI” in the equity the changes subsequent to the reasonable value of an investment that is not maintained for negotiation. Grupo Aval made the decision to use this choice and, consequently, some of its patrimonial investments where has neither control nor significant influence are recorded at reasonable value with adjustment to ORI. (See Note 6).

III. Reclassifications

Financial assets are not reclassified after the initial recognition, excepting in the subsequent period that the entities of the Grupo Aval modify their model of business to manage the financial assets.

IV. Transfers and discharges of financial assets

The accounting transferences of financial assets is conditioned by the manner as the risks are transferred to third parties the implicit risks and benefits associated to the transferred assets in such a way that financial assets only are discharged from the consolidated balance sheet, when the cash flows have been extinguished the cash flows generated, or when they have been substantially transferred to third parties the implicit risks and benefits. In this last event, the financial asset transferred is discharged from the consolidated balance sheet, simultaneously recognizing any right or obligation retained or created as a result of the transference.

It is considered for the Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A. to transfer, substantially, the risks and benefits if the risks and benefits transferred represent the most of the total risks and benefits of the assets transferred. If the risks and/or benefits are retained, associated to the financial asset transferred:

- The financial asset transferred is not discharged from the consolidated balance, ant valuation is continued with the same criteria used before the transference
- A financial liability is accounted associated by an amount equal to the consideration received which subsequently valued at its amortized cost.
- Both the asset associated to the transferred asset (but not discharged) and the expenses associated to the new financial liability, continued to be accounted.

V. Restructured Financial assets restructured with collection problems

The Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A. consider and identify as financial restructured assed with collection problems those assets to which the Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panama S.A. grants to debtor a concession that would not be considered in any other situation. Such concessions usually make reference to diminution of the interest rate, extension of the payment terms, or rebates in the outstanding balances.

VI. Compensation of financial instruments in the statement of financial situation

The financial assets and liabilities are compensated and the net amount reported in the financial situation statement, when the right is legally available to offset the amounts recognized and there is an intension of the management for them to be liquidated on net bases or to settle the asset and liquidate the liability at the same time.

VII. Estimation of reasonable value

According to IAS 13 "Measurement at reasonable value", the reasonable value is the price to be received for the sale of any asset or paid to transfer a liability in any transaction made between market participants in the date of measurement.

According to above, the valuations at reasonable value of Holding Company's financial assets are carried out as follows:

- For high liquidity investments the last price negotiated in the date of closing of financial statement is used, where the last price negotiated is within the differential of prices of the supply and the demand.
- The reasonable value of financial assets that are not quoted in an active market is determined using valuation techniques. The Holding Company uses a variety of methods and assumes several assumptions based on the market conditions existing in every date of report. The valuation techniques used include the use of comparable recent transactions and in equal conditions, reference to other instruments essentially equal, analysis of cash flows discounted, models of prices of options and other valuation techniques usually used by participants of the market, making the most use of the data of market and trusting the lest possible on the specific data of the Holding Company.

VIII. Deterioration of Financial Assets

Policy applicable after 01-January-2018

The **IFRS** 9 replaces the model of loss incurred of IAS 39 by an expected credit loss (**ECL**). This new model requires applying considerable judgment concerning how the changes in the economic factors affect the ECL, which will be determined on a weighted average base.

The new deterioration model will be applicable to the following financial assets which are not measured to VRCR).

- Debt instruments:
- Leasing receivable
- Other receivable accounts
- Credit portfolio
- Financial guarantee contracts issued: and
- Commitments of loans issued

Within the scope of IFRS 9 the deterioration on investments in equity instruments is not found.

IFRS 9 requires recognizing a provision for deterioration of financial assets at amortized cost in an amount equal to a loss for deterioration expected in a 12 months period subsequent to the closing date of financial statements or during the remaining life of the loan. The loss expected in the remaining life of the loan are the expected losses resulting from all the potential deterioration events on the expected life of financial instrument, while the losses expected during twelve months period are the portion of expected loss resulting from deterioration events that are possible within the twelve months after the date of report the financial statement.

Under IFRS 9, the reserves for loss will be recognized in an amount equal to the ECL during the remaining life of the asset, excepting the following events where the amount recognized is equivalent to ECL of 12 months subsequent to the date of measurement:

- Investments in debt instruments determined that reflect low credit risk at the date of report; and
- Other financial instruments (different from other accounts receivable at short-term) over which the credit risk has not significantly increased since it initial recognition.

The IFRS 9 requirements are complex and require estimated judgment and assumption of the top management, specifically in the following areas:

- To evaluate whether the credit risk has increased significantly since its initial recognition and
- To include prospective information in the measurement of the loss expected for deterioration.

Measuring of ECL

ECL is the estimated weighted probability of credit loss and it is measured as follows:

- The financial assets showing no credit deterioration at the reporting date: are estimated ECL for a 12 months period, considering the Default Probability (DE), the Loss Given the Default (LGD) and the Exposure Given the Default (EGD);

- Financial assets impaired at the date of report: in those events are stimmed ECL using an EP 100% given that it is impaired as well as LGD and the EGD;

- Financial assets with clues of credit deterioration at the time of report: ECL are estimated for the remaining life of the credit incorporating additionally the Probability of Survival (PS);

- Commitments for pending loans: the present value of the difference between the contractual cash flows owed to the Group in the event that the commitment is made and the cash flows that the Group expects to receive: and

- Financial Guarantees Contracts: The payments expected to reimburse the holder less any amount that the Group expects to recover.

The financial assets impaired are defined by the IFRS 9 in a similar way as the financial assets impaired under IAS 39.

3.7. Cash and equivalent to cash

The cash and the equivalent to cash include the cash available, the deposits in banks and other short-term investments in active markets with original maturity of three months or less from the acquisition date and bank overdrafts are included in the current liability in the financial situation statement.

3.8. Operations with financial instruments derivatives

According to IFRS 9, any derivative is a financial instrument whose value changes over the time based on a variable named underlying variable, does not require an initial net investment or requires a small investment with regard to the underlying asset and is liquidated in any future date.

In the development of the operations the Holding Company usually transacts in financial markets in financial instruments with forward contracts, futures contracts, swaps and options complying with the definition of derivative.

All the operations of derivatives are recorded at the initial time by its reasonable value. The subsequent changes in reasonable value are adjusted with debit or credit to results, as applicable, unless the instrument derivative is designed as hedge and if so, the nature of hedged item.

Fiduciaria de Occidente S.A. implements economic coverage strategies with changes in results by taking positions of financial instruments derivatives such as forward peso – dollar. Given that the exposure to foreign currency of liabilities is hedged with financial instruments derivatives associated, with changes in results, both at level of capital and the interest, the exposure to this risk is neutralized, inasmuch as the effects of change of the rate over the balance in the available are not significant.

The Holding Company performs a hedge over the investment of subsidiaries abroad, as mentioned below:

- Hedges of a net investment in foreign currency which are registered in a similar manner to the previous cash flows speculation. The profits or loss accumulated in the equity are included in the statement of results when the net investment in any affiliate abroad is total is sold or in proportion when it is partially sold.
  The hedges on any net investment in any business aboard, including the hedges of any monetary item accounted for as portion of a net investment, will be accounted for in a similar manner to the cash-flow hedge; the portion of profit or loss of the instrument of hedge determined as an efficacious hedge will be recognized in other integral result; and the ineffective portion will be recognized in the result. When totally or partially disposing of a business abroad, the profit or loss of the hedge instrument related to the efficacious portion of the hedge that has been recognized in other integral result, it should be reclassified from the equity to results as an adjustment for reclassification.

- For hedge purposes, the Holding Company has made the decision to use hedge of its investments in the subsidiaries abroad as from January 1, 2014 with obligation in foreign currency in the same as it is provided in the paragraphs 72 and 78 of the IAS 39.

- The Holding Company documents at the beginning of transaction the relation existing between the speculation instrument and the item hedged as well as the objective or risk and the strategy to undertake the speculation relation. The Holding Company document as well its evaluation both at the date of beginning the transaction and over recurrent bases that the speculation relation is highly effective to compensate the changes in the reasonable value or in the cash flows of the items hedged, see detail of the hedge in Note 10.

- Financial assets and liabilities, for operations in derivatives are not compensated in the financial situation statement; nevertheless, when the legal and exercisable right exists to set-off the recognized values, and exists the intent to liquidate over a net basis or to execute the asset and at the same to liquidate the liability, they are included net in the financial situation statement.

- The foreign investments hold a hedge to correct the variances of the exchange type represented in obligation in foreign currency by equal value in Dollars of the investments in every closing, the effect in result and in the ORI originated by these joint operations is neutral.

3.9 Investment Securities

Subsequent recognition

Upon the initial recognition all the financial assets classified “at reasonable value with changes in results” are measured at reasonable value. The profit and loss resulting from the changes in the reasonable value are included net in the statement of results within the account “Net changes of reasonable value of financial assets of debt”. The patrimonial investments classified at reasonable value with changes in ORI are accounted at their reasonable value.

In turn, the financial assets classified as “at amortized cost” subsequent to the initial registration, less the payments or credits received from the debtors, are adjusted with credit to results based on the effective interest method.

The effective interest method is a method to calculate the amortized cost of an asset and to assign the income or cost for interest during the relevant period. The effective interest rate where equals exactly, the future payments or receipts in cash estimated during the expected life of the financial instrument, or, when applicable for a shorter period, at net the carrying value of the asset at initial time. To calculate the effective interest rate, the Holding Company estimates the effective flows considering all the contractual terms of the financial instrument, but do not consider future loss of credits and taking into consideration the initial transaction balance or granting, the transaction costs and the premiums granted less the commissions and discounts received that are integral part of the effective rate.

The income for dividends of financial assets in patrimony instruments is recognized in results in the account other income for dividends when the right to receive the payments is stablished, regardless of the decision that would be taken of registration of the variations of reasonable in results or in ORI.

3.10. Financial Liabilities

A financial liability is any contractual obligation of the Holding Company and all its subsidiaries to deliver cash or other financial asset to other entity or person, or to exchange financial assets or financial liabilities in conditions potentially unfavorable to the Holding Company or a contract that will be or may be liquidated using own equity instruments of the entity. The financial liabilities are accounted, initially by the transaction value on the date when they originate, which, unless otherwise determined, is similar to its reasonable value, less the transaction costs directly attributable to its issuance. Subsequently, such financial liabilities are measured at their amortized cost according to the effective interest rate method determined in the initial time with debit to results as financial expenses.

The financial liabilities only are discharged from the consolidated financial situation statement when the obligations generated has been extinguished or when they are acquired “either with the intent to cancel them or with intention to place them again).

3.11 Non-current assets maintained for sale

The goods received in payment of credits and the non-current assets to be sold where the Holding Company holds the intent to sell them in a term no more than one year, and the sale is considered highly provable, are accounted for as non-current “assets maintained for sale”. Such goods are accounted for the lower value in carrying value at the time of translation to this account or the reasonable value less the estimated sale costs. The goods received in payments failing to comply with the conditions to be maintained for sale, are recorded in other accounts of the balance sheet according their nature, as investments, properties and equipment for own use or properties of investment by the cost value or the reasonable value, according to the classification to which the good applies.

3.12 Financial Guaranties

“Financial guaranties” are considered those contracts requiring for the issuer to make specific payments to reimburse the creditor for the loss incurred when any specific debtor fails to comply with the payment obligation, according to the original or modified conditions, of any debt instrument; independent from the legal form. Financial guaranties may take, inter alia, the form of bail or financial guarantee.

In its initial recognition, the financial guarantees supplied are accounted for recognizing a liability at reasonable value which usually is the actual value of commissions and returns to be received for such contracts during its useful-life taking as balancing entry in the asset the amount of commissions and returns collected in the beginning of the operations and the accounts receivable for the actual value of the future cash flows pending to be received.

The financial guaranties, whichever the holder, instrumentation or any other circumstance are periodically analyzed with the purpose to determine the risk of credit they are exposed, in such event, to estimate the need to constitute any provision, determined by applying criteria similar to those established to quantify the loss resulting from the impairment of financial assets.

The provisions constituted over the financial guaranty contracts considered as impaired are accounted for in the liabilities as “Implicit Obligations” charged to results.

The income obtained from the guaranty instruments is accounted for in the income account for commissions of the account of results and are calculated by applying the type established in the contract who causes on the nominal amount of the guaranty.

3.13 Property and Equipment for own use

The property and material equipment for own use include the assets owned or under financial leasing, that the Holding Company and subsidiaries maintain for the actual or future use and that expect to use during more than one operational period. In the same way, this includes the material assets received by the subsidiaries for the total or partial liquidation of financial assets representing rights of collection against third parties and those to which a continued use is foreseen.

The property and equipment for own use are recorded in the Financial Situation Statement consolidated by the acquisition cost, less the relevant accumulated depreciation and, if applicable, the estimate loss resulting from comparing the net accounting value of every item with the relevant recoverable value. The cost includes expenses directly attributable to the acquisition of asset.

Depreciation is calculated by applying straight line method to the acquisition cost of the assets less the residual value, understanding that the lands where the buildings and other constructions will be erected have an indefinite useful-life, and hence, they are not subject to depreciation.

According to IAS 16, useful-life is defined for depreciation calculus purposes:

a. The period during which it is expected to use the asset by the entity; or
b. The number of production units or similar, expected to be obtained by any entity

The residual value of any asset is defined as the amount estimated the entity could currently obtain for the disposal of the tem, after deducting the estimated cost for such disposal, if the asset has already reached the age and the other conditions expected at the end of the useful life.

According to IAS 16, Paragraph 50, the depreciable amount of any asset is distributed in a systematic manner throughout its useful life.

According to IAS 16, paragraph 43, each part of an item of property and equipment holding a significant cost will be depreciated related to a total cost of the item.

Such depreciation recorded charged to results is calculated based on the following useful lives, defined for the Holding Company and its subsidiaries:

Assets	Years
Buildings	
Foundation Structure and cover	50 to 70
Walls and divisions	20 to 30
Finishings	10 to 20
Equipment, furniture and fixture of Office	**10 to 25**
Furniture and fixture	**3 to 10**
Fleet and transport equipment, traction and elevation	**5 to 10**
Computing equipment	**3 to 5**
Network and Communication Equipment	**3 to 5**
Mobilization and machinery equipment	**10 to 25**

For real estate property the Holding Company establishes 3 building components, to wit: foundation – covered structure, walls and divisions and finishings, which contain the following ranges of residual values:

Component	Residual Value
Foundation – Structure and Cover	0 – 20%
Walls and divisions	0 – 10%
Finishing	0 – 10%

The improvements made to real states taken in lease may be susceptible of capitalization if they are expected to be used during more than one period and are depreciated in the period of leasing contract.

The criterion of Holding Company and subsidiaries to define the useful life and residual value of those assets and, specifically of the buildings for own use, was based on independent appraisals, so that they are not older than 3 years, unless there exist impairment signs.

In every accounting closing, the Holding Company and Ventas y Servicios S.A., analyze, if there are both external and internal signs that a material asset may be impaired. Should there exists impairment evidences, the entity analyzes if such impairment actually exists comparing the net carrying value of the asset with its recoverable value (as the higher between its reasonable value less the disposal cost and its value in use). When the carrying value exceeds the recoverable value, the carrying value is adjusted until its recoverable value, changing the future charges amortization concept according to its new remaining useful-life.

In the same way, when there are signs for the value of a material asset to be recovered, the Holding Company and Fiduciaria de Occidente estimate the recoverable value of the asset and recognize it in the account of results, accounting for the reversion of the loss for impairment accounted for in prior operating periods, and consequently they adjust the future charges in concept of its amortization. In no any event, the reversion of loss for impairment of an asset may suppose the increment of its carrying value above the value that would have if impairment loss would not be recognized in prior operational periods.

The costs of conservation and maintenance of property and equipment are recognized as cost in operating period when they are incurred and are recorded in the item “Administration Expenses”.

The profit and loss of the sale of any element of property and equipment are recognized in the results.

3.14 Investment Properties

According to the International Accounting Standard IAS 40 “Investment Properties”, the investment properties are defined as the lands or buildings, considered totally or partially or both two, held by the Holding Company and Fiduciaria de Occidente to obtain income, valuation of asset or both two, rather than its use for the own purposes of the Holding Company and Fiduciaria de Occidente. The investment properties are accounted for in the balance sheet at the reasonable value with changes in results. Such reasonable value is determined based on the appraisals periodically made by independent experts using the valuation techniques described in the International Financial Reporting Standards IFRS 13 “Measuring the “Reasonable Value”.

3.15 Goods Delivered in leasing

The goods delivered in leasing by the Holding Company are classified at the time of signature of contract as financial or operative leasing. Any lease is classified as financial when transfer substantially all the risks and advantages inherent to the property. The leasing contracts classified as operative if it does not transfer substantially all the risks and advantages inherent to property. The Leasing contracts classified as financial are included in the balance sheet in the item of portfolio “credit and financial leasing portfolio” and is accounted in the same way as the other credits granted (See Note 6).The leasing contracts classified as operative are included within the account property and equipment and are accounted and depreciated in the time resulting lower in the product life and the term of the leasing contract. (See Note 15).

3.16 Goods received in leasing

The goods received in leasing,in its initial receipt are also classified in financial or operative leasing in same way as the goods delivered in leasing described in the item 3.15 above. The leasing contracts classified as financial leasing are included in the balance sheet as property and equipment of own use or as investment property, according to the object and are accounted initially in the asset and liability, at the same time .for an equal value at reasonable value of the good received in lease, or also for the present value of the minimal payments of the lease, if this is lower. The present value of the minimal payment of lease is determined using the interest rate implicit in the lease agreement, or otherwise, an interest average rate is used of the bonuses placed in the market by the Holding Company. And direct initial cost of the lessee is added to the amount recognized as asset. The value recorded as liability is included in the account Financial Liabilities and accounted in the same way those one. The leasing contracts classified as operative are recorded at the cost.

3.17 Intangible Assets

The Holding Company, Fiduciaria de Occidente and Ventas y Servicios recognize an intangible asset when such asset is identifiable, of no monetary nature and without physical appearance, its cost can be measured in a reliable manner and to be probable the obtainment of future economic benefits attributable to the asset.

a. Capital Gain

The capital gain recorded by the Holding Company in its financial statements corresponds to a fusion made by the Holding Company in the precedent operating periods with the Banco Unión, to which, according to the transition standard set out in the IFRS 1, the Holding Company filed the exception to account for under IFRS for its carrying value at January 1, 2014. According to IAS 38, the capital gain is considered of indefinite life and is not amortized bur it is subject annually for deterioration, and for such purpose the Holding Company performs the valuation through an independent expert of the value of the lines of business which are related to the capital gain (Banco Unión's Lines of Business) and based on such valuation it is determined whether any impairment exists, and if so, it is recorded charged to results; subsequent recoveries in valuation of the Holding Company do not reverse the impairments previously recorded.

b. Other Intangible

The other intangible assets held by the Holding Company, Fiduciaria de Occidente and Ventas y Servicios correspond mainly to computing software and licenses which are initially measured by the cost incurred in the acquisition or in the internal development stage. The costs incurred in the investigation stage are directly carried to results. Following its initial recognition such assets are amortized by the straight-line method during their estimated useful-life which, for computer software is between 1 to 15 years.

The costs incurred in computer programs in the development stage are capitalized taking into account the following evaluations made by the management of the Holding Company:

a) The project technically is possible to be implemented from the technical standpoint for its production so that it may be used in Holding Company's operations.
b) The intent of the Holding Company is to complete the project to use it in the development of its business not just for it to be sold.
c) The Holding Company has the capacity to use the asset.
d) The asset will bring out economic benefits to the Holding Company inuring in the conduction of more transactions with lower costs.
e) The Holding Company has in place both technical and financial resources necessary to complete the development of the intangible asset for its use.
f) The disbursements incurred during the development of project which are susceptible to be capitalized make part of the higher value of this asset.
g) The disbursements incurred after leaving the asset in the conditions required by the management for its use, will be recorded as cost affecting the statement of results.

3.18 Benefits to Employees

According to the International accounting standard IAS 19, "Benefits to employees" for their accounting recognition all the compensation manners granted by the Holding Company and its subsidiaries in exchange of the services supplied by the employees are divided into four classes:

a. Short-term Benefits

According to Colombian labor standards, such benefits correspond to the salaries, legal and extralegal premiums, vacations, severance and parafiscal contributions to government entities to be paid before 12 months following the final operation period. Such benefits are accrued by the causation system charged to results.

b. Post-employment benefits

These are the benefits the Holding Company and subsidiaries pay to their employees at the time when they leave the employment or after completing their employment period, different from indemnities. Such benefits, according to Colombia labor standards, correspond to retirement pension directly assumed by the Holding Company, severance payable to employees under the labor regime before the Act 50 and some extra-legal or agreed on in collective bargaining benefits.

The liability for the post-employment benefits is determined based on the present value of the future payments to be made to the employees, calculated based on the actuarial studies prepared by the method of projected unity of credit, using for such purposes the actuarial assumptions of mortality rates, increment of salary, staff turnover and interest rates determined with reference to the reference to the returns of the market prevailing of bonds at the end of operating period of issues of the national government high-quality business obligations.

Under the method of unit of credit projected the future benefits to be payable to employees are assigned to each accounting period when the employee supplies the services. For such reason, the expense corresponding to these benefits recorded in the statement of results of the Holding Company and its subsidiaries, include the cost of the present service, assigned in the actuarial calculus plus the financial cost of liability calculated. Variations in the liability due to changes in the actuarial assumptions are recorded in the equity, in item “other integral result”.

Variations in the actuarial liability due to changes in the labor benefits given to the employees taking retroactive effect are recorded as an expense in the first of the following dates:

- When the modification of labor benefits granted occurs.
- When the provisions for restructuring costs is recognized by any subsidiary or business of the Holding Company and subsidiaries.

The mortality rate issued by the Financial Superintendence was adjusted RV08 in such a way to include the longevity effect for the calculation of pensions.

The adjustment will be gradually made, so that in 4 years an increment is obtained in 2 years in the expectation of life both of male and female subjects at the retirement age.

c. Other long-term benefits to employees

These are all the benefits to employees, other than those benefits to employees at short-term and following the employment period, and indemnities for employment termination. According to the collective bargaining and the rules of Holding Company and subsidiaries such benefits correspond mainly to the senior premiums.

The liabilities for long-term benefits to employees are determined in the same way as the post-employment benefits described in literal b) above, only with the difference that the changes in the actuarial liability for changes in the actuarial assumptions are also recorded in the statement of results.

d. Benefits for termination of labor agreement with the employees

Such benefits correspond to payments to be made by the Holding Company and subsidiaries resulting from an unilateral decision to put an end the labor agreement or due to a decision of the employee to accept an offer of benefits in exchange of the termination of the labor agreement. According to Colombian legislation such payments correspond to indemnities for dismissal and to other benefits that the Holding Company and the subsidiaries unilaterally make the decision to grant to the employees in such events.

The benefits of termination are recognized as liability charged to results in the first of the following dates:

- When the Holding Company and subsidiaries communicate the employee their decision to finish the employment.
- When provisions for restructuring costs are recognized by any subsidiary or Holding Company's business involving the payment of benefits for termination.

3.19 Income Tax

The expense for income tax includes the current tax and the deferred tax. The expense of taxation is recognized in the statement of results excepting those items corresponding to items recognized in the account "Other Integral Results" in the equity. In this event the tax is recognized as well in such account.

The current income tax is calculated based on the taxation laws in force in Colombia or in the country where any subsidiaries of the Holding Company are domiciled at the time of report. The Management of every entity of the Group periodically evaluates positions taken in the tax returns with regard to situation where the applicable tax regulation is subject to interpretation and establishes provisions when applicable based on the mounts expected to be paid to tax authorities.

The deferred taxes are recognized over temporary differences occurring between the tax bases of the assets and liabilities and the amounts recognized in the consolidated financial statements given rise to deductible or taxable amounts when determining the profit or fiscal loss corresponding to future periods when the carrying amount will be recovered or the liability liquidated. Notwithstanding, the deferred liability tax is not recognized if they result from the initial recognition of plus value, the deferred tax is also not accounted, if it result of the initial recognition of the asset and liability in the transaction different from a combination of business that at the time of transaction does not affect the accounting or tax profit or loss.

The deferred tax is determined using tax rate prevailing at the time of report and that it is expected to apply when the asset for deferred tax is made, or when the liability for deferred tax is set off.

The deferred tax liabilities are provided on taxable temporary differences resulting, except for the deferred tax liability on investments in subsidiaries when the opportunity of reversion of the temporary difference is controlled by the Holding Company and is probable for the temporary difference will be reversed in a foreseen future. Usually the Holding Company has the ability to control the reversion of temporary differences by investments in subsidiaries and associated companies.

The deferred tax assets are recognized on temporary deductible differences, only in the extent that it is probable for the temporary difference will be reversed in future and there is enough fiscal utility against which the temporary difference may be used.

The deferred assets and liabilities taxes are compensated when there is a legal right to compensate deferred current taxes against liabilities by current taxes and when the deferred asset and liability tax relates to taxes collected by the same tax authority over the same entity or different entities when there is a legal right to set off the balances on net bases.

3.20 Provisions

Provisions for dismantling and legal claims are recognized when the Holding Company and subsidiaries hold the legal obligation, present or assumed, as a result of the past facts, it is probable for an outflow of resources to be required in order to liquidate the obligation and the amount estimated in a reliable manner.

When there e several similar obligations exist, the probability of a cash outflow to be required, is determined taking into account the type of obligations as a whole. A provision is recognized even if the probability of cash outflow with regard to any item included in the same type of obligations may be small.

When the financial effect resulting from the discount becomes significant, the provisions are appraised by the present value of disbursements expected necessary to liquidate the obligation using a discount rate before tax reflecting the actual appraisals of the market of money in the time, and the specific risks of the obligation. The increase of provision due to the time elapsed is recognized as a financial expense.

3.21 **Wealth Tax**

The Holding Company and its subsidiaries in Colombia are subject to wealth tax for the year 2015 to 2017 as provided in Act 1739 – 2014, liquidated on the net patrimonies held at 01-January-2015, 2016, and 2017, higher or equal to $1.000 less the exclusions explicitly foreseen in the tax standard, among other the net patrimonial value of the shares held in national companies, The wealth tax has progressive rates, according to the amount of equity and the rates range between 0.20% and 1.15% in 2015, 0.15% and 1% in 2016, and 0.05% and 0.40% in 2017.

Such Act provides that for accounting purposes such tax may be accounted charged to patrimonial reserves within the equity. The Group has made the decision to use such exception and has recorded the wealth tax caused in 2016 and subsequent years charged to its patrimonial reserves.

3.22 Revenues

Policy applied since 01-January-2018

The IFRS 15 provides a conceptual framework to determine how many and when the revenues are recognized, this standard replaced the IAS 18 Revenues, IAS 11 Contracts of construction and other policies related to its interpretations, **IFRS 13** programs of royalty of clients, IFRS 18 transference of assets of clients and **SIC 31** Revenues: transaction of exchange involving publicity.

The Group recognizes the revenues derived from contracts with clients, based on a model of five steps given in the IFRS 15:

Step 1 Identification of contracts with clients: a contract is defined as an agreement between two or more parties that involves rights and enforceable obligations and proposes criteria to be accomplished in every contract. The contracts may be in writing, oral, or implicitly thought the business practices used by any company.

Step 2 Identification of the performance obligations in the contract: Any performance obligation is a promise in a contract with a client for the transfer of goods or services.

Step 3. Determining the transaction price: the transaction price is the amount of payment to which the Group expects to be entitled in exchange of the transfer of the goods or services promised to any client, regardless of the amount received in representation of third parties.

Step 4. To distribute the price of transaction among the perform obligations of contract: In any contract containing more than one performance obligation, the Group distributes the price of the transaction among the performance obligations in quantities representing the amount of the consideration to which the group expect to be entitled in exchange of accomplishing every performance obligation.

Step 5. Recognition of revenues when, (or as) the Group accomplishes any performance obligation.

The Group accomplishes any performance obligation and recognizes the revenues throughout the time, if any of the criteria below is accomplished:

a). The performance of the Group does not create an asset with an alternate use for the Group, and the Group holds a demandable right to the payment for the performance completed as of the date.

b) The Group's performance creates or enhances an asset controlled by the client in the extent that the same way as it creates of enhances itself.

c) The client, at the same time receives and consumes the benefits resulting from the performance of the Group, in the extent for the Group works.

For performance obligations, where non any of the conditions indicated are not accomplished, the income is recognized at the time when the performance obligation is accomplished.

When the Group accomplishes with a performance obligation through the delivery of the promised goods or services, a contractual asset is created for the amount of the consideration obtained with the performance. When the amount of the consideration received from a client overcomes the amount of the income recognized, this generates a contractual liability.

The income is measured based on the consideration specified in the contract with the client, and excludes the amounts received in representation of third parties. The Group recognizes income when transfers the control on any good or service to a client. The income is given net of the Valued Added Tax (VAT), refunds and discounts and after elimination of sales within the Group.

The Group evaluates its income plans based on specific criteria in order to determine whether it acts as principal or as agent.

The income is recognized in the exte4nt that it is probable for the economic benefits to flow towards the Group and if it is possible to measure in a reliable manner, the income and costs, if any.

Below, a description of the principal activities showed, thought which the Group generates income derived from contracts with clients:

i. Banking (financial services)

The Holding Company and subsidiaries Banco de Occidente Panamá S.A. and Occidental Barbados Ltd. usually sign up contracts covering several different services. Such contracts may contain components that that are within or out of the scope of the IFRS 15. For such reason, only apply the indications of the IFRS 15 when has all or a portion of its contracts out of the reach of the IFRS 9.

The sources of income obtained through contracts with clients, are the following:

- **Credit Cards:** Fees of exchange, general fees (annual, quarterly, monthly), loyalty schemes.

There are contracts involving demandable rights and obligations between the Holding Company and the cardholders or merchants, under which the Holding Company supply services, usually in exchange of annual fees or other type of fees. Below, some of the services appear that may be included with the card-holder contract:

- Issue of loyalty points (options to acquire goods/free-charge services, or with discount in the future, which usually are based on the monetary volume of the transactions with cards,
- Service of processing payments,
- Insurance, where the Holding Company is not the insurer,
- Protection against fraud, and
  -Processing some transactions, such as purchase in foreign currency and withdrawal of cash.

The transaction price is assigned to each performance obligation based on the sale price relative of the goods or services offered to the client. The assignment of transaction price to every individual performance obligation is not entirely necessary when there is more than one performance obligation, but all are accomplished at the same time, or in an equitable manner during the period.

- **Commissions**

The Holding Company receives commissions of insurance when remits new clients to third parties sellers of insurances, when the Holding Company is not the insurer of the policy. Such commissions are usually paid in a periodical manner (e. gr. monthly,) to the Holding Company based on the volume of new policies (and/or renewal of existing policies) generated with clients introduced by the Holding Company. The transaction price may include an item of consideration that is variable or subject to the result of future events, such as cancellations of policy, and said item is estimated and included in the transaction price based on the most probable amount, in this way to include in the transaction price only when it is very probable that the solution of such uncertainty will not lead to a significant reversion in the income.

The commitments fees are within the scope of IFRS 15 when it is unlikely for an agreement of specific loan to be generated and that such commitment for not to measure at reasonable value through results.

The IFRS 15 considers the fees by its indication of loan received by a bank that accepts a loan and does not retain any portion of the loan for itself (or retains a portion thereof RIR or EIR (return Internal rate or earning interest rate for risk purposes comparable with other participants).

- **Saving Accounts and Current Accounts**

  The saving accounts and current accounts usually allow for the clients to have access to a series of services, which include the processing of electronic transfers, use of cash machines to withdraw cash money, the issue of debit cards and the generation of banking statements. Sometimes includes other benefits. The collections are made in a periodical manner and offer access of client to the banking services and additional benefits.

II . **Program of Clients loyalty**

The Holding Company manages loyalty programs where the clients accumulate points for their purchases, entitling to redeem such points under the policies and the award scheme in force in the redemption date. The recompense points are recognized as an identifiable component in addition of the revenues for the services supplied, at reasonable value. The Holding Company acts as principal in a client loyalty program if obtains the control of the goods or services in advance, or if transfers the control of such goods or services to a client. The Holding Company acts as agent, if its performance obligation is to organize for the other party to offers the goods and services.

III. Financing Components

The Group adjusts the transactional prices to the money value in the time for contracts where the period between the transfer of goods or services promised to the client and the payment by the client is more than one year.

IV. Dividends

The revenue is recognized when the Holding Company's right is established to receive the relevant payment, which usually occurs when the stockholders approve the dividend.

3.23 Changes in Accounting Policy

a) IFRS 15 Income of ordinary activities derived from contracts with client

The Bank adopted the IFRS 15 using the accumulative method, with effect of application recognized on 01-January-2018 (initial date of the application). This way the re-expression of the balances submitted for the year 2017 was not carried out, in turn, the information is submitted as reported under IAS 18, IAS 11 and its interpretations. Additional to this, the disclosure requirements given by IFRS 15 have not been applied in a comparative manner.

Below the detail of the impact of the adoption of new standards is shown:

Concept		**31-December 2018**
Impact IFRS 15 through the application of the patrimonial method (*)		14.311
Total	$	**14.311**

(*) at 31.December-2018, the investments in the Subsidiary Corficolombiana showed an increase related to the application of the IFRS 15 ("Income of ordinary activities resulting from contracts with clients") which showed impacts in the accounting of the investments maintained by the corporation in infrastructure projects, above given that the methodology established by this new standard requires for the income from ordinary activities to be recognized according to the advance in the compliance with the performance obligations of a contract.

b) IFRS 9 Financial Instruments

The IFRS 9 establishes requirements to recognize and measure financial assets, financial liabilities and some contracts to purchase or sell non-financial items. This standard replaces the IAS 39 financial instruments: recognition and measurement.

The following Table summarizes the impact, net of tax, of the transition to the IAFRS 9 in the opening reserve balance sheet, retained gains, and the non-controlling interest at 01-January-2018 (for a description of the transition method, see (IV) below):

Adoption for the first time IFRS	**Reference**		**Impact of Adoption IFRS 9 at 01-January-2018**
Recognition of the valuation of investment for changes in classification		$	37.381
Impact at January 1-2018		$	**37.381**
Other integral results for reasonable value			
Recognition of the expected loss under IFRS 9 for debt instruments At reasonable value with changes in ORI	ii.	$	2.779
Recognition of the valuation of investments for changes in classification	i.		46.353
Recognition of valuation for changes in classification Corporación Financiera de Colombia CORFICOL S.A.			150.216
Related Tax			(10.593)
Impact at 18-January-2018		$	188.755
Retained profit			
Recognition of expected loss under IFRS 9	Ii		(235,257)
Recognition of valuation investment valuation due to changes in classification	i.		(83,831)
Recognition of valuation due to changes of classification Corporación Financiera de Colombia Corficol S.A.			(150,216)
Tax related			90,329
Impact at 01-January-2018		**$**	**(378,975)**
Non-con trolling interest			
Recognition of expected loss under IFRS 9	ii.		(20)
Recognition of the valuation for changes in classification	i.		-
Related Tax			-
Impact at 01-January-2018		$	(20)
Total impact on Equity		**$**	**(152.859)**

The details of the new significant accounting policies and the nature and effect of changes of the accounting policies above are given below.

The Group took de exception to not re-state the comparative information of the precedent operation periods with regard to classification and measurement requirements (including impairment). The differences in the book balances of financial assets and liabilities resulting from the adoption of IFRS 9 were recognized in profit retained and other integral results at 01-January-2018. This was the information submitted for 2017 does not reflect the requirements of IFRS 9 (version 2014), but rather those of IFRS 9 (Version 2012 for measurement and classification) and IAS 39 (for impairment).

i.- Classification and measurement of the financial assets and liabilities

The effect for the adoption of IFR 9 on the accounting balances of the financial assets at 01-January-2018 is related to the changes and category and the new deterioration requirements as later described.

The table below and the notes attached explain the original measurement according to the categories in IFRS 9 (version 2012) and the new categories of measurement under IFRS 9 (version 2014) for every type of financial assets at 01-January-2018.

Financial Asset	**Original Classification under IFRS 9 (version 2012)**	**New Classification under IFRS 9 (Version 2014)**	**Original Amount Under IFRS 9 (version 2012)**	**New amount Under OFRS 9 (version 2014)**
Cash and equivalent to cash	Amortized cost	Amortized cost	$2.457.030	$2.457.030
Sovereign debt instruments	Reasonable Value	Reasonable Value (VRCR) Reasonable Value (VRCORI)	3.718.562 -	246.430 3.472.132
Debt instruments financial entities	Reasonable Value	Reasonable Value (VRCR) Reasonable Value (VRCORI	783.257 -	212.523 570.734
Corporate debt instruments	Reasonable Value	Reasonable Value (VRCR) Reasonable Value (VRCORI	34.056 -	- 34.056
Multilateral debt instruments	Reasonable Value	Reasonable Value (VRCR) Reasonable Value (VRCORI	45.117 -	- 45.117
Instruments debt other public entities	Amortized cost Reasonable Value	Reasonable Value (VRCR) Reasonable Value (VRCORI	689.023 76.843	- 76.843
Invest. In stocks (variable income)		Reasonable Value (VRCORI)	316.528	-
	Reasonable Value	Reasonable Value (VRCR) Reasonable Value (VRCORI	45.117 -	- 316.528
Collective invest. Funds (variable income	Reasonable Value (VRCORI)	Reasonable Value (VRCORI)	67.079 19.126	67.714 19.126
Derivative Instruments	Reasonable Value ((VRCR)	Amortized cost	106.391	106.391
Credits portfolio	Mortised cost	Reasonable Value (VRCR)	28.616.629	28.616.629
Other accounts receivable	Amortized cots	Reasonable value (VRCIRI)	161.581	161.581
Total Financial Asset			**$37.091.222**	**$37.091.857**

II. Financial Asset impairment

Impact of the change of provision model of loss due to impairment of financial instruments

For the assets in the scope of impairment model according to IFRS 9, the loss for impairment usually is expected to increase and become more volatile. The Group made the decision that the application impairment requirements of IFRS 9 on 01-January-2018 results in an additional impairment assigned as follows:

Loss for impairment recognized at December 31 – 2017 under IAS 39	**$**	**1,160,795**
Additional impairment recognized on 01-Janaury-2018 on:		
Credit portfolio		210,407
Contingent credit portfolio		22,011
Other accounts receivable		(160)
Investments in debt securities		2,779
Fixed income investments		219
Loss for impairment recognized at 01-January-2018 under IFRS 9		**$ 1,396,051**

III. Accounting of Hedge

In the initial application of IFRS 9, related to hedge accounting, the IASB allows an option of accounting policy between applying the requirements contained in the IFRS 9 or to continue applying the requirements existing in the IAS 39 for all financial instruments designed in a ratio of hedges, until completing the accounting project for macro-hedges. Giving the above, the Group has chosen to continue the accounting of hedges under the provision in IAS 39.

IV. Transition

The changes of accounting policies resulting from the adoption of IFRS usually are retroactively applied excepting as indicated below:

- The Group has taken an exemption in order to refrain from repetition the comparative information of precedent operation periods with regards to the classification and measuring requirements (including the impairment). Therefore, the comparative operation periods have been re-stated only for the retrospective application of hedge cost, approach for the advance points. Differences in the values in books of financial assets and the liabilities resulting from the adoption of IFRS 9, are recognized in the reserves and accumulated results as from 01-Januey-2018. Consequently, the information presented on 2017 reflects the requirements of the IAS 39.

- The following evaluations have been made on the basis of facts and circumstances exiting in the date of initial application:

  - The determination of business models where the financial assets are maintained.
  - The designation of some investments in equity instruments, not maintained for negotiation as at reasonable value with adjustment to ORI.

- Should any investment in debt instruments has low risk of credit at 01-Janusry-2018, then the Group will determine for the credit risk of the asset has not increased significantly since the initial recognition.

c) IFRS 15 income from ordinary activities resulting from contracts with clients

IFRS 15 establishes an integral framework to determine how much and when the revenues are recognized, replaced the IFRS 18 revenues, IAS 11 construction contracts and the related to its interpretations.

The Group has adopted the standard using the prospective approach without re-state prior operation periods, which means to recognize the accumulated impact of adoption in the retained profits as from 01-January-18, and without restating the cooperative figures.

The high level evaluation carried out by the Group indicates for the implementation of IFRS 15 had no any impact on the opportunity and amount of the recognition of the other income of Group, corresponding to the operations above mentioned.

According to above, it is considered for the effect of the implementation of IFRS 15 in the preparing of the consolidated financial statements to have any material impact at 01-January-2018.

Revenues resulting from contracts with clients (replaces: revenues from commissions and collections and revenues for services and sale of goods.

d) **Changes of scenarios**

Taking into account the current regulatory context, the Group has decided to perform changes to the accounting policies in a prospective manner in preparing the consolidated financial statements which are given below:

a) Patrimonial reclassification of the portfolio provision in the accounts of ORI and retained gains according to provision in IFRS 9.

b) Recalculation of benefits to employees taking into account the provision in IAS 19.

c) Tax related to the above items

The following Table summarizes the resolves the impact, net of tax of the changes in accounting policies:

		Impact of changes of policies at 01-Januart 2018
Other integral results at 31-December-2017		
Provision of portfolio difference consolidated and separated	$	**(26,970)**
Classification of investment of delta patrimonial at cost		635
Benefits to employees		(433)
Related tax		7.465
Impact at 01-January-2018		**(19,303)**
Retained gains at 31-December-2017		
Provision of portfolio difference consolidated and separated		27.088
Benefits to employees		5
Related tax		77
Impact at 01-January-2018		**27.170**
Total impact on patrimony	$	**7.867**

3.24. New accounting pronouncements issued by IASB at international level

The Decrees 2170 – December 2017, and 2483 - 2018, introduced to the technical regulatory framework of financial information, new standards, modifications or amendments issued or made by the International Accounting Standard Board (IASB) to the International Financial Information during the years 2014 and 2016, in order to evaluate its application in financial operations periods starting on or later of January 2018, although the application could be made in advance.

i. Standards and amendments applicable as from 01-January-2019

Acording to provision in decree 2170 – December 2017, the applicable standards issued as from 2019, are listed below:

Financial Information Standard	Topic of the standard or the amendment	Detail
IFRS 16 – Leases	Recognition, Measurement Presentation and information to be disclosed of the leases	The IFRS 16 of leases, set out the principles for the recognition, measurement, presentation and information to be disclosed of the leases. The purpose is to ensure for the tenants and the lessors to provide relevant information properly representing such transactions. This information provides a basis to the users of the financial statements to evaluate the effect of the leases on the financial situation, the financial return and the effective flows of the entity.
IAS 40 – Propertiesof investmens	Transfer of properties of investment	Modifies the paragraph 57 in such a way that the principle is reflected that a change of use would imply a) an evaluation that if any property meets or stopped meeting, the definition of property of investment; and b) to have available supporting evidence that the change of use occurred, by applying such principle, an entity will transfer properties under construction or development to or since, investment when, and only when a change of use of that property exists supported on evidence.
Annual improvement to to IFRS Cycle 2014-2016	Amendments to IFRS 12 Information to be disclosed about participations in other entities	Clarification about the scope of the standard
	Modification to IAS 28 Investments in associates and joint business	Measurement at reasonable value of an associate or joint business

II. Impact of the adoption new standards (IFRS 16) Leases

The Group must adopt the IFRS 16 Leases, as from 01-January-2019. The Group has evaluated the estimated impact of the initial application of the IFRS 16 in its consolidated financial statements, as indicated below. The real impact for the adoption of standards on 01-January-2019 may change, because:

- The Group has not ended the tests and the evaluation of controls about its new systems of TI, and
- The new accounting policies are subject to changes until the Group has available its first financial statements including the date of initial application.

The IFRS 16 introduces a single accounting model of leasing in balance for the lessees. A lessee recognizes an asset by the right of use representing its right to use the underlying asset and a liability for lease representing its obligation to make the payments of the lease. There exist exceptions of recognition for short-term leases and leases of low value. The accounting of the lessee continues to be equal to the current standard, which means for the lessors to continue classifying the leases as financial or operative.

The IFRS 16 replaces the guide of leases existing, included the IAS 17 Leases, the IFRIC 4 determining whether an agreement contains a Lease, SIC-15 operative Leases-incentives and SIC-27 Evaluation of the substance of transactions involving the legal form of any lease.

The Group has completed an initial evaluation of the potential impact on its consolidated financial statements, but the Group has not completed its detailed evaluation. The real impact of the IFRS 16 application on the financial statements in the initial application period will depend from the future economic conditions, the development of the lease portfolio of the Group, the evaluation of the Grout if will involve any option of lease renewal and the measure as the Group choose the use of practical proceedings and exceptions of recognition.

The Group will recognize new assets and liabilities for its operative leases. The nature of the expenses related to these leases now will change because IFRS 16 will replace the expense of operative straight-line lease expense with a charge for depreciation for the assets of right of use and the expenses for interest on liabilities of lease.

Formerly, the Group recognized the expenses of straight-line operative lease during the term of leasing.

The Group expects to recognize assets of right of use approx. for $228.114 and liabilities of leasing approx. for $228,114 on January 1 – 2019.

The Group expects for the net gain after tax will decrease between approx. $5,667 for 2019 as a result of the adoption of IFRS 16.

The Group will require some additional disclosures as from the next year.

The Group plans to apply the IFRS 16 initially on 01-January-2019 using a prospective approach.

The Group plans to apply the practical proceeding of the IFRS 16 for the definition of a lease agreement in the transition. This means that the Group will apply the IFRS 16 to all contracts entered into before January 1- 2019 and identified as leases in accordance with the IAS 17 and the IFRIC 4.

Note 4.- A**ccounting Judgments and estimation critical accounts in the application of the accounting policies.**

The Management of the Group makes estimates and assumptions affecting the amounts recognized in the Consolidated Financial Statements and the carrying value of the assets and liabilities within the following tax year. The estimated judgments are continuously evaluated and based on the management expertise and other factors, including the expectation of future events considered to be reasonable according to circumstances. The management performs as well some judgments in addition to those involving estimations in the process of application accounting policies. The judgments with the most significant effects on the amounts recognized in the consolidated financial statements and the estimates potentially causing a significant adjustment in the carrying value of the assets and liabilities in the following year include the following:

Ongoing Business: the management of the Group prepares the consolidated financial state4ments based on an ongoing business. In the conduction of this judgment the management considers the financial position, its current intentions, the result of the operations and the access to financial resources in the financial market and analyses the impact of such factors on the future operations of Group. As of this date, the management is not aware of any situation leading to consider for the Holding Company has not the ability to continue as ongoing business during the year 2019.

Reasonable value of financial instruments: the estimation of reasonable values of financial instruments is made according to the hierarchy of reasonable value, classified into three levels, reflecting the significance of the inputs used in the measurement thereof.

Information about the reasonable values of financial instruments classified by levels using observable data for the levels 1 and 2 and not observable for the level 3, is disclosed in Note 6.

The determination of the “observable” requires a significant judgment of the Holding Company.

The Holding Company considers observable data those data of the market already available, that are distributed or usually updated, that are reliable and verifiable, and that reflect the assumptions for the participants of the market would use by stating the price of the asset or liability.

Business Model: By making an evaluation whether the objective of any business model is to maintain the assets to collect the flows of contractual cash, the Holding Company to what level of its commercial activities such evaluation would be made. In general, any business model is a matter that may be evidenced by the way whereby the business is managed and the information provided to the administration. Nevertheless, in some circumstances it may be not clear whether any specific activity involves a business model with some not frequent sales of assets or if the advanced sales indicate that there are two different business models.

By determining whether the business model to manage the financial assets is to maintain the assets to collect the contractual cash flows, the Holding Company considers:

- The policies and procedures indicated by the management for the portfolio and the operation of such policies in the practice;
- How the management evaluates the return of the portfolio;
- Whether the management´s strategy focusses on obtaining income by contractual interest;
- The frequency of any expected sale of assets;
- The reason for any sale of assets; and
- Whether the assets sold are maintained for a long-time period in connection with the contractual overdue or are quickly sold after acquisition or a long-term before the expiry date.

Specifically, the Holding Company exercises judgment to determining the objective of the business model for the portfolios maintained for liquidity purposes. The Central Treasury of the Holding Company maintains some debt instruments in a separated portfolio to obtain return in the long-term and as liquidity reserve. The instrument may be sold to accomplish with unexpected liquidity deficits but does foresee for such sales to be more frequent.

The Holding Company considers for these instruments to maintain within a business model, which purpose is to keep assets to collect the flows of contractual assets. The Central Treasury of the Holding Company maintains some other debt instruments in separated portfolio to manage the liquidity at short-term. Frequently, sales of this portfolio are made in order to accomplish with the continuous commercial needs. The Holding Company determines for these instruments are no maintained within a business model which objective to be maintain the asset to collect the contractual cash flows.

When any business model involves the transfer of contractual rights to the cash flows derived from financial assets to third parties and the asset transferred are not discharged in accounts, the Holding Company reviews the agreements to determine the impact thereof by evaluation the objective of the business model. In this evaluation, the Holding Company considers whether under the agreements the Holding Company will continue receiving the cash flows of the assets, either directly from issuer or indirectly from the receptor, including if will back purchase the assets of the receptor.

The Holding Company exercises judgment by determining whether the contractual terms of the financial assets that produces or acquires give place in specific dates to cash flow that only are payment of principal and interest on the outstanding principal and may qualify for measurement at the amortized cost. In this evaluation, the Holding Company considers all the contractual terms, including any term or prepayment provisions to extend the expiry term of the assets, such terms changing the amount and the opportunity of the cash flows, and whether the contractual terms contain leverage.

For financial assets respect of which the rights of the Holding Company are limited to specific assets of the debtor (assets without resource), the Holding Company evaluates whether the contractual terms of such financial assets limit the cash flows in an inconsistent manner with the payments represent principal and interest.

When the Holding Company invests in instruments contractually linked (stretches), exercises its judgment to determine whether the exposure to credit risk in the stretch acquired is equal or lower than the exposure to credit risk of the group of financial instruments, corresponding whereby the stretch acquired would qualify for measurement to the amortized cost.

Other aspects of classification

The accounting policies of the Holding Company provide the scope for the assets and liabilities to be designed at the beginning, in different accounting categories in some circumstances:

- By classifying the financial assets or liabilities as reasonable value with changes in results, the group has determines for it to accomplishes with the description of assets and liabilities for negotiation provided in the accounting policy.
- By designing the financial assets or liabilities at the reasonable value with changes in equity, the Holding Company has determined to have accomplished one of the criteria for such designation included in the accounting policy.
- By classifying the financial assets at amortized cost (maintained until maturity), the Holding Company has determined for it has in place the positive intent and capacity to maintain the assets up to the expiry date, according to the provision in the accounting policy.

Tax to deferred profits: the Holding Company evaluates the performance on the time deferred tax on the income. The deferred active tax represents tax on the recoverable income through future deductions of taxable profits and are recorded in the consolidated financial statement. The deferred assets taxes are recoverable in the extent that the performance of tax relative benefits is probable. The future tax revenues and the amount of the tax benefits that are probable in the future are based on plans in the medium term prepared by the management. The business plan is based on the management's expectations, considered reasonable under the circumstances. As prudent measure for the purposes of determining the performance of the deferred taxes, the financial and taxing projections of the Holding Company have been realized.

At 31-December-2018 and 2017, the Holding Company's management considers that the items of the income tax deferred asset, would be recoverable according to the estimations of future taxable revenues.

Initial recognition of transactions with related parties: In the normal course of the business of the Holding Company performs transactions with related parties. IFRS 9 requires initial recognition of financial instruments based on the reasonable values, the judgment is applied to determine whether the transactions are made at the market values of the interest rates when there is not active market for such transactions.

The bases of judgment consist to value similar transactions with unrelated parties and an analysis of the interest effective rates. The terms and conditions of transactions with related parties are disclosed in Note 31.

Plus Value: On annual basis, the Holding Company's management performs an evaluation of plus value impairment recorded in its financial statements; such evaluation is made with closing at 30-September every year, based on a study conducted for such purpose by independent experts hired for such purpose. Such study is conducted based on the valuation of business lines related to the Plus Value (business lines of Banco Unión), by the method of the discounted cash flow, taking into account factors such as: the economic situation of the country, of the sector where the Holding Company operates, historical financial information, and growth projected of the incomes and costs of the Holding Company in the next five years, and subsequent growth in perpetuity, taking into account the indexes of profit capitalization, discounted at interest rates free from risk that are adjusted by premiums of risks required in the circumstances. The assumptions used in such valuation are detailed in Note 15.

Valuation of Investment Properties: the investment properties are reported in the financial situation statement at the reasonable value, determined in reports prepared by independent experts at the end of each reporting period. Due to the country current conditions the frequency of property transactions is low; notwithstanding, the management considers that there are sufficient market activities to provide comparable prices for transactions ordered of similar properties when the reasonable value of the investment properties is determined.

In the preparation of the valuation reports of the investment properties of the Holding Company, forced sales transactions are excluded. The management has reviewed the assumptions used in the valuation by the independent experts and considers that factors such as: inflation, interest rates, etc., have been properly determined considering the market conditions at the end of the reported period nevertheless the above, the management considers for the valuation of investment properties to be currently subject to a high grade of judgment and an increased probability that the current income for the sale of such assets may differ its carrying value.

Estimation for contingencies: the Holding Company and its subsidiaries estimate and record a provision for contingencies, for the purpose to cover the potential loss for the labor events, civil and mercantile lawsuits, and fiscal objections or other, according to the circumstances that, based on the opinion of the legal external counselors, and/or internal lawyers, are considered of probable loss and may be reasonably quantified. Given the nature of many of complains, events, and/or proceedings, it is not possible, in some opportunities to do an accurate forecast, or to quantify an amount of loss in a reasonable manner, and for such reason, the real amount of the outlays effectively made by the complaints, events and/or proceedings are habitually different from the amounts estimated and initially provisioned, and such differences are recognized in the year when they are identified.

Benefits to Employees: The measurement of pension obligations, costs and liabilities are dependent on a great variety of premises at long-term determined on actuarial bases, including estimations of the present value of future payments projected of pensions for the participants of the plan, considering the probability of future potential events, such as increments of urban minimum salary and demographic experience. Those premises may have an effect on the amount and the future contributions, if any variation will occur.

The discount rate allows to establish future cash flows at present value in the evaluation date. The Holding Company determines a rate at long term representing the market rate of investments of fixed return of high quality or for government bonds which denominated in Col. pesos, the currency used to pay the benefit, and considers the opportunity and amounts of the payments of future benefits, for which the Holding Company has selected the Government bonuses.

The Holding Company uses other key premises to value the actuarial liabilities, which are recognized based on the specific experience of the Holding Company combined with statistics published and indicators of market (See Note 20, where the most significant assumptions are described, used in the actuarial calculations and the relevant sensitiveness analyses).

Determination of the functional currency of subsidiaries: Determination of functional currency of Subsidiaries was made based on the correlative economic conditions of the country, where their operations are made. This determination requires judgment. By doing this judgment the Holding Company evaluates, among other factors, the location of the activities, the income sources, the risks associated to those activities and the denomination of the operation currencies of the different entities.

Note 5. Administration and management of risks:

The Holding Company and its subsidiaries of financial sector administer the function of risk management considering the applicable regulation and the internal policies.

Objective y General Guides of the risk management

The objective is to maximize the yield for the investors through a prudent risk management; for such purposes, the principles guiding the Holding Company in the risk management are the following:

a) To provide safety and continuity of service to the clients
b) The integration of the risk management to the institutional processes.
c) Joint decisions at level of every one of the Directors Boards of the Holding Company to do commercial loans.
d) Deep and extensive Knowledge of the market as a result of our leadership and our management of the banks in a stable condition.
e) Establishment of clear risk policies in a top-down approach in connection with:

- Compliance with the policies about the knowledge of clients, and
- Structures to grant the commercial credits based on a clear identification of the repayment sources and the capacity of generation of flow of the debtors.

f) Use of common analytical tools and determination of the interest rates of the credits
g) Diversification of the loan commercial portfolio with regard to industries and economic groups.
h) Specialization in niches of consumption products
i) Extensive use of scoring models and qualification of credits updated always in order to ensure the increase of consumption loans of high credit quality.
j) Conservator policies about:

- The composition of negotiation portfolio with slant towards instruments of lower volatility.
- Operation of negotiation by own account and
- Variable remuneration of the negotiation personnel

Risk Culture

The Holding Company's risk culture is based on the principles indicated in the item above and is transmitted to all entities and units of the Holding Company supported by the following directives:

a) In all entities of the Holding Company the risk function is independent from the business units
b) The structure of delegation of powers at the banks level requires for a great number of transactions to be forwarded to decision centers, such as the risk committees. The high number and frequency of meetings of such committees ensures a high grade of nimbleness in the resolutions of proposals and ensures the continue participation of the top management and key areas in the management of the several different risks.
c) The Holding Company has in place detailed manuals of action and policies with regard to risk management, the groups of business and risk of the banks maintain periodical meetings of training with risk approaches in line with the risk culture of the Holding Company.
d) Plan of limits: the banks have implemented a system of limits of risk which are updated from time to time, attending the new conditions of the markets and of the risks there are exposed.
e) Suitable information systems allowing to monitor the daily expositions to risk in order to verify for the approval limits to be systematically accomplished and adopt, if deemed necessary, the appropriate measures.
f) The principal risks are analyzed not just only when the occurred or when the problems occur in the regular course of business, but on a permanent base for all the clients.
g) The Holding Company has in place suitable and permanent training courses at all the organizational levels concerning the risk culture and compensation plans to some employees according to their adherence to risk culture.

Corporate structure of the risk function

According to the directives given by Colombian Financial Superintendence, the corporate structure at the level of banks to manage the different risks, include the following levels:

- Board of Directors.
- Committee of risks
- Vice Presidency of risks
- Administrative processes of risk management
- Internal audit

Board of Directors

The Holding Company's Board of Directors and its subsidiaries are responsible of the adoption, inter alia, the following decisions relative to the suitable organization of the risk management system or every entity:

- To define and approve the strategies and the general policies related to the internal control system for the risk management.
- To approve the entity's policies in connection with the management of the different risks
- To approve the allotments of operation and counterpart, according to the attributions defined.
- To approve exposition and limits to different types of risk
- To approve the different procedures and methodologies for the risk management
- To approve the amount of human resources, both physical and technical for the risk management.
- Indicate the responsibilities and duties assigned to the positions and area responsible for the risk management
- Creation of the necessary committees in order to ensure the suitable organization, control and follow-up the operations generating exposures and to define their duties.
- To approve the internal control for risk management
- Require of the Holding Company and subsidiaries different periodical lreports about the exposition of the different risks.
- Evaluation of the proposals of recommendation and correctives about the processes of risk management.
- To require to the administration several different periodical reports about the exposition levels to the different risks
- Perform follow up of the regular meetings through periodical reports submitted by the audit committee about the risk management and actions implemented for the control or mitigation of the most relevant risks.
- To approve the nature, scope, strategic business and markets where the entity will operate

Risk Committees

The Holding Company has in place, among other, with committees of credit and treasure risks (financial committee) made up by members of the Board of Directors, or with analysis made by the Board of Directors, that periodically discus, measure, control and analyze the credit risk function (SARC) and treasury of the bank (SARM). Likewise, there is the technical committee of assets and liabilities, or the analysis by the Board of Directors, in order to make decisions about assets and liabilities management of liquidity, through the Risk Management Liquidity System (SARL – *Spanish abbreviation*); about the analysis and follow-up the Operative Risk Management System and Business Continuity (SARO-PCN – *Spanish abbreviation*) developed in the Audit Committee.

The legal risks are monitored about the compliance, by the Legal Vice-Presidency.

The duties of such committees include, among other, the following:

1. To propose to the Board of Directors of the relevant entity the policies considered suitable to manage the risks concerning to every committee and the processes and methodologies for the management thereof.

2. To conduct systematic revisions of the exposures to risk of the entity and take the corrective actions deemed necessary.

3. Ensure for the actions of the Holding Company and its subsidiaries in connection of the risk management, are consistent with the previous levels defined of risk appetite.

4. To approve decisions within the attributions of every committee by the Board of Directors.

Below the risk committees are detailed:

i. Financial Risk Committee, Committee SARO, Committee of Compliance

The purposes of these committees is to establish the policies, procedures and strategies for the credit, market, liquidity, operative, asset laundry and financial of terrorism risks integral management. Among the main duties, the following:

- To measure the risk profile of the entity
- Design monitoring and following up schemes to the exposure levels to the different risks to which the entity faces.
- Review and propose to the Board of Directors the tolerance level and the grade of exposition to risk the entity is in conditions to assume in the development of business. This imply evaluation alternatives to allege the risk appetite of the several different risk management.
- Evaluation of the risks involved in the inroad in new markets,, products, segments, countries, inter alia.

II **Financial Risk Committee (Credit and treasury risks)**

The purpose is to discuss, measure, control and analyze the credit risk management (SARC) and Treasury (SARM). Among the main functions, the following:

- To monitor the risk and treasury risk for the purpose for the risk level to maintain within the parameters established in accordance with the risk limits and policies of the entity.
- To evaluate the inroad in new markets and products.
- Evaluation of policies, strategies and actuation standards in the commercial activities, both of treasury and credit.
- Ensure for the measuring and risk management methodologies to be appropriated, given the characteristics and activities of the entity

III. Committee of assets and liabilities
The objective is to support the top management in the definition of policies and limits, following-up, control and measuring systems accompanying the management of assets and liabilities and liquidity risk management through the different Liquidity Risk Systems (SARL).

Among the main duties, the following:

- To establish the procedures and mechanisms adequate for the liquidity risk management.
- Monitor the reports about exposure of liquidity risk
- Identifying the origin of exposures and through sensitivity analysis to determine the provability of less returns or the needs of recourses due to movements in the cash flow.

IV. Audit Committee

The objective is to evaluate and monitor the internal control system. Among the main duties of the committee, the following:

- To propose for the approval by the Board of Directors, the structure, procedures and methodologies necessary for the operation of Internal Control System.
- Evaluation the structure of the internal control of the entity, in such way that it is possible to establish whether the procedures designed reasonably protect their assets, as well and those of third parties under administration and custody, and if there are controls to verify for the transactions to be properly authorized and recorded. For such purpose, the areas responsible for the administration of the different risk systems, the Statutory Auditor and the Internal Audit deliver to the Committee the periodical reports established and the additional reports required by the Committee.
- To follow up the exposure to risk, the implication for the entity and the actions taken for its control or mitigation.

Vice Presidency of Risks

The Vice presidencies of risks included within the organization structure, hold, inter alia, the functions below:

a) To ensure the proper compliance at the level of Holding Company and subsidiaries levels of the policies and procedures established by the Board of Directors and the different risk committees for the risk management.
b) Design methodologies and procedures to be used by the administration for risk management.
c) To establish permanent monitoring procedures allowing to identify any type of deviation to the policies established for risk management.
d) To produce periodical reports both to the different risk committees, Board of Directors of the Holding Company and its subsidiaries about the control status in connection with the compliance with the risk policies.

Administrative Processes of risk management

According to the business models, every Holding Company's subsidiary has properly defined and documented structures and procedures in manuals about the administrative processes to be followed to manage the different risks; in turn, there is in place technological tools later detailed, where every risk is analyzed to monitor and control such risks.

Internal Audit

The internal audit of the Holding Company and Subsidiaries are independent from the administration, and directly depend on the audit committees, and in developing their functions, conduct periodical functions about the compliance with the policies and procedures implemented by the Holding Company for the risk management; the reports are delivered, directly, to the audit committees, that are in charge to make following up to the Holding Company's administration about the corrective measures taken.

Individual analysis of the different risks

The Holding Company is integrated basically by entities of the financial sector and therefore, such entities, in the regular course of this business are exposed to different financial, operative, reputational, and legal risks.

The financial risks include the market risk (including the negotiation risk and the price risk as later indicated) and the structural risks for composition of the assets and liabilities of the balance sheet, which include the credit risk, variation of the exchange type, liquidity and interest rate.

The entities of the Holding Company with their business in economic sectors different from the financial sector, commonly named of the “real sector”, have a lower exposure to the financial risks, although are subject basically to operative and legal risks.

Below an analysis of each one of the risks is included, indicated in order of relevance:

5.1. Credit risk

Consolidated exposure to credit risk

The Holding Company and its Subsidiaries (Barbados) Ltd and Banco de Occidente Panamá S.A. and their subsidiaries have exposure to the credit risk, consisting for the debtor to cause a financial loss due to the failure to comply with its obligation and for the total debt. The exposure to credit risk of the Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A. occurs as result of the credit and transactions activities with counterparties involving financial assets. The max. exposure to risk of the Holding Company and its subsidiaries Occdental Bank Barbados Ltd. and Banco de Occidente Panamá S.A. according to IFRS 7, at consolidated level reflects in the carrying value of the financial assets in the consolidated financial situation statement of the Holding Company at 31-December-2018 and 2017 as indicated below:

Account		31-December 2018	31-December 2017
Deposits in Banks different from Central Bank	$	$ 464.310	848.312
Financial instruments at reasonable value			
Issued or guaranteed by Colombian Government		4.439.273	3.688.959
Issued or guaranteed by other Colombian financial institutions		251.378	146.790
Issued or guaranteed by entities of Colombian real sector		27.644	76.843
Issued or guaranteed by foreign governments		97.894	29.604
Issued or guaranteed by other financial institutions abroad		679.020	651.379
Issued or guaranteed by entities of real sector abroad		16.354	27.411
Other		54.818	36.850
Derivative instruments		385.647	106391
Investments in equity instruments		102.603	402.733
Credit Portfolio			
Commercial portfolio		15.880.604	16.007.894
Consumption portfolio		6.790.015	6.863.655
Mortgage portfolio		591.507	509.939
Leasing Portfolio		5.311.467	5.235.141
Other accounts receivable		129.430	136.534
Total Financial Assets with risk of credit		**35.221.964**	**34.768.435**
Off balance credit risk at its nominal value			
Financial guarantees and endorses		1.147.658	896.910
Credit commitments		228.048	90.857
Total off balance exposure to credit risk		**1.375.706**	**987.767**
Total max. exposure to credit risk	$	**$36.697.670**	**35.756.202**

The potential impact of net assets and liabilities to potentially reduce the credit risk is not significant. For guarantees and commitments to extend the amount of credits, the max. exposure to credit risk is the amount of the commitment. The credit risk is mitigated by guarantees and collaterals as indicated below:

Mitigation of credit risk, guarantees and other enhancements of credit risk

The max. exposure of credit for the Holding Company and its subsidiaries Occidental Bank (Barbados Ltd., and Banco de Occidente Panamá S.A. is reduced by collaterals and other improvements of credits that reduce the credit risk of the Holding Company and its subsidiaries. The existence of guarantees could be a necessary measure although not a sufficient instrument for the acceptance of the credit risk. The policies of credit risk of the Holding Company require an evaluation of debtor's payment capacity and for the debtor to generate enough sources of resources to allow the amortization of debts.

The risk acceptance policy is, hence, organized at three different levels in the Holding Company and subsidiaries:

- Analysis of financial risk: To grant credits there is in place different models for the evaluation of credit risk: scoring models for the evaluation of the credit risk of the consumption portfolio. In the initial evaluation of the clients, logistic regression models are applied, that assign a score to the client, based on mean necessary socio-demographic variables and some one of behavior with sector, and allow to establish whether the applicant is subject of credit according to the Holding Company's policy concerning the minimum score required. There are as well flowing up models mainly using behavior variables of payment by client and some socio-demographical variables, and allow to rank the clients and establish the probability of default in the next year.
  For the commercial portfolio, there is in place ranking models, specifically logistic regression models, which variables are mainly financial indicators. With these variables the entry models are obtained, and for the following up models, payment behavior variables are added as the max. delay in the last year, counters of delay, inter alia. Accordingly, here are in place entry and following up models for the segments of the industry, commerce, services, constructors, Territorial Entities and Financial Entities.

- The constitution of guarantees with appropriate rates of hedge of debt and that are accepted according to the credit policy from every bank, according to the risk assumed in any of forms, such as personal guarantees, monetary deposits, securities and mortgage guarantees, inter alia.

- Evaluation of liquidity risk of the guarantees received.

The methods used to evaluate the guarantees are in line with the best market practices and imply the use of independent appraisals of real property, the market value of securities or the valuation of the companies issuing the securities.

All guarantees need to be legally evaluated and drafted following the constitution parameters in accordance with the legal standards applicable.

The following is the detail of the credit portfolio by type of guarantee received to support the credits granted by the Holding Company and subsidiaries at consolidated level at 31-December-2018 and 2017:

		31-December-2018			
	Commercial	**Consump.**	**Housing**	Financial Leasing	Total
Unguaranteed credits	$ 7.953.486	4.968.821	3.572	44.221	**12.970.100**
Credits guaranteed by other banks	362.128	7.378	-	6.102	**375.608**
Collateralized credits					
Housing	48.378	12.218	587.935	-	**648.531**
Other real property	1.328.501	12.641	-	3.629	**1.344.771**
Investments in equity instruments	497.010	553	-	-	**497.563**
Cash deposits or equivalent to cash	341.194	5.332	-	-	**346.526**
Goods in leasing	-	-	-	-3.161.167	**3.161.167**
No real property goods	-	-	-	1.692.822	**1.692.822**
Fiduciary contracts, standard by and guaranty funds	**2.603.865**	**948**	**-**	**143.675**	**2.748.488**
Income pledging	939.701	303	-	4.456	**944.460**
Pledges	383.145	1.735.233	-	298	**2.118.676**
Other assets	1.423.196	46.588	-	255.097	**1.724.881**
Total	**$ 15.880.604**	**6.790.015**	**591.507**	**5.311.467**	**28.573.593**

		31-December-2017			
	commercial	**Consump.**	**Housing**	Financial Leasing	Total
Unguaranteed credits	$8.510.068	4.894.364	5.886	52.201	**13.462.519**
Credits guaranteed by other banks	350.562	4.284	-	4803	**359.649**
Collateralized credits					
Housing	35.222	10.678	504.053	-	**549.953**
Other real property	1.130.850	14.527	-	4.410	**1.149.787**
Investments in equity instruments	429.509	1.077	-	-	**430.586**
Cash deposits o equivalent to cash	306.980	2.793	-	-	**309.773**
Goods in leasing	-	-	-	3.236.566	**3.236.566**
No real property goods	-	-	-	1.743.724	**7.743.724**
Fiduciary contracts, standby and guaranty funds	2.622.490	4.513	-	160.596	**2.787.608**
Income pledging	997.062	266	-	10.722	**1.008.050**
Pledges	453.537	1.891.723	-	488	**2.345.748**
Other assets	1.171.605	39.430	-	21.631	**1.232.666**
Total	**$16.007.894**	**6.863.655**	**509.939**	**5.235.141**	**28.616.629**

Mortgage Portfolio

The following Tables stratify the credit expositions of the mortgage loans and the advances to retail clients by range of relation of loan at loan value (LTV). LTV is calculated as the ratio between the gross amount of loan, or the amount committed for the loan commitments, and amount of guarantee. The valuation of guarantee excludes any adjustment to obtain and sell the guarantee. The guarantee value for the mortgage loans housing, is based on the guarantee value at the time of creation, based on the changes in the housing price indexes. For loans with credit impairment the value of guarantee is based on the most recent evaluations.

		December 31, 2018	**December 31, 2017**
LTV ratio			
less than 50%	$	21.629	25.996
51-70%		34.432	29.280
71-90%		41.756	39.262
91-100%		26.479	23.706
more than 100%		1.263.149	1.050.155
Total	$	**1.387.445**	**1.168.399**

Credit-impaured loans (Deteriorated)		December 31, 2.018
LTV ratio		
less than 50%	$	2.980
51-70%		_
More than 70%		52.533
Total	**$**	**55.483**

Significant Increment in Credit Risk

Under IFRS 9, when determined whether the credit risk of any financial asset has significantly increased since its initial recognition, the group will consider reasonable information and sustainable and relevant, and available without cost or incommensurate effort, including both information and quantitative qualitative analysis based on the historical experience, as well as the expert evaluation of credit of the group including information with projection to future.

The Group expects to identify whether an insignificant increment has occurred in the credit risk, comparing between:

- The probability of default (PD) during the remaining life at the date of report; with:
- The PI during the remaining life in this point in the time that was estimated at the time of initial recognition of the exposure.
- Qualitative aspects are considered as well and the refutable of the standard (30 days).

The evaluation whether the credit risk has significantly increased since the initial recognition of a financial asset, require the identification of initial date of recognition of the instruments and the thresholds of increment,

Rating by Category of Credit Risk

The Group assigns each exposure to a rating of credit risk based on a variety of data allowing to forecast the PD. The Group expects to use these ratings in order to identify significant increases in the risk of credit under the IFRS 9. The rating of credit risk is defined using quantitative factors indicative of risk of loss. Such factors may vary depending on the exposure nature and the type of the borrower.

Every exposure is distributed to a rating of credit risk at the time of initial recognition based on the information available about the debtor. The exposures are subject to continuous monitoring potentially resulting in the displacement of an exposure to a different rating of credit risk.

Modeling the term of PI

The estimation of the potential default is the principal input to determine the ranges of qualifications determining the risk level.

The Group uses statistical models to analyze the data collected and generate estimations of the deterioration probability in the remaining life of the exposures and how such deterioration probabilities change as a result of the time elapsed.

This analysis will include the identification and calibration of relations between changes of impairment rates and in the key macroeconomic factors, as well as an in deep analysis of some factors in the impairment risk (e.g. write-off portfolio). For most of the credits the key economic factors probably will include increase of the gross domestic product, changes of market and interest rate, variation of the unemployment rate and IPC, inter alia.

The approach of Holding Company to prepare prospective economic information within the evaluations is indicated below:

The Group has established a general framework incorporating quantitative and qualitative information in order to determine whether the credit risk of any financial asset has significantly increased since the initial recognition.

The initial framework is aligned with the internal process of the Group for management the credit risk.

The criterion to determine whether the credit risk has significantly increased, will vary by portfolio or segment, in the same way as by risk qualification.

The Group evaluates whether the credit risk of a specific exposure has significantly increased since the initial recognition, if based on the quantitative modeling, the probability of impairment expected in the remaining life will be significantly increased. In the determination of credit risk increment the loss for impairment in the remaining life is adjusted by changes in the expiration.

In some circumstances, using expert judgment in credit and where relevant historical information is possible the Group may determine that an exposure has experienced a significant increment in credit risk if particular qualitative factors may indicate such situation and those factors cannot be completely captured by their quantitative analyses periodically conducted. As a limit, and as it is required by IFRS 9, the Group will presume that any significant increase of credit risk will occur no later than when the asset is in arrears for 30 days.

The Group monitors the effectiveness of criterion used to identify significant increments in the credit risk based on regular reviews to confirm that:

- The criteria are able to identify significant increments in the credit risk before an exposure is in impairment.
- The average of time in the identification of any significant increment in the credit risk and the default seem reasonable.
- The exposures usually are not directly transferred from the Group of impairment probability expected in the following twelve months of impaired credits.
- There is no any volatility unjustified in the provision for impairment of transferences between the groups with probability of expected loss in the following twelve months and the probability of expected loss in the remaining life of credits.

Modified Financial Assets

The contractual terms of credits may be changed by several reasons, including changes in the market conditions, retention of clients and other factors unrelated to an actual or potential impairment of credit of client.

When the terms of any financial asset are changed according to IFRS 9 and the modification does not result in a withdrawal of asset of the balance the determination about whether the credit risk has significantly increased reflects comparisons of:

- The probability of default in the remaining life at the date of balance based on the terms modified.

- The probability of default in remaining life estimated based on the date of initial recognition and the contractual original terms.

The Group restructures loans to clients under financial difficulties in order to maximize collection opportunities and minimize the risk of default. According to the restructuring policies of Group to the clients in financial difficulties concessions are granted usually corresponding to reduction of interest rates, extension of payment terms, rebates in the outstanding balances or a combination thereof.

For financial assets modified as a part of the Group restructuration policies, the estimation of PI will reflect whether the modifications have enhanced or restored the Group ability to collect the interest and principal and the Group prior experiences of similar actions. As a part of this process the Group will assess the compliance with the payments by the debtor versus the debt modified terms and will consider several indicators of compliance of the such group of modified debtors.

Usually the restructuring indicators are a relevant increasing risk factor. Therefore, a restructured debtor needs to evidence consistent behavior of payments during some time period before being considered as an impaired credit or the PD has decreased in such extent that the provision may be reversed and the credit measured by impairment in a twelve month time period after the closing date of financial statements.

Definition of default

Under IFRS 9, the Group considers a financial asset in default when:

- It is unlikely the debtor to completely pay its credit obligations, without resources, to make actions, such as perform the guarantee, (if any). or
- Due to delay in Portfolio:
  - Commercial credits: when the default is 90 days past due or more.
  - Consumption Credits: When 90 days or more past due
  - Housing credits: when the 120 or more days past due
- The fixed interest financial instruments, the objective evidence of impairment include the following concepts, inter alia:
  - External qualification of the issuer or the instrument in ranking D
  - The contractual payments are not made in the expiry date or in the term or period of grace stipulated
  - There exists a virtual certainty of suspension the payments
  - It is probable to be in bankruptcy or a bankruptcy application or similar action is made
  - The financial asset has not anymore an active market, given its financial difficulties.
- For other concepts (in portfolio):
  - Client in Law 617-2000
  - Restructuration agreements Law 550 – 1999 and Law 1116 – 2006
  - Clients under legal collection (excepting the clients admitted in Act 1116 of 27-December-2006 and clients admitted in Act 1380 of 25-January-2010.
  - Insolvency regime for Natural Person No merchant). Client under liquidation.
  - Extraordinary restructuration Circular 039
  - Agreements and ordinary restructuration
  - Dation in payment

By evaluation whether a debtor is in default the Group considers indicators as follows:

- Qualitative – e.gr. default of contractual clauses
- Quantitative – e.gr. status of defaulter and no payment other obligation of the same issuer to the Group; and
- Based on internal data developed and obtained from external sources

The inputs used in the evaluation whether financial instruments are in default and the significance may vary throughout the time to reflect changes of circumstances.

Forecast of economic future conditions

Under IFRS 9, the Holding Company incorporates information with projection of future conditions, both in the evaluation whether the credit risk of an instrument has significantly increased since the initial recognition, as well as in the measurement of PCE, Based on the recommendations of the Market Risk Committee of the Group, use of economic experts and consideration of a variety of external information, actual and projected, the Group formulates a “base scenario” of projection ot relevant economic variables as well as a representative range of other possible scenarios projected. This process involves the development of two or more additional economic scenarios and considers the relative probabilities of every scenario.

The external information may include economic data and publication of projections by government committees and monetary authorities in the countries where the Group operates, Supranational organizations, such as the Organization for the Cooperation and Economic Development (OCED) and the International Monetary Fund, inter alia, and academic projections and of the private sector.

It is expected for the base scenario to represent the most probable result and aligned with the information used by the Group for other purposes, such as strategic planning and budget. The other scenarios would represent a more optimist and pessimist result. The Group also plans to do, periodically stress tests to calibrate the determination of these other representative scenarios.

Measuring of PCE

The key inputs in the measuring of PCE usually are the structures of the following variables:

- Probability of the default (PD)
- Loss given the default (LGD)
- Exposure given the default (ED)

The above parameters will be derived from internal statistical models. Such models will be adjusted to reflect prospective information as described below:

The PDs are estimated to any given date which will be calculated based on statistical models of classification and evaluated using qualification tools, adjusted to the different categories of counterparts an expositions. These statistic models are based on internal data compiled including both qualitative and quantitative factors. If any counterpart or exposure migrates between the different qualifications, then this will involve a change of the PD estimated. The PDs will be estimated considering the expiry contractual terms of the exposures and the prepayment estimated rates.

LGD is the magnitude of the potential loss if there is a default. It depends mainly on the characteristics of the counterpart and the valuation of the guarantees or collateral associated to the operation.

For the purposes to calculate the LGD in every date of balance, it is necessary to observe the behavior of the obligations of clients that have been in default during a specific time period. For every event, the information of the movements of credit is made after the default, taking into account: the payment flows, the goods received in dation of payment, the recovery of writing off, the legal and administrative costs. The estimation of LGD determines the percentage (0% - 100%) lost in those events where the client incurs in impairment. In the commercial portfolio is in function of the guarantee and in product consumption. This variable measures the risk of the operation. For loans guaranteed with real properties and pledge on vehicles the variations in the price indexes of these assets are used.

The EGD represents the expected exposure in the event of default. The Group will derive the EGD from the current exposure of the counterpart and the potential changes in the current amount allowed under the terms of contract included amortization and advanced payments. The SGD of a financial asset will be the gross value at the time of default. For loans and financial guarantees commitments, EGD will consider the amount withdrawn as well as future potential amounts that could be withdrawn or collected under the contract, that will be estimated based on historical observations. For some financial assets, the Group determines the EGD by modeling a range of possible results of the exposures to several points in the time. The Group will measure the EGD considering the risk of default during the max. contractual period, (including extension options of the debt to the client) on which there is an exposure to credit risk, even if, for risk management purposes, a longer time period is considered. The max. contractual period is extended to the date where the Group is entitled to demand the payment of any loan or otherwise, to terminate a commitment of loan or a guarantee granted.

For consumption overdrafts, balances of credit card and some corporate credits both including a loan and a component of loan commitment not withdrawn by the client, the Group will measure the EGD over a longer period than the max. contractual period, if the contractual possibility of the Group to demand the payment and cancel the non-withdrawn commitment does not limit the exposure of the Group to loss of credit to the contractual period. Such facilities do not involve a fixed term or a collection structure and are managed on a collective base. The Group may cancel them with immediate effect but this contractual right is not forced in the normal of Group management, day-to-day but only when the Holding Company is aware of an increment of the credit risk at the level of every loan. This longer time period will be estimated taking into account the actions of risk management expected to be taken by the Group and that are used to mitigate the EGD. Such measures include a reduction of limits and cancellation of the credit contracts.

The modelling of parameters is made on collective bases, the financial instruments are grouped based on risks characteristics that may include:

- Type of instrument
- Qualification of credit risk
- Guarantee
- Date of initial recognition
- Remaining term for the expiry date
- Industry
- Geographic location of debtor

The above groupings are subject to regular revisions in order to ensure for the exposures of a particular group to remain properly homogeneous.

Policy to prevent credit risk excess of concentration

To prevent credit risk excess of concentration at individual level, of country and economic sectors, the Parent Company and Subsidiaries maintain indexes of max risk concentration levels, updated at individual level and by portfolio of sectors. The Holding Company exposure limit in any credit commitment to any specific client is dependent on the client's risk qualification, the nature of risk involved and the presence of each bank in any specific market.

In order to prevent credit risk concentrations at consolidated level, the Holding Company has in place a Risk Vice-Presidency consolidating and monitoring credit risk exposures from all the banks and the Board of Directors issues policies and maximal exposures consolidated limits.

Under credit risk management, continuous tracking is made of the concentration risk by the exposure or concentration limit of commercial portfolio, establishing that in no any economic activity (CIIU at 4 digits) debts exceeding 9% of commercial portfolio, may be held, without exceeding 40% of the Holding Company's and Subsidiaries total equity.

Below the detail of the credit risk at consolidated level in the several different geographic areas determined according to the country where the debtor is domiciled, overlooking the provisions for made for debtors´ credit risk impairment:

31-December 2018		Commercial	Consumption	Housing	Leasing	Total
Colombia	$	$15.429.737	6.789.749	591.507	5.311.467	28.122.460
Panamá		2.934	-	-	-	2.934
United States		19.330	159	-	-	19.489
Costa Rica		69.873	-	-	-	69.873
Honduras		2.346	-	-	-	2.346
El Salvador		39.109	-	-	-	39.102
Guatemala		29.165	-	-	-	29.165
Other Countries		288.117	107	-	-	288.224
Total	**$**	**$15.880.604**	**6.790.015**	**591.507**	**5.311.467**	**28.573.593**

31-December 2017		Commercial	Consumption	Housing	Leasing	Total
Colombia	$	$15.715.043	6.863.445	509.939	5.235.141	**28.323.568**
Panamá		899	-	-	-	**899**
Estados Unidos		606	127	-	-	**733**
Costa Rica		4.331	-	-	-	**4.331**
Honduras		2.157	-	-	-	**2.157**
El Salvador		40.369	-	-	-	**40.369**
Guatemala		17.112	-	-	-	**17.112**
Other Countries		227.377	83	-	-	**227.460**
Total	**$**	**$16.007.894**	**6.863.655**	**509.939**	**5.235.141**	**28.616.629**

Below the credit portfolio distribution of the Holding Company and Subsidiaries by economic destination is shown at 31-December-2018 and 2017:

		31-December-2018		31-December 2017	
		Total	% Particip.	Total	% Particip.
Sector					
Agriculture	$	843.275	3.%	828.548	2,9%
Mining and Oil products		206.044	0.7%	411.014	1.4%
Foods, beverages and tobacco		655.190	2.3%	713.406	2.5%
Chemical products		997.950	3.5%	976.426	3.4%
Other industrial and manufacture products		1.180.982	4.1%	1.092.159	3.8%
Government		1.191.469	4.2%	1.143.503	4.0%
Construction		3.501.814	12.3%	3.032.931	10.6%
Commerce and tourism		595.465	2.1%	538.541	1.9%
Transport and Communications		1.466.423	5.1%	1.545.087	5.4%
Public Services		669.717	2.3%	674.525	2.4%
Consumption services		9.971.598	34.8%	9.619.915	33.6%
Commercial services		6.458.036	22.6%	7.116.153	24.9%
Other		835.630	2.9%	924.421	3.2%
Total by economic destination	**$**	**28.573.593**	**100%**	**28.616.629**	**100%**

Sovereign debt

At 31-December-2018 and 2017, the investment portfolio in financial assets and financial assets in debt instruments is made mainly by securities issued or endorsed by Colombia Government institutions representing 97.84% and 99.20%, respectively of total portfolio. Below the exposure to sovereign debt by country:

		#31-December-2018		31-December 2017	
		Total	**% Particip.**	**Total**	**% Particip.**
Investment grade (1)					
Colombia	$	4.435.214	97.84%	3.688.958	99.20%
USA		91.315	2.01%	29.604	0.80%
Chile		6.579	0.15%	-	0.00%
Total sovereign risk	**$**	**4.533.108**	**100%**	**3.718.562**	**100%**

(1) The investment grade includes ranking of risk of Fish Ratings Colombia S.A. from F1+ to F3, BRC of Colombia from BRC 1 + to BRC 3 and standard & Poor's from A1 to A3.

Credit Granting Process and counterpart quotas

The Holding Company's entities assume the credit risk in two fronts: the specifically credit activity including commercial credit operations, consumption and mortgage and the treasury activity, including inter-banking operations, investment portfolios management, operations with derivatives and negotiation of foreign exchange, inter alia. In spite to be independent business, the nature of insolvency risk of counterpart is equivalent and, hence, the criteria for management are the same.

The principles and regulations for credit management and the credit risk in every financial entity of the Holding Company are included in the Credit Risk Management System Manual (SARC – Spanish Abbreviation) drafted both for traditional banking activity and for the treasury activity. The evaluation criteria to measure the credit risk follow the principal instructions issued by the Financial Risk Committees.

The principal authority in credit matter is the Board of Directors, that direct the general policy and holds the power to grant the highest credit levels allowed. In the banking operation the powers to grant quotas and credits is dependent on the amount, term and guarantees offered by the client. The Board of Directors has delegated portion of its credit faculty in different states, who process the credit applications and are responsible for the analysis, tracing and results.

On the other hand, in the operations of treasury activity, is the Board of Directors who authorizes the operation quotas and counterpart. The risk control is made essentially through three mechanisms: annual assignment of operation quotas and daily control, quarterly evaluation of solvency by issuers and report of concentration of investments by economic group.

Additionally, for credit approval it takes in account, among other considerations, the probability of default, the counterpart quotas, the recovery rate of the guarantees received, the term of the credits and the concentration by economic sectors.

The Holding Company has in place a Credit Risk Management System (CRMS), managed by the Operative Credit Risk and involves, inter alia, the design, the implantation and the evaluation of policies and risk tools defined by the Financial Risk Committee and the Board of Directors.

The advances made in the SARC allowed to have significant achievements and in the integration of the risk credits measuring tools in the granting process of credit of the Holding Company.

The Holding Company, for the consumption portfolio has in place scoring models for the evaluation of credit risk. The initial evaluation of clients, applies logistic regression which assign a score to client, based on sociodemographic variables and some ones of behavior with the sector, and allow to establishing whether the applicant is subject of credit according to the policy of the Holding Company concerning the minimum score required. There are as well, follow-up models mainly using client's payment behavior variables and some sociodemographic variables, and allow to rank the clients and establishing the probability of default in the next year.

For the commercial portfolio, there is place the rating models, specifically logistic regression models, which variables are mainly financial indicators. With such variables the entrance models are obtained, and for flow-up models, payment behavior variables as the max. height of delay in the last year, counters of delay, inter alia. Accordingly, there are entrance models and following up for the sectors Industry, Commerce, Services, Constructors, Territorial Entities and Financial Entities.

Monitoring credit risk process

The monitoring and following up of credit risk, is made in several stages including tracking and daily collection management, based on analysis by past due credit portfolio, rating by risk levels, permanent follow up to high risk clients, operation restructuration process and receipt of goods received in payment.

The banks produce daily listing of past due portfolio and based on such analysis, several personnel of Holding Company perform collection procedures through telephone calls, e-mails, or written collection requirements.

The following is the summary of the past due portfolio by past due age at 31-December-2018 and 2017

31-December-2018	Portfolio Current credits	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total delay 1-90 days	Delay > 90 days	More than 180 days	Total Credit Portfolio
Commercial	14.970.845	155.448	46.896	28.023	230.367	63.437	615.955	15.880.604
Consumption	5.986.349	423.305	110.551	68.063	601.919	123.582	78.165	6.790.015
Mortgage housing	509.246	53.305	11.425	4.945	69.675	4.069	8.517	591.507
Trade Leasing	4.033.346	230.721	43.338	10.833	284.892	39.931	147.145	4.505.314
Consumption. Leasing	7.622	1.490	137	332	1.959	174	459	10.214
Housing leasing	671.883	76.386	16.968	8.207	101.561	9.823	12.672	795.939
Total	**26.179.291**	**940.655**	**229.315**	**120.403**	**1.290.373**	**241.016**	**862.913**	**28.573.593**

31-December-2017	Portfolio Current credits not impaired	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total Default Not Impaired Balance	Impaired > 90 days	Total Credit Portfolio
Commercial	14.439.261	283.142	27.834	13.058	324.034	1.244.599	16.007.894
Consumption	5.720.914	483.450	98.597	57	582.104	560.637	6.863.655
Mortgage housing	437.302	44.072	10.085	3.086	57.243	15.394	509.939
Trade Leasing	3.943.959	162.644	14.893	11.422	188.959	433.739	4.566.657
Consumption. Leasing	6.869	1.408	80	-	1.488	1.677	10.034
Housing leasing	538.549	71.452	11.048	5.505	88.005	31.896	658.450
Total	**25.086.854**	**1.046.168**	**162.537**	**33.128**	**1.241.833**	**2.287.942**	**28.616.629**

For commercial portfolio, the Holding Company and subsidiaries evaluate monthly the 20 economic sectors more representative about Gross Portfolio and Past Due, for the purpose to monitor the concentration by economic sector and the risk level thereof.

At individual level, the Holding Company and its subsidiaries, biannually performs an individual analysis of the credit risk with balances currently more than $2.000 based on financial information updated of the client, compliance with the terms agreed terms, guarantees received and consultation to the risk centrals; based on such information, proceeds to classify the clients by risk levels into category A – Normal, B – Subnormal, C – Deficient, D – Doubtful Collection, and E – Irrecoverable. For the consumption mortgage credits, the qualification foregoing by risk levels is made monthly taking into account specially the age of the past due and other risk factors. For such purpose the Holding Company makes as well a consolidation of the indebtedness of each client, and determines the probability and calculation of impairment at consolidated level.

The exposure to credit risk is managed through a periodical analysis of the ability of the borrowers or potential borrowers, in order to determine their capacity of capital and interest payment. The exposure to credit risk is mitigated as well, partially, by obtaining collateral corporative and personal guarantees.

The following is the summary of portfolio by rating of risk levels at 31-December-2018 and 2017:

31- December 2018

	Commercial	Consume	Housing	Commercial leasing	Consumption Leasing	Housing leasing	Total Financial leasing	Total
A	$13.728.033	6.176.773	564.628	3.719.305	8.572	753.251	4.481.128	24.950.562
B	676.176	128.820	6.066	315.590	170	10.763	326.523	1.137.585
C	701.696	144.526	_	185.037	406	1.259	186.702	1.032.924
D	438.609	208.988	16.040	194.585	839	24.091	219.515	883.152
E	336.090	130.908	4.773	90.797	227	6.575	97.599	569.370
Total	**$15.880.604**	**6.790.015**	**591.507**	**4.505.314**	**10.214**	**795.939**	**5.311.467**	**28.573.533**

31- December 2017

	Commercial	Consume	Housing	Commercial leasing	Consumption Leasing	Housing leasing	Total Financial leasing	Total
A	$14.261.826	6.150.848	490.540	3.939.369	8.260	620.878	4.568.507	25.471.721
B	585.249	179.140	6.180	272.763	97	9.570	282.430	1.052.999
C	519.537	166.964	107	119.596	754	84	120.434	806.862
D	442.956	194.121	12.562	167.108	603	20.254	187.965	837.604
E	198.506	172.582	550	67.821	320	7.664	75.805	447.443
Total	**$16.007.894**	**6.863.655**	**509.939**	**4.566.657**	**10.034**	**658.450**	**5.235.141**	**28.616.629**

Based on the above qualifications every bank prepares a list of clients that potentially may have a significant impact of loos for the Holding Company and its Subsidiaries, and based on such list assignment of persons is made that must make an individual following-up to every client, which includes meetings with the client in order to determine the potential risk causes and search joint solutions to obtain the compliance of debtors obligations.

Credit Operations Restructuration due to debtor´s problems

The Holding Company and its Subsidiaries periodically perform clients´ debt restructuration's that have problems to accomplish with their credit obligations with the Holding Company and its Subsidiaries, requested by the debtor. Such restructurations usually consist in the extension of the term, reduction or partial condonation of debts or a combination thereof.

The basis policy to grant such structurations at the Holding Company is to provide to client a financial viability allowing to adapting the payment conditions to a new situation of generation of funds. The use of restructuration with sole purpose to delay the constitutions is forbidden at the Holding Company level.

When any credit is restructured due to debtor´s financial problems, such debt is marked within the files of every financial entity of the Holding Company, as restructured credit according to the provisions of Colombia Financial Superintendence. The risk rating made at the time of restructuration, only is enhanced when the client is satisfactorily accomplishing during a prudential period with the terms of the agreement and its new financial situation is suitable.

The significant restructured credits are included for individual evaluation of loss for impairment; Nevertheless, the marking a credit as restructured not necessarily implies its qualification as deteriorated credit because mostly new guarantees are obtained to support the obligation.

The following is detail of restructured credits with closing at 31-December-2018 and 2017.

		31-December-2018		**31-December-2017**
Structured credits				
Local	$	631,046	$	484,652
Commercial		527,670		390,715
Consumption		223,37673,752		
Mortgage		--		186
Total restructured	$	**631,046**	**$**	**464,652**

Receipt of goods received in payment

When the persuasive collections processes or credit restructuration have not satisfactory results within the prudential terms it is proceeded to make the legal collection, or by agreements with the client for the receipt of goods received in payment. The Holding Company holds policies clearly established for the receipt of goods received in payment and has in place separated departments specialized in the management of those events, receipt of the goods in payment and the subsequent sale.

The following is the detail of the goods received in payment and sold during the years ended on 31-December-2018 and 2017:

		31-December 2018	**31-December 2017**
Goods received in payment	$	15,183	24,613
Goods sold		(14,938)	(10,105)
	$	**245**	**14,508**

Financial assets different from credit portfolio by rating of credit risk

The following is the detail of financial assets different from credit portfolio by rating of credit risk issued by agency rating of risk of independent credit.

- **Cash and equivalent of cash**

Bellow the detail of the credit quality determined by rater agents of independent risk, of the main financial institutions where the Holding Company and subsidiaries maintain funds in cash:

Credit Quality		31- December 2018	31- December 2017
Grade of Investment	$	**2.007.538**	**1.785.707**
Central Bank		1.545.566	938.864
Financial entities		461.972	846.843
Without rating or unavailable		**2.338**	**1.469**
Central Bank		2.338	1.469
Total Cash and Equivalent of Cash with third parties		**2.009.876**	**1.787.176**
Cash hold by the entity (1)		**650.838**	**669.854**
Total	$	**2.660.714**	**2.457.030**

(1)- Corresponds to the cash held by the Bank guarded in vaults, ATMs and cash

- **Financial assets in debt securities and equity instruments at reasonable value**

Below the detail of the cred quality determined by rater agents of independent risks, of the main counterparts in debt securities and investments in equity instruments where the Holding Company and its Subsidiaries hold financial assets at reasonable value:

		31- December 2018	Restated See Note 2 31 December 2017	Restated See Note 2 January-1 2017
Grade of Investment				
Sovereigns	$	4.533.108	3.718.562	3.239.529
Other public entities		27.644	76.843	_
Corporate		33.666	27.759	200.702
Financial entities		756.854	641.319	629.265
Mulateral		56.987	45.117	_
Tota grade of investment		**5.408.259**	**4.509.600**	**4.069.496**
Speculative				
Corporate		6.350	6.108	_
Financial entities		151.772	141.938	6.300
Other		_	190	_
Total speculative		**158.122**	**148.236**	**6.300**
Without Rating of no available		**102.603**	**86.205**	**63.475**
Total	$	**5.668.984**	**4.744.041**	**4.139.271**

- **Financial assets of investment at amortized cost**

Below a detail of the credit quality determined by independent risk raters agents , of the principal counterparts in debt securities, where the Holding Company and its Subsidiaries hold financial assets at amortized cost:

Credit Quality	31-December 2018	31-December 2017
Issued and Guaranteed by the Nation and/or Central Bank	$ 687,313	$ 689,023
Impairment of investments	(46)	--
Issued and Guaranteed by the Nation and/or Central Bank	$ 687,267	$ 689,023

- **Derivatives Financial Instruments**

Below the detail of the credit quality determined by independent risk raters, of the main counterparts in derivative instruments, assets for the Company and its Subsidiaries at 31-December-2018 and 2017:

Credit Quality	31-December 2018	31-December 2017
Investment grade	$ 377,256	$ 60, 420
Speculative	8.391	--
Without rating or unavailable	--	$ 45,971
Total	**$ 385,647**	**$ 106,391**

5.2 Risk of market

The Holding Company takes part in the monetary market, exchange, and of capitals attempting to satisfy its needs and the needs of its clients according to the policies and risk levels established. In this context, manages different portfolios of financial assets within the limits and risk levels allowed.

The market risk appears due to open positions of the Holding company in investment portfolio in debt securities, derivative instruments and patrimony instruments recorded at reasonable valued due to adverse changes in risk factors, such as: interest rates, inflation, type of exchange of the foreign currency, price of the stocks, credit margins of the instruments and the volatility thereof, as well as in the market liquidity where the Holding Company operates.

For analysis purposes, the market risk has been segmented, in price risk and/or interest rates and exchange rates if the fixed interest and risk of price of the investments in patrimonial securities.

5.2.1 Risk of financial instruments

The Holding Company negotiates financial instruments with several purposes, among which the following:

- To offer products according to clients' needs, complying, inter alia, the hedging function of their financial risks.
- To structure portfolios in order to take advantage of the arbitration among different curves, assets and markets, and obtain profitability with suitable patrimonial consumption.
- Performing operations with derivatives with intermediation purposes with clients, or to take advantage of arbitration opportunities, both of exchange rates ant interest rates in the local and foreign markets.

In the conduction of those operations, the Holding Company incurs in risks within defined limits, or otherwise reduce them by using the operations of other financial instruments derivate or not.

At 31-December 2018 and 2017, the Holding Company owed the following assets and financial liabilities subject to market risk:

		31-December 2018	31-December 2017
Assets			
Financial assets at reasonable value with changes in results			
Investment in debt securities	$	1.255.435	4.657.836
Instrument derivative of negotiation		385.647	106.391
Subtotal		**1.641.082**	**4.764.227**
Equity instruments at reasonable value with changes in ORI			
Investments in debt securities	$	4.310.946	-
Financial assets at amortized cost			
Investments in debt securities		687.267	689.023
Total assets		**6.639.295**	**5.453.250**
Liabilities			
Instruments derived from negotiation		(346.665)	(96.765)
Net Position	**$**	**$ 6.292.630**	**5.356.485**

Description of objectives, policies and processes for negotiation risks management

The Holding Company takes part in the monetary, exchange and capital markets, attempting to satisfy its needs and the needs of its clients in accordance with the policies and risk levels established. In this context, the Holding Company administers different portfolios of financial assets within the limits and risk levels allowed.

The risks assumed in the operations, both of the banking book and the treasury book, are consistent with the strategy of general business of the Holding Company and its appetite to risk, based on the deph of markets for every instrument, the impact on the asset weighting by risk and level of solvency, the budget of profits set forth for every business unit and the balance structure.

The business strategies are established in accordance with approved limits, attempting to obtain an equilibrium in the ratio profitability/risk. Likewise, there is in place a structure of congruent limits according to banking general philosophy, based on its capital levels, the performance of earnings and risk tolerance of the entity.

The market risk management system **MRMS** allows the entities to identify, measure, control and monitor the market risk to which it is exposed, according to the positions assumed in the development of its operations.

There exist several scenarios whereby the Holding Company is exposed of market risks:

- Interest rate: the Holding Company's portfolios are exposed to this risk when the variation market value of the active positions vs a change in the interest rates does not agree with the variation of market value of the passive positions and this difference is not set off by the variation in the market value of other instruments, or when the future margin, due to pending operations, is dependent of the interest rates.

- Exchange rates: the Holding Company's portfolios, are exposed to the exchange risk when the current value of the active positions in every foreign currency, does not agree with the current value of the passive positions in the same foreign currency and the difference is not compensated, positions in derivative products are taken, which subjacent is exposed to exchange risk and has not been immunized completely the sensitiveness of value versus variations in the exchanges type, exposures to risk are taken about the interest rate in foreign current different from the reference foreign currency, that may alter the equality between the value of the active positions and the value of the passive positions in such foreign currency and generating loss or earnings, or when the margin depends directly on the exchange types.

Risk Management

The top management and Board of Directors of the Holding Company, take part actively in the management and control of risks, through the analysis through an analysis of reports established and the conduction of several committees, that in an integral manner made follow-up both technical and fundamental, to the several different variables influencing on the markets at internal and external level, for the purposes to support the strategic decisions.

Likewise, the analysis and follow up of the different risks the Holding Company incurs in its operations, is basic for the decisions making and for the evaluation of results. On the other hand, a permanent analysis of the macroeconomic conditions, is basic in order to obtain an optimal combination of risk, profitability and liquidity.

The risks assumed in the operations are made in a structure of limits for the exposures in several different instruments, according to the specific strategy, the depth of markets where the entity operates, the impact on the weighting of assets by risk and solvency level, as well as the balance structure.

Those limits are monitored on a daily basis and are reported on weekly basis to the financing committee and monthly to the Board of Directors.

In addition, and for the purpose to reduce the risks of the interest rate and exchange rate of some items of the balance, the Holding Company implements hedge strategies through the taking of positions in derivate instruments, such as forward operations, futures and swaps.

Methods used for risk measurement

The market risks are quantified through risk value models (internal and standard). In the same way measurements are made by the historical simulation methodology. The Board of Directors approve a limit structure, in accordance with the risk associated to the annual profit budget and set additional limits by type or risk.

The Holding Company uses the standard model for the measurement, control, and risk management of market of the interest rates and exchange rates in the treasury and banking books. Such measurements are made on a daily frequency for the Holding Company and monthly for every one of its subsidiaries for the purpose to measure and monitor the conglomerated risk.

At present the active and passive of treasury book are mapping, within the zones and bands according to portfolios duration, the investments in participation securities and net position (assets less liabilities) in foreign currency both of the banking book and the treasury book, in line with the standard model recommended by the Basle Committee.

Likewise, the Holding Company has in place parametric and non-parametric models of internal management based on the Value in risk methodology (VeR) allowing to complement the market risk management based on the identification and the analysis of the variations of risk factors (interest rates, exchange rate, or price indexes) on the value of the several different instruments making up the portfolios. Such models are: Risk Metrics of JP Morgan and historical simulation.

The use of these methodologies has allowed the estimation of the profits and the capital under risk, making easy the assignment of resources to the different business units, as well as to compare activities in different markets, and identify the positions with more contribution to the risk of the business of treasury. In same way, these tools are used to determine the limits to the positions of the negotiators and to quickly review positions and strategies, at the same time the market conditions change.

The methodologies used for the measurement of VeR are periodically evaluated and subject to back testing allowing to determine its effectiveness. In addition, the Holding Company has in place tools to perform the stress tests and/or portfolio sensitivity by simulating extreme scenarios.

Additionally there are limits established by “Type of Risk” associated to every one of the instruments making up the different portfolios (sensitivities or effects in the portfolio value as a result of movements of the interest rates or the relevant factors, impact of variations in specific risk factors: interest rate (Rho), exchange rate (Delta), volatility (vega), inter alia.

In the same way, the Holding Company has established counterpart quotas and negotiation by operator for every negotiation platforms of the markets where it is operating. Hose limits and quotas are controlled on daily basis by the Division of risk of Treasury of the Holding Company. The negotiation attributions by operator are assigned to the different hierarchical levels of Treasury in accordance to the experience in the market by the officer, in the negotiation of this type of product and in the administration of portfolios.

Also, there is in place a following process to the clean prices and valuation inputs released by the official supplier of prices “Precia PPV S.A” where on a daily basis the prices with significant differences are identified, between the prices given by the price supplier and the price observed by alternate suppliers, such Bloomberg Brokers, inter alia.

This following up is made for the purpose to feedback the official supplier of prices about the most significant differences of prices and for them to be reviewed.

This process in complemented with the periodical revision of the methodologies of valuation of portfolios of investments of Fixed Interest and Derivatives.

Likewise, a qualitative analysis is made of liquidity of prices of the fixed interest bonds issued abroad attempting to determine the depth of market for this type of instruments.

Lastly, within the monitoring labor of the operations, different aspects are controlled of the negotiations, such as conditions agreed on, few conventional operations or out of the market, operations with related parties, etc.

According to the standard model, the risk value of market (VeR) at 31-December-2018 and 2017 was as follows:

		31-December-2018		31-December-2017	
Entity		**Value**	**Basic points of technical equity**	**Value**	**Basic points of technical equity**
Holding Company	$	152,176	**(72)**	**147,015**	**(78)**
Occidental Bank (Barbados) Ltd		10,394	--	**11,374**	--
Banco de Occidente Panama S. A.		22.302	--	**22,779**	--
Fiduciaria de Occidente S.A	$	4.999	**(3)**	**3,055**	**(1)**

The VeR indicators submitted by the Holding Company and Subsidiaries during the years ended on 31-December-2018 and 2017 are summarized as follows:

	31-December-2018			
	Minimum	Average	Maximum	Last
Interest Rate	$ 184,106	199,399	218,732	184,106
Exchange Rate	595	1,697	3,817	1,479
Collective portfolios	2,820	3,849	4,526	4,286
VeR Total	**$ 187.521**	**204,945**	**227,074**	**189,871**

	31-December-2017			
	Minimum	Average	Maximum	Last
Interest Rate	$ 140,044	162,463	184,209	174,379
Exchange Rate	1,424	3,119	7,034	7,034
Collective portfolios	2,580	2,702	2.811	2,811
VeR Total	**$ 145,108**	**168.284**	**190,502**	**184,224**

As a result of the behavior in VeR the Holding Company weighted assets by market risk maintained in average 6,31% of the total weighted assets per risk during the period ended on 31-December-2018 and 5.09% at 31-December-2017.

As management tool for the administration of investment portfolio, different sensitivity analysis are made on such portfolios at different basic points.

Below the sensitivity results are given at 31-December-2018 and 2017:

		31-December-2018				
		Portfolio Value	**25 PB**	**50 PB**	**75 PB**	**100 PB**
Reasonable value Holding Company	$	3.602.906	(16.919)	(33.637)	(50.164)	(66.521)
Reasonable value Occidental Bank (Barbados Ltd.		624.457	(3.232)	(6.436)	(9.613)	(12.763)
Reasonable value Occidental Bank Panamá S.A.		1.325.298	(7.036)	(14.007)	(20.915)	(27.759)
Reasonable value Financiera de Occidente S.A.		13.720	(74)	(147)	(221)	(295)
Total	**$**	**5.566.381**	**(27.261)**	**(54.227)**	**(80.913)**	**107.338)**

		31-December-2017				
		Portfolio Value	**25 PB**	**50 PB**	**75 PB**	**100 PB**
Reasonable value Holding Company	$	2.875.668	(15.283)	(30.406)	(45.392)	(60.228)
Reasonable value Occidental Bank (Barbados Ltd.		566.912	(3.638)	(7.239)	(10.805)	(14.335)
Reasonable value Occidental Bank Panamá S.A.		1.204.522	(7.269)	(14.462)	(21.582)	(28.628)
Reasonable value Financiera de Occidente S.A.		10.734	(27)	(53)	(80)	(106)
Total	**$**	**4.657.836**	**(26.217)**	**(52.160)**	**(77.859)**	**(103.297)**

5.2.2 Risk of Price of investments equity instruments

Equity investments

The Holding Company classifies its investments in equity instruments where there is neither control nor significant influence, in the category Financial assets at reasonable value with changes in ORI, when its basic objective is not to obtain earnings for fluctuations of its market price, not quoted in the stock market or they are of low marketability, nor in expectation of maturity of investment, nor make part of the portfolio supporting its liquidity in the financial intermediation nor expect to use it as guarantee in passive operations, because its raison d'etre is strategic, directly coordinated with the Holding Company.

According to the business model, these investments will be sold when some of the following conditions are accomplished:

- The investment stop accomplishing the conditions of investment policy of the Holding Company (e.gr. the credit rating of the asset, is under the required by the investment policy of the Holding Company);
- When significant adjustments are required in the maturity structure of the assets to resolve unexpected changes in the maturity structure of the Holding Company's liabilities.
- When the Holding Company requires to do significant capital investments, for instance, acquisition of other financial entities.
- When significant disbursements are required for the acquisition or construction of property and equipment, and there is not the liquidity for such purpose.
- In business reorganization produces of Grupo Aval
- To attend unusual requirements or needs of credit disbursements.

Risk of variation in the type of exchange of foreign currency

The Holding Company operates at international level and is subject to variations in the type of exchange resulting from exposures in several currencies, mainly with regard to the USA Dollar and Euros.

The risk of type of exchange in foreign currency results mainly of assets and liabilities recognized and investments in Subsidiaries and branch offices abroad, in credit portfolio an obligations in foreign currency and future commercial transactions, also in foreign currency.

The banks in Colombia are authorized by the Central Bank to negotiate foreign currencies and keep balances in foreign currency in accounts abroad. The legal standards in Colombia oblige the Holding Company to maintain an own daily position in foreign currency, determined by the difference between the rights and the obligations nominated in foreign currency recorded into and out of the statement of financial situation, which average is three business days, which may no exceed twenty percent (20%) of the technical equity, liquid, such average of 3 business days in foreign currency may be negative without exceeding five percent (5%) of the technical equity given in USA Dollars.

In the same way, must accomplish with the own cash position which is determined by the difference between assets and liabilities nominated in foreign currency, excluding the derivatives and some investments. The average three business days of this own cash position cannot exceed fifty percent (50%) of the adequate equity of the entity; in the same way it cannot be negative.

Additionally, must accomplish with the limits of the gross leverage position, defined as the summation of the rights and obligations in contracts with future compliance, given in foreign currency with compliance between one banking day (t+1) and three banking days (t+3) and other derivatives on the type of exchange. The average of three business days of the gross position of leverage shall not exceed five hundred fifty percent (550%) of the amount of suitable equity of the entity.

The determination of the max. or min amount of the own daily position and the own cash position in foreign currency, must be established based on the technical equity of the Holding Company the last day of the second calendar month precedent, converted to the exchange rate established by Colombia Finance Superintendence at the closing of the month immediately precedent.

Substantially all the assets and liabilities in foreign currency of the Holding Company are maintained in USA Dollars.

The following is the detail of the assets and liabilities in foreign currency given in Pesos maintained by the Holding Company and its subsidiaries at 31-December-2018 and 2017:

31-December-2018

	Millions	
	American Dollars	**Total Colombia Pesos**
Assets		
Cash and equivalent to cash	140.45	456.441
Investments at reasonable value with changes in results	76.24	247.764
Investments at reasonable value with changes in ORI	604.02	1.962.915
Investments at amortized cost	0.02	71
Financial assets by credit portfolio at amortized cost	925.94	3.009.065
Instruments derivatives of negotiation	1.772.45	5.760.035
Other accounts receivable	1.94	6.304
Total Asset	**3.521.07**	**11.442.598**
Liabilities		
Derivative Instruments of negotiation	1.945.16	6.321.292
Clients´ deposits	1.111.95	3.613.553
Financial obligations	549.42	1.785.485
Other account payable	3.25	10.560
Total Liabilities	**3.609.78**	**11.730.890**
Net active position (Liability)	**(88.71)**	**(288.293)**

31-December-2017

	Millions	
	American Dollars	**Total Colombia Pesos**
Assets		
Cash and equivalent to cash	284.35	848.499
Investments at fair value with changes in results	691.54	2.063.543
Investments at amortized cost	0.01	35
Financial assets by credit portfolio at amortized cost	941.72	2.810.090
Instruments derivatives of negotiation	(718.88)	(2.145.132)
Other accounts receivable	3.34	9.960
Total Asset	**1.202.08**	**3.586.995**
Liabilities		
Derivative Instruments of negotiation	(378.92)	(1.130.707)
Clients´ deposits	1.179.83	3.520.622
Financial obligations	456.35	1.361.749
Other accounts payable	1.34	4.013
Total Liabilities	**1.258.60**	**3.755.677**
Net active position (Liability)	**(56.53)**	**(168.682)**

The objective of the Holding Company in connection with the operations in foreign currency is basically to attend the needs of clients of international trade and financing in foreign currency and assume positions according to the limits authorized.

The management of the Holding Company has established policies requiring for the subsidiaries to manage their risk of type of exchange in foreign currency versus its functional currency. The subsidiaries of the Holding Company are required to hedge their exposure to the type of exchange, using for such purposes operations with derivatives especially with forward contracts. The net position in foreign currency of the Holding Company is controlled daily by the divisions of treasury of every subsidiary that are responsible for closing the exposures, adjusting them to the tolerance levels established.

The effect estimate for the increase or decrease of each 0.10/US1 with respect to the exchange type at 31-December-2018 and 2017 would be an increase of the profit of $983 and $96, respectively.

5.3. Risk of structure of interest rate

The Holding Company has exposures to the fluctuation effects in the interest rate market affecting its financial position and its flows of future cash. The risk occurs as a result of placing investments and credit portfolio at variable interest rates and put down with liabilities with cost at fixed interest or vice versa. The interest margins may increase as a result of changes in the interest rates, but also may decrease and create loss in the event that appear unexpected movements in such rates.

Usually, the Holding Company obtains aliens resources at long-term with variable interest, such as the re-discount with financial entities of second floor whose rate are implicitly compensated with the portfolio credits.

The Table below shows the exposure to interest rates for assets and liabilities at 31-December-2018 and 2017. In this table the instruments of fixed rate are classified according to the expiry date and the instruments of variable rate are classified according to the exchange date of price. The following analysis includes all the exposure to global interest rate:

31-December-2018

Assets		Less than 1 month	Between 1 & 6 month	Six to 12 months	More than 1 year	With no interest	Total
Cash and equivalent to cash	$	1.112.810	_	_	_	1.547.904	2.660.714
Invest. at reasonable value with changes in results		1.522	147.457	641.716	464.740	-	1.255.435
Invest, at reasonable with changes in ORI		-	1.818.070	105.509	2.387.367	-	4.310.946
Investments at amortized cost		634.253	53.014	-	-	-	687.267
Commercial portfolio and leasing commercial		3.183.338	5.037.702	2.554.044	9.610.834	-	20.385.918
Consumption portfolio and leasing consumption		157.970	982.731	918.544	4.740.984	-	6.800.229
Mortgage Portfolio & Mortgage Leasing		9.824	63.632	54.520	1.259.470	-	1.387.446
Other accounts receivable		-	-	-	20.603	108.827	129.430
Total Assets	**$**	**$ 5.099.717**	**8.102.606**	**4.274.333**	**18.483.998**	**1.656.731**	**37.617.385**

Liabilities	Less than 1 month	Between 1 & 6 month	Six to 12 months	More than 1 year	With no interest	Total
Current accounts	$ 1.510.234	-	-	-	4.625.205	6.135.439
Time Deposit certificates	1.697.525	4.507.361	1.461.530	701.079	-	8.367.495
Saving Accounts	11.045.313	-	-	-	-	11.045.313
Other deposits	-	-	-	-	43.984	43.984
Interbank Funds	931.537	-	-	-	-	931.537
Credits of banks and other	266.207	1.122.601	116.529	5.911	-	1.511.248

Bonus and investments securities	32.078	2.464.770	128.640	521.949	-	3.147.437
Obligations with re-discount entities	61.450	68.058	49.313	1.112.672	-	1.291.493
Total Liabilities	**$15.544.344**	**8.162.790**	**1.756.012**	**2.341.611**	**4.669.189**	**32.473.946**

31-December 2017

	Less than one month	One and six months	Six to twelve months	More than one year	with no interest	Total
Cash and equivalent to cash	$ 1.516.697	-	-	-	940.333	2.457.000
Investment at fair value with changes to resul	143.868	1.944.972	151.783	2.417.213	-	4.657.836
Investments at amortized cost	635.953	57.070	-	-	-	689.023
Commercial portfolio and commercial leasing	516.446	18.199.923	896.475	961.706	-	20.574.550
Consumption portfolio and leasing consumpti	31.607	2.024.436	67.612	4.750.035	-	6.873.690
Mortgage Portfolio and Mortgage Leasing	308	63.114	375	1.104.592	-	1.168.389
Other accounts receivable	-	-	-	29.091	107.443	136.534
Total assets	**$ 2.844.879**	**22.285.515**	**1.116.245**	**9.262.637**	**1.047.776**	**36.557.052**

	Less than one month	One and six months	Six to twelve months	More than one year	with no interest	Total
Currents accounts	$ 1.513.220	-	-	-	4.522.759	6.035.979
Time deposit certificates	1.487.601	4.748.337	1.020.161	1.367.860	-	8.623.959
Saving accounts	11.449.504		-	-	-	11.449.504
Other Deposit	-	-	-	-	59.666	59.666
Interbank funds	122.560	-	-	-	-	122.560
Credits of banks and other	188.065	946.769	153.188	7.520	-	1.295.542
Bonus and investment securities	-	2.586.325	45.050	650.590	-	3.281.965
Obligations with rediscaount entities	2.942	3.132	44.930	1.023.488	-	1.102.662
Total liabilities	**$ 14.763.892**	**8.312.733**	**1.263.329**	**3.049.458**	**4.582.425**	**31.971.837**

The Holding Company is exposed to prepayment risk of loans given at fixed interest including mortgage loans for housing, where the debtor is entitled to repay the loans in advance without any sanction. The profits of the Holding Company of the periods ended on 31-December-2018 and 2017 have not significantly changed for changes in the index of prepayments because the credit portfolio y the prepayment right is for an amount similar to those of the credits.

The following is the detail of principal assets and liabilities generating interest, by type of interest, variable and fixed, according to expiry date 31-December-2018 and 2017:

31-December 2018		Less than one year		Morathan one year			
Assets		Variable	Fixed	Variable	Fixed	Wuthiut interest	Total
Cash and equivalent to cash	$	-	1.112.810	-	-	1.547.904	2.660.714
Investment at fair value with changes to resu		-	768.924	21.770	464.741	-	1.255.435
Invest. At fair value with change in ORI		598.439	238.329	1.086.810	2.387.368	-	4.310.946
Invetments at amortized cost		687.267	-	-	-	-	687.267
Commercial portfolio and commercial Leasin		9.332.156	1.455.930	9.007.809	590.023	-	20.385.918
Consumption portfolio & Leasing consumptic		543.201	1.516.054	1.266.653	1.210.289	-	1.387.446
Mortgage portfolio and mortgage Leasing		9.510	118.466	49.181	1.210.289	-	1.387.446
Other accounts receivable		-	-	20.603	-	108.827	129.430
Total	$	**11.170.573**	**5.210.513**	**11.452.826**	**8.126.742**	**1.656.731**	**37.617.385**

		Less than one year		Morathan one year			
Leabilities		Variable	Fixed	Variable	Fixed	Wuthiut interest	Total
Currents accounts	$	-	1.510.235	-	-	4.625.204	6.135.439
Time deposit certificates		1.631.294	2.910.347	1.085.768	2.740.086	-	8.367.495
Saving accounts		11.836	11.033.477	-	-	-	11.045.313
Other Deposits		-	-	-	-	43.984	43.984
Interbank funds		931.537	-	-	-	-	931.537
Credits of banks and other		7.644	1.502.680	924	-	-	1.511.248
Bonus and investment securities		113.078	128.640	2.383.770	521.949	-	3.147.437
Obligations with rediscaount entities		71.237	140.086	1.078.236	1.934	-	1.291.493
Total	$	**2.766.626**	**17.225.465**	**4.548.698**	**3.263.969**	**4.669.188**	**32.473.946**

31-December-2017

Assets	Less than 1 year		More than 1 year			
Assets	**Variable**	**Fixed**	**Variable**	**Fixed**	**No Interest**	**Total**
Cash and equivalent to cash	-	1.516.697	-	-	940.333	**2.457.030**
Invest. at reasonable value with changes in results	17.338	483.637	1.739.648	2.417.213	-	**4.657.836**
Investment at amortized cost	689.023	-	-	-	-	**689.023**
Commercial portfolio and leasing commercial	8.772.643	2.272.735	9.130.223	398.949	-	**20.574.550**
Consumption portfolio and leasing consumption	599.918	1.542.720	1.360.877	3.370.175	-	**6.873.690**
Mortgage portfolio & mortgage leasing	9.668	98.362	53.112	1.007.247	-	**1.163.389**
Other accounts receivable	-	-	29.091		107.443	**136.534**
Total Asset	**10.088.590**	**5,914,151**	**12.312.951**	**7.193.584**	**1.047.776**	**36.557.052**

	Less than 1 year		More than 1 year			
Liabilities	**Variable**	**Fixed**	**Variable**	**Fixed**	**No Interest**	**Total**
Current accounts	-	1.513.220	-	-	4.522.759	**6.035.979**
Time Deposit certificates	282.437	4.865.507	2.108.232	1.367.783	-	**8.623.959**
Saving Accounts	83.165	11.366.339	-	-	-	**11.449.504**
Other deposits	-	-	-	-	59.666	**59.666**
Interbank Funds	-	122.560	-	-	-	**122.560**
Credits of banks and other	1.288.022	-	7.520	-	-	**1.295.542**

Bonus and investments securities	121.555	45.050	2.464.770	650.590	-	**3.281.965**
Obligations with re-discount entities	68.594	348	1.030.200	3.520	-	**1.102.662**
Total	**1.843.773**	**17.913.024**	**5.610.722**	**2.021.893**	**4.582.425**	**31.971.837**

5.4 Liquidity Risk

The liquidity relates to the impossibility of every entity of the Group to accomplish with the obligations acquired with clients and counterparts of financial market at any time, currency and place, and for such purpose every entity reviews on a daily basis its resources available.

The Holding Company manages the liquidity risk in accordance with the standard model prvovided in Chapter IV of the Basic Accounting and Financing Circular of Colombia Finance Superintendence and in line with the standards related to the liquidity risk management through the basic principles of the of Liquidity Risk Management System (**LRMS**) that establishes the minimum prudent parameters to be implemented by the entities for their operations in order to efficiently manage the liquidity risk they are exposed.

To measure the liquidity risk, the Holding Company calculates, on a weekly basis, a liquidity risk indicator (**LRI)** for the terms 7, 15, 30, and 90 days, as provided in the standard model of Colombia Finance Superintendence and in a quarterly manner for its subsidiaries to measure the liquidity risk of the Group.

As a portion of the liquidity risk, the Holding Company measures the volatility of deposits, the indebtedness levels, the asset and liability structure, the degree of liquidity of assets, the availability of financing lines, and the general effectivity of the assets and liabilities management; above, for the purpose to maintain the enough liquidity (including liquid assets, guarantees and collaterals) in order to face with potential scenarios of own or systemic stress.

The quantification of funds obtained in the monetary market is an integral part of the measurement the liquidity carried out by the Holding Company; supported on technical studies the Holding Company determines the primary and secondary sources of liquidity in order to diversify the suppliers of funds, with the purpose to ensure the stability and sufficiency of resources and to minimize the concentrations of the sources.

Upon the establishment the sources of resources, they are assigned to the different business, in accordance to the budget, the nature and the depth of the markets.

On a daily basis, the availability of resources is monitored both to accomplish with the requirements of reserve and to foresee the potential changes in the risk liquidity profile of the Holding Company and to make the strategic decisions, as applicable. In this context, the Holding Company has in place indicators for alert of liquidity allowing to establishing and determining the current scenario, as well as the strategies to be implemented in every event. Such indicators include, inter alia, LRI, the deposit concentration levels, the use of quotas of liquidity of the Central Bank, inter alia.

Through the Technical Committees of assets and liabilities, financial committee, top management of the Holding Company knows the liquidity situation and makes the necessary decisions taking into account the high quality liquid assets that must maintained, the tolerance in the liquidity management or the minimum liquidity, the strategies to grant the loans, and the catchment of resources, the policies about placement of surplus of liquidity, the changes in the characteristics of the existing products, as well as the new products, the diversification of the sources of funds in order to prevent the concentration of the catchments in few investors and savers, the hedge strategies, the results of the Holding Company and the changes in the balance sheet structure.

To control the liquidity risk between assets and liabilities, the Holding Company performs statistical analysis allowing quantification with a pre-established confidence level, the stability of catchments with and without contractual maturity.

To accomplish with the requirements of the Central Bank and Colombia Finance Superintendence, the Holding Company needs to keep in cash and restraint bank as a portion the legal reserve required and calculated on the daily average of the different deposits of clients, the current percentage is 11% on the exigibilities with the exception of the time deposits certificates with term less than 180 days, which percent is 4.5% and 0.0% when exceeds from such term. The Holding Company has been accomplishing with this requirement.

Below, the summary of liquid assets available projected with closing 31-December-2018 and 2017:

31-December-2018
Subsequent net available balances

Entity	Net assets Available at the closing period(1)	From 1 to 7 Days (2)	From 8 to 15 subsequent days (2)	From 16 to 30 subsequent days (2)	From 31 to 90 subsequent days (2)
Holding Company	$ 5.913.723	5.244.524	4.919.637	4.185.759	1.631.575
Occidental Bank Barbados Ltd.	481.830	448.569	447.218	389.528	337.771
Banco Occidente Panamá S.A.	894.424	827.830	810.643	590.132	552.121
TOTAL	**$7.289.977**	**6.520.923**	**6.177.498**	**5.165.419**	**2.521.467**

31-December-2017
Subsequent net available balances

Entity	Net assets Available at the closing period(1)	From 1 to 7 Days (2)	From 6 to 15 subsequent days (2)	From 16 to 30 subsequent days (2)	From 30 to 90 subsequent days (2)
Holding Company	$ 5.685.570	5.470.184	5.277.254	4.552.769	1.346.442
Occidental Bank Barbados Ltd.	604.116	555.969	543.303	468.116	374.425
Banco Occidente Panamá S.A.	894.784	850.472	837.326	546.225	629.655
TOTAL	**7.184.470**	**6.876.625**	**6.657.883**	**5.567.110**	**2.350.522**

(1) The liquid assets are the sum of the assets existing at the closing of every period that due to the characteristics may be quickly convertible into cash. Among those assets the following: Cash in hand and banks, the securities or coupons transferred to the entity in the development of active operations of monetary market made by such entity and that have not been used subsequently in passive operations in the monetary market, the investment in debt securities at reasonable value and the investments at amortized cost, provided that, in this last event, make reference to compulsory investments made in the primary market and that is allowed to make with them operations of monetary market. For purposes of liquid assets calculations, all the investments indicated, with no any exception, compute by its just price of exchange in the date of evaluation.

(2) The balance corresponds to the residual value of the liquid assets of the entity in the following to the closing period, after discount the net difference among the flows of income and outlays of cash of the entity in such period. This calculation is made by the mismatch analysis of contractual and non-contractual cash flows of the assets, liabilities and positions off the balance in the time bands from 1 to 90 days.

The above liquidity calculations are prepared supposing a normal liquidity situation according to contractual flows and historical experiences of the Holding Company. For extreme liquidity events due to withdrawal of deposits, the Holding Company has in place contingency plans including existence of credit lines from other entities and access to especial credit lines with the Central Bank according to the regulatory provisions prevailing, which are given at the required time with the support of securities issued by Colombian State and with loan portfolio of high credit quality, according to the rules of the Central Bank. During the operation periods ended at 31-December-2018 and 2017, the Holding Company did not used those credit as last resort.

The Holding Company has made at consolidated level an analysis of the maturities for financial assets and liabilities derivatives and not derivatives, showing the remaining and not discounted contractual cash flows, as indicated below:

31-December-2018

Assets	Less than 1 month	1 to 6 months	6 to 12 months	More than 1 year	Non-Sensitive	Total.
Cash and equivalent to cash	1.112.810	-	-	-	1.547.904	2.660.714
Invest. at reasonable value with changes in result	521	137.300	689.980	612.457	-	1.440.258
Invest. at reasonable value with changes in ORI	11.991	846.477	159.673	3.621.558	-	4.639.699
Investment at amortized cost	62.931	185.601	458.232	-	-	706.764
Commercial portfolio and commercial leasing	3.314.036	5.567.506	3.066.617	12.098.174	-	24.046.333
Consumption Portfolio & Leasing consumption	243.666	1.384.285	1.342.654	6.326.409	-	9.297.014
Mortgage Portfolio and mortgage leasing	21.125	119.509	120.162	2.405.986	-	2.666.782
Instrument. Derived from negotiation	128.078	223.849	14.878	7.330	-	374.135
Other accounts receivable	-	-	-	20.603	108.827	129.430
Other Assets	-	-	-	-	39.422	39.422
Total Assets	**4.895.158**	**8.464.527**	**5.852.196**	**25.092.517**	**1.696.153**	**46.000.551**

Assets	Less than 1 month	1 to 6 months	6 to 12 months	More than 1 year	Non-Sensitive	Total.
Current accounts	1.510.235	-	-	-	4.625.204	6.135.439
Time deposit certificates	1.348.458	3.099.718	1.820.101	2.442.037	-	8.710.314
Saving account	11.045.313	-	-	-	-	11.045.313
Other deposits	-	-	-	-	43.984	43.984
Interbank funds	930.789	-	-	-	-	930.789
Credits of banks and other	18.062	1.889.838	113.960	5.910	-	2.027.770
Bonus and investment securities	33.389	84.313	133.901	3.024.564	-	3.276.167
Obligations with rediscounts entities	60.634	72.097	94.274	1.375.785	-	1.602.790
Instruments derivatives of negotiation	113..032	193.566	12.078	17.033	-	335.709
Other accounts receivable	-	-	-	-	1.233.147	1.233.147
Total Liabilities	**15.059.912**	**5.339.532**	**2.174.314**	**6.865.329**	**5.902.335**	**34.108.275**

31-December-2017

Assets	Less than 1 month	1 to 6 months	6 to 12 months	More than 1 year	Non-Sensitive	Total.
Cash and equivalent to cash	**1.516.697**	**-**	**-**	**-**	**940.333**	**2.452.500**
Invest. at reasonable value with changes in result	153.442	326.127	246.505	4.315.223	-	5.041.297
Investment at amortized cost	98.929	157.739	455.067	-	-	711.735
Commercial portfolio and commercial leasing	2.852.692	6.311.622	3.159.549	12.137.323	-	24.434.575
Consumption Portfolio & Leasing consumption	301.799	1.432.126	1.379.739	6.346.589	-	9.460.253
Mortgage Portfolio and mortgage leasing	18.157	101.532	104.158	2.057.327	-	2.281.174
Instrument. Derived from negotiation	28.762	44.275	13.592	11.623	-	98.252
Other accounts receivable	-	-	-	29.091	107.443	123.361
Other Assets	-	-	-	-	49.717	49.717
Total Assets	**4.970.478**	**8.373.421**	**5.358.610**	**24.897.176**	**1.097.493**	**44.652.864**

Assets	Less than 1 month	1 to 6 months	6 to 12 months	More than 1 year	Non-Sensitive	Total.
Current accounts	1.513.220	-	-	-	4.522.759	6.035.979
Time deposit certificates	1.249.967	2.791.788	1.143.825	3.438.379	-	8.623.959

Saving account	11.449.504	-	-	-	-	11.449.504
Other deposits	-	-	-	-	59.666	59.666
Interbank funds	122.274	-	-	-	-	122.274
Credits of banks and other	187.179	963.398	154.629	8.435	-	1.313.641
Bonus and investment securities	-	2.586.325	45.050	650.590	-	3.281.965
Obligations with rediscounts entities	2.725	33.416	49.433	1.327.579	-	1.413.153
Instruments derivatives of negotiation	28.907	29.691	15.451	12.924	-	86.973
Other accounts receivable	-	-	-	-	823.619	823.619
Total Liabilities	**14.553.776**	**6.404.618**	**1.408.388**	**5.437.907**	**5.406.044**	**32.387.114**

5.5 Management of Suitable Equity

The Objectives of the Group concerning the suitable equity management are focused to: a) Accomplishing with equity requirements set forth by Colombian Government to financial subsidiary entities of the Holding Company in Colombia and by the foreign governments where the Group holds financial affiliates. It shall be noted for the Group as Holding Company is not subject to a minimum equity requirement by Colombian Government; and b) maintaining a suitable equity structure allowing to maintain the group and its subsidiaries with ongoing business.

According to Colombia Finance Superintendence requirements, the financial entities need to maintain a minimum equity required by the legal regulations prevailing which may not be less than 9% of weighted assets by risk levels, also determined such risk levels by the legal regulations.

During the years ended on 31-December-2018 and 2017 the Holding Company has properly accomplished with the equity requirements. The following is the detail of the solvency indexes of the Holding Company during such operation periods:

Technical Equity	**21-December-2018**	**21-December 2017**
Technical **Equity**	**$ 3.917.005**	**4.007.636**
Ordinary **Equity**	3.166.981	3.123.860
Additional **Equity**	750.024	883.776
Risk of market	1.754.924	1.660.535
Credit risk	29.405.386	28.165.602
Total assets weighted by risk	**$ 31.160.310**	**29.826.137**
Total solvency index (≤9%) Index	12.57%	13.44%
Basic Solvency Index (≥4.5%)	10.16%	10.47%

5.6 Operative Risk

The Holding Company has in place the Operative Risk Management System (**ORMS)** implemented according to the guidelines set forth in Chapter XXIII Accounting Basic and Financial Circular (External Circular 100 / 1995) by Colombia Finance Superintendence.

Thanks to ORMS the Holding Company has reinforced the understanding and control of the in-process risks, activities, products and operative lines; has managed to reduce the errors and identify enhancement opportunities supporting the development and operation of new products and/or services.

In the Operative Risk Manual, there are the policies, standards and procedures ensuring the business management. Al there is place the Manual of Plan of Business continuance for the operation of the Holding Company in the event of interruption of the critical processes.

The Holding Company manages a detailed record of its Operative Risks, supplied by the Information Systems and the Risk Managers. This record is accounted in the accounts of expense assigned for the proper accounting follow up.

In a monthly and quarterly manner, the ORMS Committee is informed and to the Board of Directors, respectively about the most significant issues occurred in connection of operative risk, such report including the follow up to the implementation of the corrective actions aimed at mitigating the qualified risks in extreme and high zones, the evolution of loss due to operative risk, the action plans based on the events occurred, inter alia. Likewise, the changes in risk profile are reported, based on the identification of new risks and controls in current and new processes.

The Operative Risk Unit, is managed by the Operative Risk Direction and Business Continuance, with is dependent of Operative Risk Management, and this, in turn, under the presidency or Risk and Collection. It has in charge two analysts of Business Continuance and an Operative Risk Coordination, with five Operative Risk Analysts in charge.

The evolution of figures for the Holding Company and its subsidiaries, resulting from every updating of the operative risk profile during the operation periods ended on 31-December-2018 and 2017, are shown below:

	31-December 2018	**32-December 2017**
Processes	301	290
(*) Risks	1.251	1.219
Failures	2.953	3.130
(*) Controls	4.134	3.971

- The variation in risks and controls is the result of the updating matrix of risks and controls

The net loss recorded for operative risk for the operation period 2018 were: $6.023 divided as follows: Operative Risk (50%), Other Assets (26%), other in-process Administrative, judicial or arbitration Lawsuits (16%) and other accounting Counts (8%).

According to risk classification of Basle, the events were the results from: technological Failures (41.89%, $2.523), External fraud (24.61%, $1.482), Legal (21.29% $1.282), Execution and management of Processes (10.18%, $613) and other (2.03%, $123).

In technological failures, the most relevant events correspond to failures in the Core Passives project implementation ($2.520).

In the external fraud the events with more incidence are originated by frauds with debit and credit cards ($984), under the modalities of non-contact purchases, counterfeit of magnetic band, substitution, lost card, impersonation and stolen card.

Other relevant event in the external fraud is the impersonation of 4 clients in disbursement of credit Cali Branch Office ($294).

In legal risk, the most relevant events correspond to: fine interposed by Industry and Commerce Superintendence due to default of the Act of Personal Data ($283), decision in first instance for the fees of lawyer to the client, even when the obligation had been paid during the acceleration process ($269), two decisions due to fraudulent operations to clients made through Occirred ($380).

Business Continuance Plan

The business continuance Plan makes reference to the set detailed of actions describing the procedures, the systems and the resources necessary to resume and continue the operation in the event of interruption.

The Holding Company has been working on the implementation and maintenance of continuity of both technological and operative schemes, allowing in the event of any critical situation, to attend the critical processes of the business. In this way tests are permanently structured to identify improvements to the plans developed.

5.7. Risk of asset laundry and financial of terrorism

Within the framework of the regulation of the Financial Superintendence of Colombia, and specifically, following the instructions given in the Basic Legal Circular, Part I, Title IV, Chapter IV, the Holding Company has in place an Asset Laundering Risk Management System and Financing of Terrorism (LA/FT), adjusted to the current regulations, the policies and methodologies adopted by our Board of Directors and the recommendations of the international standards related to this scourge.

Following the recommendations of the International Bodies and the national legislation about LA/FT, the asset laundry and Financing of Terrorism risks (LA/FT) identified by the Holding Company, are properly managed within the concept of continuous enhancement and aimed at reasonably minimizing the existence of those risks in the organization

The Holding Company maintains the policy indicating for the operations to be processed within the highest ethic and control, standards setting before the ethical and moral principles to the achievement of the commercial goals, such aspects that from practical point of view has been translated in the implementation of criteria, policies and procedures used for asset laundry risk management and financial of terrorism and the relate crimes, which have been given in order to mitigate such risks, reaching the minimum exposure possible level.

For the continuous development of this management, we have technological tools allowing to identify unusual operations, and timely report the suspect operations, to the Information Unit and Financial Analysis (IUFA), It is worth noting that our entity carries out continuous improvement of the functions supporting the development of LA/FT in the Compliance Division, related to the different applications and methodology of analysis, allowing the mitigation of the eventual risks of Asset Laundry and Financial of Terrorism.

This risk management system is strengthened by the segmentation of the risk factors developed by the Holding Company, using the data mining tools of recognized technical value, allowing us for each risk factor (client, product, channel and jurisdiction) to perform the risk identification and the monitoring of the operations made in the Holding Company in order to detect unusual operations, based on the profile of the segments.

On the other hand, the Holding Company maintains its training program addressed to the employees whereby the directives regarding to the regulatory framework and control mechanisms are given, about the prevention of LA/FT, this way encouraging the proper compliance culture in the organization and in accordance with the programed.

In compliance with the provisions in the legal regulations and according to the amounts and features required in Part I Title IV, Chapter IV of the Legal Basic Circular of Colombia Finance Superintendence, the Holding Company timely submitted the institutional reports and informs to the different controlling entities.

During 2018, , follow-up was made to the reports prepared by the Internal Audit and the Statutory Auditor, with regard to the risk of laundry asset and financial of terrorism, for the purpose to attend the recommendations focused to the System optimization.

5.8 Legal Risk

The Holding Company's Legal Vice presidency supports the task of legal risk management in the operations carried out by the Holding Company and the processes set up against the Holding Company. Specifically, defines and establishes the procedures necessary to properly controlling the legal risk of the operations, ensuring for them to accomplish with the legal regulations documented, analyzes and draft the contracts supporting the operations made by the different business units. The Financial Vice Presidency, supports the management of legal taxation risk, the same as the Vice presidency of Human Resources, the legal labor risk of the Holding Company.

The Holding Company, according to the instructions given by Colombia Finance Superintendence, assessed the claims against it, based on analysis and concepts of the lawyers in charge; and in the events required, the relevant contingencies are duly provisioned.

In regards to copyright, the Matrix uses only software or legally acquired licenses, and does not allow the use of programs different from those officially approved.

In Note 21 to Financial Statements, the provisions for legal contingences are detailed and other provisions.

Note 6.- Estimation of reasonable values

The reasonable value of the financial assets liabilities negotiated in active markets (such as the financial assets in debt securities and patrimony, derivatives actively quoted on Stock Exchanges or in interbank markets) is based in prices supplied by the price supplier Precia PPV S.A., determined through weighted averages of transactions occurred during the day of negotiation.

An active market is that where the transactions for assets or liabilities are made with the sufficient frequency and volume for the purpose to provide information of prices in a continue manner.

The reasonable value of financial assets and liabilities that are not negotiated in an active market is determined by valuation techniques given by the supplier. The valuation techniques used for financial non-standardized instruments such as options, swap of foreign currency and derivatives of the extra stock market include the use of valuation curves of interest rates or currencies made by the suppliers of price based on market data and extrapolated to the specific conditions of the instrument valued, discounted cash flow analysis, model of options price and other valuation techniques usually used by the participants of the market using the market data and rely as little as possible on entity-specific data.

The Holding Company and its subsidiaries may use models internally developed for financial instruments that do not hold active markets. Such models are usually based on valuation methods and technical usually standardized in the financial sector. The valuation models are used mainly to value patrimony financial instruments unquoted in stock exchange, the debt securities and other debt instruments to which the markets were or have been inactive during the financial operation period. Some inputs of these models some inputs of these models may not be observable in the market, and hence they are estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty and the valuation techniques used may fail to properly reflect all the relevant factors to the positions of the Holding Company. Therefore, the valuations are adjusted, if deemed necessary, in order to allow additional risks, including risk country, liquidity risk and counterpart risks.

The reasonable value of non-monetary assets, such as investments properties or guarantees of credits to determination of impairment is made based on appraisals made by independent experts with enough experience and knowledge of the real-estate market or the asset under valuation. Usually such valuations are made by reference to data of market or based on the replacement cost when there is not enough data or market

The hierarchy of the reasonable value has the following Levels:

- The entries of Level 1 are prices quoted (unadjusted) in active markets for assets or liabilities identical to those the entity may accede on the measuring date.
- The entries of level 2 are entries different to the prices quoted included in the Level 1 that are observable for asset or liability, either directly or indirectly.
- The entries of Level 3 are entries unobservable for the asset or liability.

The level in the hierarchy of reasonable value within which the measure of reasonable value is totally rated and determined based on entry of the lowest level that is significant for the total reasonable value. For such purposes, the significance of any entry is evaluated in connection with the measurement of the total fair value. If any measurement of the fair value uses observable entries requiring significant adjustments based on unobservable entries, such measurement is a measurement of Level 3. The evaluation of the significance of any specific entry to the measuring of the total fair value requires judgment, taking into accounts specific factors of the asset or the liability.

The determination of what is considered as “observable” requires a significant judgement by the Holding Company. The Holding Company considers observable data those data of market already available, that are regularly distributed or updated, that are reliable and verifiable, that have not property rights, and that are supplied by independent sources taking active part in the market in reference.

a) Measurements of fair value on recurrent bases

Measurements of fair value on recurrent bases are those that the Financial Information Accounting Standards (FIAS) require or allow in the financial situation at the closing accounting period.

The Table below, analyzes, within the reasonable value hierarchy, the assets and liabilities (by class) of Holding Company measured at the fair value on 31-December-2018 and 2017 on recurrent bases,

December 31, 2018		calculated fair values using internal models				effect of reasonable assumptions about fair value valuation technique			
		Level 1	Level 2	Level 3	Total	For levels 2	Main input data	More	Less
ASSETS									
Recurring fair value measurements									
Investments in debt securities with changes in results									
Issued or guaranteed by the Colombian government	$	900.026	93.998	_	994.024	Interest rates	Transactional systems	11.699	(11,311)
Issued or guaranteed by other Colombian financial		_	139.844	_	139.844	Interest rates	Transactional systems	425	(423)
Issued or guaranteed by other financial institutions abroad		_	121.567	_	121.567	Interest rates	Transactional systems	553	(548)
Investments in debt securities with changes in ORI									
Issued or guaranteed by the Colombian government	$	2.331.195	1.114.054	_	3.445.249	Interest rates	Transactional systems	34.761	(34,137)
Issued or guaranteed by other Colombian financial institutions		_	111.534	_	111.534	Interest rates	Transactional systems	1.643	(1.610)
Issued or guaranteed by entities of the Colombian real sector		_	27.644	_	27.644	Interest rates	Transactional systems	76	(76)
Issued or guaranteed by foreign governments		91.315	6.579	_	97.894	Interest rates	Transactional systems	1.733	(1,696)
Issued or guaranteed by other financial institutions abroad		247.142	310.311	_	557.453	Interest rates	Transactional systems	3.989	(3,942)
Issued or guaranteed by entities of the real sector		_	16.354	_	16.354	Interest rates	Transactional systems	239	(233)
Others		_	54.818	_	54.818	Interest rates	Transactional systems	329	(325)
Investments in equity instruments with changes in results (1)		_	29.852	_	29.852	Unit value	Transactional systems	299	(299)
Investments in equity instruments with changes in ORI (1)		4.891	7.526	60.334	72.751	Unit value	Transactional systems	728	(728)
Deribatives of negotiation									
Currency forward		_	342.283	_	342.283	Interpolation	Transactional systems	2.537	(2,532)
Forward rate of interest		_	10	_	10	Interpolation	Transactional systems	10	(10)
Swap interest rate		_	14.751	_	14.751	Interpolation	Transactional systems	15.090	(15,090)
Swap currency		_	998	_	998	Interpolation	Transactional systems	(91)	86
Others		_	27.605	_	27.605	Interpolation	Transactional systems	216	(214)
Investment properties at fair value		_	212.476	_	212.476	Market approach	Construction maintained and used	2.125	(2,125)
TOTAL ASSETS AT REASONABLE VALUE RECURRENT		**3.574.569**	**2.632.204**	**60334**	**6.267.107**			**76.360**	**(75,212)**
LIABILITIES									
Derivatives of negotiation									
Currency forward		_	309.210	_	309.210	interpolation	transactional systems	(2,755)	2.749
Forward rate of interest		_	1.452	_	1.452	interpolation	transactional systems	45	(45)
Swap interest rate		_	16.410	_	16.410	interpolation	transactional systems	(15.525)	15,525
Swap currency		_	2.730	_	2.730	interpolation	transactional systems	388	(377)
Others		_	16.863	_	16.863	interpolation	transactional systems	74	(73)
Total liabilities at fair value recurrent	$	_	**346.665**	_	**346.665**			**(17,773)**	**17,779**

December 31, 2017	calculated fair values using internal models				effect of reasonable assumptions about fair value valuation technique			
	Level 1	Level 2	Level 3	Total	For levels 2 and 3	Main input data	More favorable	Less favorable
ASSETS								
RECURRING FAIR VALUE MEASUREMENTS								
Investments in debt securities with changes in results								
Issued or guaranteed by the Colombian govern $	246.285	145	_	246.430	Interest rates	systems	3.290	(3,214)
Issued or guaranteed by other Colombian financial institutions	_	30.753	_	30.753	Interest rates	Transactional systems	68	(68)
Issued or guaranteed by other financial institutions abroad	181.770	_	_	181.770	Interest rates	Transactional systems	359	(357)
Investments in debt securities with changes in ORI								
Issued or guaranteed by the Colombian govern $	2.212.363	1.230.165	_	3.442.528	Interest rates	Transactional systems	41.449	(40.614)
Issued or guaranteed by other Colombian financial institutions	_	116.038	_	116.038	Interest rates	Transactional systems	1.432	(1.394)
Issued or guaranteed by entities of the Colombian real sector	_	76.843	_	76.843	Interest rates	Transactional systems	1.048	(1,028)
Issued or guaranteed by foreign governments	29.604	_	_	29.604	Interest rates	Transactional systems	697	(679)
Issued or guaranteed by other financial institutions abroad	221.666	247.953	_	469.609	Interest rates	Transactional systems	4.356	(4.288)
Issued or guaranteed by entities of the real sector abroad	_	27.411	_	27.411	Interest rates	Transactional systems	313	(305)
Others	_	36.850	_	36.850	Interest rates	Transactional systems	309	(305)
Investments in equity instruments with changes in results (1)	_	_	19.125	19.125	Unit value	Transactional systems	191	(191)
Investments in equity instruments with changes in ORI (1)	5.266	_	61.813	67.079	Unit value	Transactional systems	671	(671)
Derivatives of negotiation								
Currency forward	_	66.986	_	66.986	Interpolation	Transactional systems	(799)	(798)
Forward rate of interest	_	43	_	43	Interpolation	Transactional systems	_	_
Swap interest rate	_	21.613	_	21.613	Interpolation	Transactional systems	(10.060)	10.060
Swap currency	_	7.842	_	7.842	Interpolation	Transactional systems	307	(302)
Others	_	9.907	_	9.907	Interpolation	Transactional systems	73	(72)
Investment properties at fair value	_	218.164	_	218.164	market approach	construction maintained and used	2.182	(2.182)
TOTAL ASSETS AT REASONABLE VALUE RECURRENT	**2.896.944**	**2.080.713**	**80.938**	**5.068.595**			**45.886**	**(44.812)**
LIABILITIES								
Derivatives of negotiation								
Currency forward	_	56.148	_	56.148	Interpolation	Transactional systems	759	(758)
Forward rate of interest	_	215	_	215	Interpolation	Transactional systems	_	_
Swap interest rate	_	22.178	_	22.178	Interpolation	Transactional systems	7.334	(7.334)
Swap currency	_	390	_	390	Interpolation	Transactional systems	(2)	2
Others	_	17.834	_	17.834	Interpolation	Transactional systems	43	(42)
TOTAL LIABILITIE AT FAIR VALUE RECURRENT $	_	**96.765**	_	**96.765**			**8.134**	**(8.132)**

The investments which values are based on market prices quoted in active markets and, therefore, they are rated in the Level 1, include active patrimonial investments in stock exchange, some investments issued or guaranteed by Colombian Government, other Colombian financial institutions, and entities of Colombian real sector entities.

The financial instruments quoting in markets that are not considered active, but valued according to market prices quoted, quotations of stock brokers or sources of alternate price supported by observable entries, are rated in the Level 2. Other investments issued or guaranteed by Colombian Government are included, other Colombian financial institutions, entities of the Colombian real sector, foreign governments, other abroad financial institutions, entities of the abroad real sector, derivatives and properties of investment. Since investments of level 2 include positions that are not negotiated in active markets and/or are subject to transference restrictions, the valuations may be adjusted to reflect the absence of liquidity or the non-transference, that usually are based on the available information of the market.

As indicated above, the fair value of the investments properties are determined based on the appraisal made by expert independent appraisers at 31-December-2018, that were prepared under the methodology of comparative sales approach (approach of market) determining the value of the assets by comparing to other similar that are or have been transacted in the real-estate market, this comparative approach takes into account the sale of similar or substitute goods, as well data obtained of the market and establishes an estimate of value using processes including the comparison.

b) Transfer of Levels

Table below shows the transfers between levels 1 and 2 for the periods ended on 31-December 2018 and 2017:

		31-December-2018		31-December-2017	
Measuring fair value for recurrent		**Level 1 to Level 2**	**Level 2 to Level 1**	**Level 1 to Level 2**	**Level 2 to Level 1**
Assets					
Investments at fair value of fixed interest	$	-	9.990	13.620	174.538

The following Table shows the movement of the equity instruments of lower participation (below 20%) rated in level 3 valued at fair value for the periods ended on 31-December-2018 and 2017:

		Equity Instruments
Balance at 31-December 2016	**$**	**75.550**
Adjust of valuation with effects on results		1.799
Adjust of valuation with effect on ORI		6.508
Withdrawals/Sales		(2.918)
Difference in exchange (1)		(1)
Balance at 31-December-2017	**$**	**80.938**
Adoption NIIF 9		**635**
Balance at 02-January-2018 NIIF 9		**81.573**
Transfer Level 3 to Level 2		(24.759)
Adjust of valuation with effect on ORI		3.550
Reclassification		423
Withdrawals/Sales		(453)
Balance at 31-December-2018	**$**	**60.334**

In ORI it is being recognized during 2018 for $ 5,056 corresponding to the valuation of financial instruments measured at fair value Level 3 for $3.350, Stock Exchange of Colombia Level 1 for ($375), and Mastercard level 2 for $1.882; fat 31-December-2017 for $4.185.

In ORI it is being recognizing during 2017 for $4.185 corresponding to the valuation of financial instruments measured at fair value level 3 for $6.508, Colombia Stock Exchange level 1 for $138, and the exchange of stocks BVC-Deposito Centralizado de Valores de Colombia Deceval S.A. for ($2.461).

(1) Valuation Equity instruments Level 3

The investments rated in Level 3 for $60.334 at 31-December-2018 have significant entries not observable. The instruments Level 3 include mainly investments in equity instruments that do not listed in stock exchange

The Holding Company holds some equity investments in several different entities with a participation below the equity of the entity, because they are necessary for operations development, such as ASH Colombia S.A., Cámara de Compensación de Divisas S.A., Camara de Riesgo Central de Contraparte S.A., Redeban S.A., and Credibanco S.A. In general all these companies do not quote their shares in a public stock market and hence, the determination of the fair value on 31-December-2018, because their valuations and sensitiveness analysis are made on a semiannual analysis, has been made with the help of an external advisor of the Holding Company using for such purpose the discounted cash flow method, developed based on own projections of the income appraiser, cost and expenses of every valuable entity in a 5 years period, taking as a base for them, some historical information obtained from the companies, and residual values determined with growth rates at perpetuity set forth by the appraiser according to its experience. Such projections and residual values were discounted based on interest rates, construed with curves taken from price suppliers, adjusted to risk premiums, estimated based on the risks associated to every entity valued.

The chart below summarizes the ranges of the principal variables used in the valuations:

Variable	Range
Income (% growth of the 10 years)	**5.9% - 22.9%**
Income (%)growth of the 5 years min. – max)	**IPC; IPC + 1%**
Growth in residual values after 10 years	**3.1%**
Growth in residual values after 5 years	**3.1%**
Cost rates of the equity	**15.3% - 15.4%**
Discount interest rates – WACC average	**13.1%**

The following chart includes a sensitivity analysis of changes in such variables used in the valuation of investment, taking into account for the variations of fair value of such investments to be recorded in the equity as they correspond to investments rated as equity instruments at fair value with changes in equity:

Methods and variables	Variation	Favorable Impact	Unfavorable Impact
Net adjusted value of assets			
Variable more relevant in the asset	+/-10%	0.99	0.81
Present value adjusted by discount rate			
Income	+/- 1%	49.160	46.633
Growth in residual values after 5 years	+/- 1% pf gradient	40.032	36.392
Growth in residual values after 10 years	+/-1% of gradient	10.488	9.400
Growth in residual values after 5 years	+/-30PB	14	14
Percent of investment in CAPEX	+/-1%	11.275	8.520
Cost rate of the equity	+/-50PB	49.947	46.006
Discount interest rates	+/-50PB	14	13

According to variations and impacts occurred in the above chart, a favorable effect in Holding Company's patrimony would occur of $1.344 and unfavorable for $1.296. These values were calculated valuing the investment with the favorable and unfavorable price according to the variations occurred and the number of stocks held by the bank in every entity.

c) Measurements of fair value on non-recurrent bases

The following is the detail at 31-December-2018 and 31-December-2017 of the assets valued at fair value as result of valuation for impairment in the application of IFRS standards applicable to every account but do not require to be valued at fair value in a recurrent manner:

31-December-2018		**Level 1**	**Level 2**	**Level 3**	**Level 4**
Financial Instruments by collateralized credit portfolio	$	-		**491.482**	**491.482**
31-December-2017		**Level 1**	**Level 2**	**Level 3**	**Total**
Financial Instruments by collateralized credit portfolio	$	--	--	**414.054**	**414.054**

The Table below shows the summary of the financial assets and liabilities of the Holding Company and its Subsidiaries recorded at amortized cost at 31-December-2018 and 2017 compared with the values determined at fair value, to which it is practicable to calculate the fair value:

	31-December-2018		31-December-2017	
	Carrying Value	**Fair estimate Value**	**Carrying Value**	**Fair estimate Value**
Assets				
Fixed Interest invest at amortized cost	$ 687.267	687.267	689.023	689.430
Net Credit Portfolio	26.996.654	29.572.339	26.597.529	29.866.277
Other accounts receivable	129.430	129.430	136.534	136.534
	$ 27.813.351	**30.389.036**	**27.423.086**	**30.692.241**
Liabilities				
Certificates of deposit	$ 8.367.495	8.548.500	8.623.959	9.058.117
Interbank funds	931.537	931.537	122.560	122.560
Financial obligations	2.802.741	2.916.824	2.398.204	2.547.881
Bonds issued	3.147.438	3.295.407	3.281.965	3.419.518
	$ 15.249.211	**15.692.268**	**14.426.688**	**15.148.076**

The estimate fair value of the credit portfolio, is calculated as follows:

Rated Portfolio in A, B, and C: the net present value was obtained of the contractual flows discounted at the discount rate, that is equivalent to the market value of the operations, taking as a base the balance of every obligation, the expiry date of the operation, the contractual rate, inter alia.

Rated Portfolio in D or E: is calculated on the carrying value in percentage expected to be recovered from such obligations.

The discount rate include the following:

<u>Discount rate</u>: Equity cost

- **Credits raked in A, B, or C**: Free-risk rate, + points by risks + expenses for portfolio administration
- **Credits rated in D or E:** Risk-free rate + point for risk

The discount rate: Defined as the sum of risk-free rate, the points for risks and the expenses for portfolio administration (the portfolio administration expenses only are added for credits rated in A, B or C, for those credits rated in D or E only the points for risks are taken into account).

The risk-free rate, represents the opportunity cost incurred when resources are placed through credit. It varies according to the remaining tem of each obligation for the credits in legal tender or as the annual average of the rate of bonds of the Treasury of the United States at 10 years for the credits in foreign currency.

The methodologies of the fair value for the securities of fixed interest in the moment zero correspond to the adjustment of the difference between the purchase price (TIR) and the market price published by the supplier of prices Precia PPV S.A For subsequent measurement this fair value over every one of the investments is determined with the daily valuation using the market price published by the same price suppler.

For the item of other accounts receivable, the maturity thereof expiry in a period equal or less than one year, and for such reason it's not considered necessary to perform a calculation of reasonable value, understanding that this value is the better estimated, as this is a short period.

The methodology of fair value of the Holding Company's liabilities (CDT´s and Bonds) is made thought the applicative named PWPREI, that values at market price, the standardized liabilities of the Holding Company in Pesos, using the information released by the supplier of prices Precia PPV SA.

For financial obligations the calculation is manually made where the valuation is made using the discount curve calculated in the Division of Risk of Treasury of the Holding Company.

Note 7.- Cash and equivalent to cash

The balances of cash and equivalent to cash at 31-December-2018 and 2017, include the following:

		31-December 2018	31-December- 2017
In Colombian pesos			
Cash	$	$ 639.275	662.624
In the Central Bank of Colombia		1.545.566	938.864
Banco and other financial at the sight		17.093	5.574
Exchange		2.338	1.469
		2.204.272	**1.608.531**
In foreign currency			
Cash		11.563	7.230
Bank and other financial entities at the sight		444.879	841.269
		456.442	**848.499**
Total Cash and equivalent to cash	**$**	**$ 2.660.714**	**2.457.030**

Bank reserve required

At 31-December-2018 the legal reserve in Colombia is 11% for deposits in current an saving accounts and 4.5% for deposit certificates of deposit less than 18 months.

At 27-November-2018 the legal reserve required to attend the liquidity requirements in deposits of current and saving accounts is $1.912.422.

At 27-November-2018 the legal reserve to serve liquidity requirements of deposit certificates less than 18 months to $105.577.

Cash and equivalent to Cash in the Central Bank for $1.303.474 at 18-December-2018 make part of the legal reserve required to attend requirements of liquidity (1.945.718 at 31-December, 2017).

The exist no restrictions on the cash and equivalent to cash in the Holding Company and the subsidiaries at 31-December-2018 and 2017.

Concept		31-December 2018	31-December 2017
Reserve 4.5%	$	105.577	102.515
Reserve 11%		1.912.422	1.790.485
Total Reserve	**$**	**2.017.999**	**1.893.000**

Note 8.- Financial investment assets in debt securities and equity instruments at fair value

The balance of financial assets in debt securities and investments in equity instruments at fair value include the following at 31-December-2018 and 2017:

DEBT SECURITIES WITH CHANGES IN RESULTS		31-December 2018
In Colombian Pesos		
Issued or guaranteed by Colombian Government	$	933.658
Issued or guaranteed by other Colombian financial entities		74.013
		1.007.671
In foreign currency		
Issued or guaranteed by Colombian Government		60.366
Issued or guaranteed by other Colombian financial entities		65.831
Issued or guaranteed by other financial entities abroad		121.567
		247.764
Total debt securities with changes in results	**$**	**1.255.435**

		31- December 2018
DEBT SECURITIES WITH CHANGES IN ORI		
In Colombia pesos		
Issued or guaranteed by the Colombian Government	$	2.342.995
Issued or guaranteed by other Colombian financial institutions		5.036
		2.348.031
In foreign currency		
Issued or guaranteed by the Colombian Government		1.102.254
Issued or guaranteed by other Colombian financial institutions		106.498
Issued or guaranteed by entities of the Colombian real sector		27.644
Issued or guaranteed by Foreign Governments		97.894
Issued or guaranteed by other financial institutions abroad		557.453
Issued or guaranteed by entities of the real sector abroad		16.354
Others		54.818
		1.962.915
Total debt securities with changes in ORI	$	**4.310.946**

EQUITY INSTRUMENTS WITH ADJUSTMENT TO RESULTS		31 -December 2018
In Colombia pesos		
Collective investment funds	$	29.852
Total equity instruments with adjustment to results		**29.852**
Total derivative instruments of negotiation with changes in results	$	**385.647**
Total financial instruments at fair value with changes in results	$	**1.670.934**

EQUITY INSTRUMENTS WITH ADJUSTMENT TO PATRIMONY ORI		
In Colombia pesos		
Corporate shares	$	72.751
Total equity instruments		**102.603**
Total financial assets in debt securities and investments in equity instruments at fair value	$	**6.054.631**

DEBT SECURITIES WITH CHANGES IN RESULTS		31- December 2017
In Colombia pesos		
Issued or guaranteed by the Colombian Government	$	2.563.351
Issued or guaranteed by other Colombian financial institutions		30.753
Others		189
		2.594.293
In foreign currency		
Issued or guaranteed by the Colombian Government		1.125.608
Issued or guaranteed by other Colombian financial institutions		116.037
Issued or guaranteed by entities of the Colombian real sector		76.843
Issued or guaranteed by Foreign Governments		29.604
Issued or guaranteed by other financial institutions abroad		651.379
Issued or guaranteed by entities of the real sector abroad		27.411
Others		36.661
		2.063.543
Total debt securities	$	**4.657.836**

		Reexpressed See Note 2 31- December 2017
EQUITY INSTRUMENTS WITH ADJUSTMENT TO RESULTS		
In Colombia pesos		
Collective investment funds	$	19.126
Total equity instruments with adjustment to results		**19.126**
Total derivative instruments of negotiation with changes in results	$	**106.391**
Total Financial instruments at fair value with changes in results	$	**5.099.881**
EQUITY INSTRUMENTS WITH ADJUSTMENT TO EQUITY ORI		
In Colombia pesos		
Corporate stocks (restated)	$	67.079
Total equity instruments		**86.205**
Total financial assets in debt securities and investments in equity instruments at fair value	$	**5.166.960**

EQUITY INSTRUMENTS WITH ADJUSTMENT TO RESULTS		Reexpressed See Note 2 1- January 2018
In Colombia pesos		
Collective investment funds	$	17.328
Total equity instruments with adjustment to results		**17.328**
Total derivative instruments of negotiation with changes in results	$	**155.902**
Total financial instruments at fair value with changes in results	$	**4.236.949**
EQUITY INSTRUMENTS WITH ADJUSTMENT TO EQUITY ORI		
In Colombia pesos		
Corporate stocks (restated)	$	58.224
Total equity instruments		**75.552**
Total financial assets in debt securities and investments in equity instruments at fair value	$	**4.295.173**

The financial assets at reasonable value are given at reasonable value based on market observable data which reflects as well the credit risk associated to the asset.

Below the detail of patrimony instruments are shown with changes in other integral results:

Detail of Heritage Instruments **Entity**		**31- December 2018**	**See Note 2** **31- December 2017**	**See Note 2** **1- January 2017**
Redeban Multicolor S.A.	$	11.221	7.091	6.801
Depósito Centralizado de Valores de Colombia – Deceval S.A. (*)		_	_	2.918
ACH Colombia S.A.		12.014	11.440	8.520
Cámara de Compensación de Divisas de Colombia S.A.		1.117	916	593
Cámara de Riesgo Central de Contraparte de Colombia S.A.		456	497	471
Bolsa de Valores de Colombia S.A. (*)		4.891	5.267	_
Mastercard Inc.		7.526	5.634	3.875
Credibanco		32.290	31.848	30.767
Aportes en Línea S.A. (Management and contact)		201	1.044	741
Casa de Bolsa S.A. Sociedad Comisionista de Bolsa		2.611	2.388	2.298
Pizano S.A. en Reestructuración		424	954	1.240
TOTAL	$	72.751	67.079	58.224

The financial assets in equity instruments at reasonable value with adjustments to other integral results have been designed taking into account that they are strategic investments for the Holding Company, and hence, it is not expected to be sold in a near future and there is a degree of more uncertainty in the determination of reasonable value generating significant fluctuations from one to other period. During the year ended on December 31, 2018 dividends have been recognized in the statement of results for such investment by $2,700 ($1,619 during the year ended on December 31, 2017).

Guaranteeing market monetary operations and Central Risk Chamber of the counterpart (futures)

Bellow financial assets are listed, at fair value that are guaranteed repo operations, which have been delivered in guaranty of operations with financial instruments and those delivered as collateral guaranties to third parties to support financial obligations with other banks (See Note 19).

		31- December 2018	31 - December 2017
Delivered in monetary market operations			
Issued of guaranteed by Colombia Government	$	541.798	51.989
Delivered in guarantee of operations with derivative instruments			
Issued of guaranteed by Colombia Government		167.338	100.224
Total		**709.136**	**152.213**

Variations in the reasonable values reflect basically variations in the market conditions mainly due to changes in the interest rates and other economic conditions of the country where the investment is held.

At December 31, 2018 and 2017, repo operations were not guaranteed.

Note 9– Financial assets in debt securities at amortized cost

The balance of financial assets in debt securities at amortized cost Include the following at December 31, 2018 and 2017:

DEBT SECURITIES		31- December 2018	31 - December 2017
In Colombian pesos			
Issued or secured by other entities of Colombia Government	**$**	687.313	689.023
Investment provisions		(46)	_
Total financial assets in debt securities at amortized cost	$	**687.267**	**689.023**

Below the movement of provision of investments for the period ended on 31-December-2018:

		31- December 2018
Balance at the beginning of the period	$	_
Adoption IFRS 9		219
Balance as of January 1, 2018		**219**
Reimbursement / expenses for impairment of investments at amortized cost		(173)
Balance at the end of the period	$	46

Below summary of financial assets in debt securities at amortized cost by expiry dates:

		31- December 2018	31 - December 2017
Up to 1 month	$	60.946	95.438
more than 1 month and no more than 3 months		181.123	_
more than 3 months and no more than 1 year		445.244	593.585
Subtotal		**687.313**	**689.023**
Investment provisions		(46)	_
Total	$	**687.267**	**689.023**

Note 10.- Instruments Derivatives and overseas hedge investments

a. Financial instruments derivatives of negotiation

The following table indicates the reasonable values at December 31 2018 and 2017 of forward contracts, futures, options, swaps of interest rate and of foreign currency the Holding Company is committed:

	December 31, 2018		December 31, 2017	
	Notional Amount	Reasonable Value	National Amount	Reasonable Value
Assets				
Forward Contracts				
Forward contracts purchase foreign currency	$ 8.413.185	253	1.853.371	177
Forward contracts Sale of foreign currency	1.026.885	342.030	4.487.187	66.810
Forward contracts of securities	157.993	10	44	43
Subtotal	**9.598.063**	**342.293**	**6.345.602**	**67.030**
Swap				
Swap contract of foreign currency	42.212	998	110.954	7.842
Swaps contract of interest rate	902.262	14.751	564.844	21.613
Subtotal	**944.474**	**15.749**	**675.798**	**29.455**
Purchase of options				
Purchase options of foreign currency	27.685	27.605	6.325	9.906
Subtotal	**27.685**	**27.605**	**6.325**	**9.906**
Total Assets	**$ 10.570.222**	**385.647**	**7.027.725**	**106.391**
Liabilities				
Forward contracts				
Forward contracts purchase foreign currency	$ 641.256	309.024	4.110.642	55.951
Forward contracts Sale of foreign currency	8.395.521	185	1.684.148	197
Forward contracts of securities	374.545	1.452	222	216
Subtotal	**9.411.322**	**310.661**	**5.795.012**	**56.364**
Swap				
Swap contract of foreign currency	37.617	2.730	15.620	390
Swap contract of interest rate	619.559	16.410	882.661	22.179
Subtotal	**657.176**	**19.140**	**898.281**	**22.569**
Contracts of options				
Sale options of foreign currency	16.915	16.864	18.438	17.832
Subtotal	**16.915**	**16.864**	**18.438**	**17.832**
Total Liabilities	**10.085.413**	**346.665**	**6.711.731**	**96.765**
Net Position	**$ 484.809**	**38.982**	**315.994**	**9.626**

The instruments derivatives agreed on by the Holding Company usually are transacted in organized markets and with clients and local and foreign counterparties of the Holding Company. The instruments derivatives have net favorable (assets) or unfavorable (liabilities) conditions as a result of t fluctuations in foreign currency exchange rates and in the interest rate market or other variables relative to their conditions. The accrued amount of reasonable values of assets and liabilities derivatives instruments may significantly vary from time to time.

At December 31, 2018, there are no any derivatives contracts in other contracts that need to be separated, accounted for and disclosed according to provision in IFRS 9.

The maturities for term of instruments derivatives of negotiation at December 31, 2018 and 2017 are the following:

LESS THAN ONE YEAR

Concept		December 31, 2018		December 31, 2017	
		Notional Amount	Reasonable Value	Notional Amount	Reasonable Value
Assets					
Forward Contracts					
Forward contracts purchase foreign currency	$	8.362.967	253	1.858.371	177
Forward contracts Sale of foreign currency		1.023.859	340.310	4.455.530	64.983
Forward contracts of securities		157.993	10	44	43
Subtotal		**9.544.819**	**340.573**	**6.313.945**	**65.203**
Swap					
Swap contract of foreign currency		-	-	86.446	6.118
Swap contract of interest rate		750.684	1.932	471.266	17.939
Subtotal		**750.684**	**1.932**	**557.712**	**24.057**
Purchase of options					
Purchase options of foreign currency		18.089	18.054	3.142	3.962
Subtotal		**18.089**	**18.054**	**3.142**	**3.962**
Total Assets	$	**10.313.592**	**360.559**	**6.874.799**	**93.222**
Liabilities					
Forward contracts					
Forward contracts purchase foreign currency	$	639.700	294.484	4.100.990	39.165
Forward contracts Sale of foreign currency		8.075.946	12	1.663.653	198
Forward contracts of securities		374.545	1.452	222	216
Subtotal		**9.090.191**	**295.948**	**5.764.865**	**39.579**
Swap					
Swap contract of foreign currency		13.085	1.121	15.620	390
Swap contract of interest rate		455.835	2.140	732.581	18.408
Subtotal		**468.920**	**3.261**	**748.201**	**18.798**
Purchase of options					
Sale options of foreign currency		13.048	12.997	12.975	12.483
Subtotal		**13.048**	**12.997**	**12.975**	**12.483**
Total Liabilities	$	**9.572.159**	**312.206**	**6.526.041**	**70.860**
Net Position	$	**741.433**	**48.353**	**348.758**	**22.362**

MORE THAN ONE YEAR

Concept		December 31, 2018		December 31, 2017	
		Notional Amount	Reasonable Value	Notional Amount	Reasonable Value
Assets					
Forward Contracts					
Forward contracts purchase foreign currency	$	50.218	-	-	-
Forward contracts sale of foreign currency		3.026	1.720	31.657	1.826
Subtotal		**53.244**	**1.720**	**31.657**	**1.826**
Swaps					
Swaps contract of foreign currency		42.212	998	24.508	1.725
Swaps contract of interest rate		151.578	12.819	93.578	3.674
Subtotal		**193.790**	**13.817**	**118.086**	**5.399**
Purchase of options					
Purchase options for currencies		9.596	9.551	3.183	5.944
Subtotal		**9.596**	**9.551**	**3.183**	**5.944**
Total Assets	$	**256.630**	**25.088**	**152.926**	**13.169**
Liabilities					
Forward contracts					
Forward contracts purchase foreign currency	$	1.556	14.540	9.653	16.785
Forward contracts Sale of foreign currency		319.575	173	20.494	-
Subtotal		**321.131**	**14.713**	**30.147**	**16.785**
Swaps					
Swaps contract of foreign currency		24.532	1.609	-	-
Swaps contract of interest rate		163.724	14.270	150.080	3.770
Subtotal		**188.256**	**15.879**	**150.080**	**3.770**
Purchase of options					
Sale options of foreign currency		3.867	3.867	5.463	5.350
Subtotal		**3.867**	**3.867**	**5.463**	**5.350**
Total Liabilities	$	**513.254**	**34.459**	**185.690**	**25.905**
Net Position	$	**(256.624)**	**(9.371)**	**(32.764)**	**(12.736)**

Financial instruments derivatives of negotiation contain the component CVA/DVA associated to the credit component of these contracts, at December 31, 2018 the effect of CVA/DVA in statement of results was an expense for $157.

Definition of adjustment model for credit risk – CVA/DVA for instruments derivatives of the Holding Company:

- For incorporation of credit risk to valuation methodology, under IFRS 13 for instruments derivatives of the Holding Company, decision was wade to carry out under affectation premise of discount rate, within the valuation of such instruments to the relevant closing date. Above is made forming groups or sets within the Derivatives portfolio, according to the currency (e.gr. pesos, euros or dollars) of instrument, the accounting nature of the valuation (asset or liability) and the type of counterpart making the operation.

- In the event of derivatives transacted in a standardized market or even novated before the Chamber of Central of Counterpart, the price includes the credit risk concept equal to zero, because a central risk chamber of the counterpart is involved, and therefore, it is not necessary to perform the exercise. For the case of the derivatives negotiated in OTC market (Options, Forward, IRS, and CCS) that does not include such concept, the analysis was made.

This credit risk calculation was made to all the instruments derivatives non-standardized or novated, maintaining the entities. For adjustment determination due to credit risk of portfolios.

b. Financial instruments and hedge of investments in overseas

In developing its operations the Holding Company owns the following investments in subsidiaries abroad at December 31, 2018 and 2017 which financial statements in the consolidation process generate adjustment by conversion recorded in the account other integral results in patrimony, as follows:

December 31, 2018

Detail of investment		Thousand US dollars		Million Col. Pesos	
		Value of Investment hedged	Value of hedge in obligations In foreign currency	Adjustment for conversion of financial statements	Difference of exchange of obligations in foreign currency
Occidental Bank (Barbados) Ltd.	USD	23.971	(23.971)	$ 24.606	24.606
Banco de Occidente Panamá S.A.		23.439	(23,439)	35.577	35.77
Total	**USD**	**47.410**	**(47.410)**	**$ 60.183**	**60.183**

December 31, 2017

Detail of investment		Thousand US dollars		Million Col. Pesos	
		Value of Investment hedged	Value of hedge in obligations In foreign currency	Adjustment for conversion of financial statements	Difference of exchange of obligations in foreign currency
Occidental Bank (Barbados) Ltd.	USD	23.396	(26.396)	$ 18.740	18.740
Banco de Occidente Panamá S.A.		25.044	(25.044)	29.979	(29.979)
Total	USD	**51.440**	**(51.440)**	**48.719**	**(48.719)**

Since such investments are in dollars, the functional currency of the prior affiliates, the Holding Company is subject to risk of variation in the type of exchange of Col. Pesos, the functional currency of the Bank related to dollar. To cover this risk, the Holding Company has entered in debt operations in foreign currency and as such, has designed obligations in foreign currency for USD $47,410 at December 31, 2018 and $51.440 at December 31, 2017 hedging 100% of the investments in force in those affiliates, the financial obligations have a short-term maturity, and therefore, upon the maturity such obligations, the Holding Company management designs new obligations in foreign currency to maintain the hedge 100% of investments.

These obligations being in the same currency as investments are recorded abroad, the hedge is considered perfect and hence, no any ineffectiveness in the hedge is recorded; according to above, no any inefficacy of hedge was recognized in the statement of results. In ORI were recognized at December 31, 2018 and 2017 ($11.464) and ($85), respectively, as a result of the efficacy of hedge.

Note 11 – Financial Assets by credit portfolio at amortized cost, net

The account of financial assets for credit portfolio at amortized cost in the consolidated statement of financial situation is shown classified by commercial portfolio, consumption mortgage for housing, taking into account that this is the classification adopted by Finance Superintendence in the new Unique Catalogue of Financial Information "CUIF". However, taking into account the significance represented at Group level, the financial leasing portfolio, for purposes of disclosure the separation of these credits separation has been made in all the charts of the Note of credit financial risks and in this note, according to the following classification detail:

		31- December 2018		
Modality		**Balance according to Balance sheet**	**Reeclassification of leasing**	**Balance according to disclosure**
Commercial	$	20.385.918	4.505.314	15.880.604
Consumption		6.800.229	10.214	6.790.015
Housing		1.387.446	795.939	591.507
Financial Leasing		_	(5.311.467)	5.311.467
Total	$	**28.573.593**	_	**28.573.593**

		31- December 2017		
Modality		**Balance according to Balance sheet**	**Reeclassification of leasing**	**Balance according to disclosure**
Commercial	$	20.574.550	4.566.656	16.007.894
Consumption		6.873.690	10.035	6.863.655
Housing		1.168.389	658.450	509.939
Financial Leasing		_	(5,235,141)	5.235.141
Total	$	**28.616.629**	_	**28.616.629**

1. Credit portfolio by modality

Below the distribution of credit portfolio in the Holding Company and its subsidiaries is shown by modality:

		December 31, 2018	December 31, 2017
Ordinary loans	$	17.317.473	18.349.759
Loans with resources from other entities		1.062.570	943.596
Letter of credit hedged		108.525	96.981
Overdraft in Bank current account		52.913	94.213
Discounts		100.388	84.856
Credit cards		1.399.004	1.387.004
Treasure Bills		2.002.799	1.479.595
Mortgage portfolio for housing		591.507	506.138
Credits to employees		18.229	18.587
Real property given in leasing		3.382.668	3.167.967
Chattels given on leasing		1.928.799	1.989.674
Remittances in transit		-	1.840
Deferred payment credit portfolio		4.908	1.365
Others		603.810	495.054
Total gross credit portfolio	$	**28.573.593**	**28.616.629**
Provisions for impairment of financial assets by credit portfolio		(1.576.939)	(1.135.748)
Total credit portfolio, net	$	**26.996.654**	**27.480.881**

2. Credit portfolio by impairment movement

The following is the impairment movement of credit portfolio during the years ended at December 31, 2018 and 2017:

	Commercial				Consumption				Housing			
	Stage 1	Stage 2	Stage 3	total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance, 31- December- 2017 IAS 39	$ 59.771	11.058	454.828	525.657	124.017	51.656	291.539	467.212	4.212	470	5.875	10.557
Adoption IFRS 9	80.394	3.998	8.516	92.908	52.892	31.564	1.012	85.558	1.550	2.173	523	4.246
Balance, 1- January- 2018 IFRS 9	**140.165**	**15.056**	**463.344**	**618.565**	**176.999**	**83.220**	**292.551**	**552.770**	**5.762**	**2.643**	**6.398**	**14.803**
Writte-off period	(998)	(1.717)	(216.780)	(219.486)	(171.247)	(89.972)	(300.406)	(561.625)	_	_	_	_
Reversion of the interests caused Stage 3	_	_	87.948	87.948	_	_	18.251	18.251	_	_	368	368
Expenses of provision of instruments remainimg during period	22.825	6.354	375.935	405.114	168.973	121.823	255.368	546.164	842	2.025	6.934	9.801
Expenses for the provision of new or originated	88.037	2.736	33.453	124.226	82.396	11.011	55.929	149.336	3.076	366	47	3.489
Refund of canceled or paid instruments	(63.876)	(1.804)	(29.218)	(94.898)	(41:422)	(5.234)	(21.091)	(67.747)	(455)	(16)	(131)	(602)
Reimbursement of provision of instruments remaining during the period	(46.861)	(3.560)	(40.153)	(90.574)	(72.288)	(23.056)	(40.002)	(135.346)	(1.110)	(163)	(481)	(1.754)
Transfer from Stage 1 to Stage 2	(1.756)	1.756	_	_	(10.379)	10.379	_	_	(164)	164	_	_
Transfer from Stage 1 to Stage 3	(3.764)	_	3.764	_	(7.011)	_	7.011	_	(78)	_	78	_
Transfer from Stage 2 to Stage 3	_	(4,474)	4.474	_	_	(10.999)	10.999	_	_	(610)	610	_
Transfer from Stage 3 to Stage 2	_	1.966	(1.966)	_	_	4.271	(4.271)	_	_	37	(37)	_
Transfer from Stage 2 to Stage 1	6.334	(6.334)	_	_	24.608	(24.608)	_	_	982	(982)	_	_
Transfer from Stage 3 to Stage 1	4.724	_	(4.724)	_	8.981	_	(8.981)	_	844	_	(844)	_
Difference in exchange	1.080	_	_	1.080	(9)	_	_	(9)	_	_	_	_
Balance, 31- December- 2018	**$ 145.919**	**9.979**	**676.077**	**831.975**	**159.601**	**76.835**	**265.358**	**501.794**	**9.699**	**3.464**	**12.942**	**26.105**

	Commercial leasing				Leasing comsumo				Housing leasing			
	Stage 1	Stage 2	Stage 3	total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance, 31- December- 2017 IAS 39	$ 12.999	6.350	92.628	111.977	393	192	609	1.194	4.887	692	13.572	19.151
Adoption IFRS 9	15.888	4.641	896	21.425	(196)	(78)	4	(270)	2.507	2.778	1.255	6.540
Balance, 1- January- 2018 IFRS 9	**28.887**	**10.991**	**93.524**	**133.402**	**197**	**114**	**613**	**924**	**7.394**	**3.470**	**14.827**	**25.691**
Writte-off the period	(8)	(143)	(75.068)	(75.219)	(1)	_	(354)	(355)	_	_	(2.917)	(2.917)
Reversion of the interests caused Stage 3	_	_	7.946	7.946	_	_	45	45	_	_	407	407
Expenses of provision of instruments remaining during the period	8.184	3.006	142.723	153.913	(29)	102	458	531	730	4.118	10.546	15.394
Expenses for the provision of new or originated instrument	9.380	266	7.220	16.866	63	4	97	164	4.182	315	106	4.603
Refund of canceled or paid instruments	(5.102)	(530)	(3.179)	(8.811)	(12)	(2)	(1)	(15)	(432)	(17)	(190)	(639)
Reimbursement of provision of instruments that remain during the period	(18.685)	(2.436)	(29.614)	(50.735)	(77)	(53)	(101)	(231)	(1.491)	(425)	(1.983)	(3.899)
Transfer from Stage 1 to Stage 2	(591)	591	_	_	(14)	14	_	_	(358)	358	_	_
Transfer from Stage 1 to Stage 3	(733)	_	733	_	(1)	_	1	_	(139)	_	139	_
Transfer from Stage 2 to Stage 3	_	(2.314)	2.314	_	_	_	_	_	_	(573)	573	_
Transfer from Stage 3 to Stage 2	_	476	(476)	_	_	_	_	_	_	461	(461)	_
Transfer from Stage 2 to Stage 1	5.607	(5.607)	_	_	55	(55)	_	_	1.774	(1.774)	_	_
Transfer from Stage 3 to Stage 1	3.692	_	(3.692)	_	_	_	_	_	1.240	_	(1.240)	_
Difference in exchange	_	_	_	_	_	_	_	_	_	_	_	_
Balance, 31- December- 2018	**$ 30.631**	**4.300**	**142.431**	**177.362**	**181**	**124**	**758**	**1.063**	**12.900**	**5.933**	**19.807**	**38.640**

	Stage 1	Stage 2	Stage 3	total	Stage 1	Stage 2	Stage 3	Total
Balance, 31- December- 2017 IAS 39	$ 18.279	7.234	106.809	132.322	206.279	70.418	859.051	1.135.748
Adoption IFRS 9	18.199	7.341	2.155	27.695	153.125	45.076	12.206	210.407
Balance, 1- January- 2018 IFRS 9	36.478	14.575	108.964	160.017	359.404	115.494	871.257	1.346.155
Write-off period	(9)	(143)	(78.339)	(78.491)	(172.245)	(91.832)	(595.525)	(859.602)
Reversion of the interests caused Stage 3	_	_	8.398	8.398	_	_	114.965	114.965
Expenses of provision of instruments remaining during the period	8.885	7.226	153.727	169.838	201.525	137.428	791.964	1.130.917
Expenses for the provision of new or originated instruments	13.625	585	7.423	21.633	187.134	14.698	96.852	298.684
Reinstatement of canceled or paid instruments	(5.546)	(549)	(3.370)	(9.465)	(111.299)	(7.603)	(53.810)	(172.712)
Expenses of provision of instruments remaining during the period	(20.253)	(2.914)	(31.698)	(54.865)	(140.512)	(29.693)	(112.334)	(282.539)
Transfer from Stage 1 to Stage 2	(963)	963	_	_	(13.262)	13.262	_	_
Transfer from Stage 1 to Stage 3	(873)	_	873	_	(11.726)	_	11.726	_
Transfer from Stage 2 to Stage 3	_	(2.887)	2.887	_	_	(18.970)	18.970	_
Transfer from Stage 3 to Stage 2	_	937	(937)	_	_	7.211	(7.211)	_
Transfer from Stage 2 to Stage 1	7.436	(7.436)	_	_	39.360	(39.360)	_	_
Transfer from Stage 3 to Stage 1	4.932	_	(4.932)	_	19.481	_	(19,481)	_
Difference in exchange	_	_	_	_	1071	_	_	1.071
Balance, 31- December- 2018	**$ 43.712**	**10.357**	**162.996**	**217.065**	**358.931**	**100.635**	**1.117.373**	**1.576.939**

The following is the movement of impariment of credit portfolio durin period ended 31-December -2017

	Commercial	Consumption	Housing mortgage	Financial Leacing	Total
Balance, 31- December- 2017	$ 355.516	395.293	4.779	116.692	872.280
Writte-off period	(181.064)	(467.341)	_	(34.738)	(683.143)
Provisions of the period	448.323	711.093	4.923	137.673	1.302.012
Recovery of provisions	(164,863)	(201.498)	(1.632)	(62.176)	(430.169)
(Recovery) charge of provisions with balancing entry in ORI for the period (*)	66.564	29.665	2.487	(25.185)	73.531
Difference in exchange	1.181	_	_	56	1.237
Balance, 31- December- 2017	**$ 525.657**	**467.212**	**10.557**	**132.322**	**1.135.748**

3. Credit portfolio individually and collectively evaluated

The following is the detail for credit risk impairment at December 31, 2018 and 2017, taking into account the way they were determined, in an individual manner for credits more than $2,000 and collectively for the other credits.

The impaired portfolio represents the credits with associated credit risk, while the due credit portfolio only takes in account days of arrears or default by the client (without identifying whether or not associated credit risk exists). The reserves for credit portfolio are determined based on the impaired credit portfolio.

December 31, 2018

		Commercial	Consumption	Mortgage of Housing	Financial Leasing	Total
Provision for impairment						
Credits individually evaluated	$	479.813	-	-	72.069	551.882
Credits collectively evaluated		352.162	501.794	26.104	144.996	1.025.056
Total provision for impairment	$	**831.971**	**501.794**	**26.104**	**217.065**	**1.576.938**
Gross balance of financial assets for credit portfolio		**Commercial**	**Consumption**	**Mortgage of Housing**	**Financial Leasing**	**Total**
Credits individually evaluated (1)	$	11.543.801	5.451	5.546	3.012.358	14.567.156
Credits collectively evaluated		4.336.803	6.784.564	585.962	2.299.108	14,006.437
Total provision for impairment	$	**15.880.604**	**6.790.015**	**591.508**	**5.311.466**	**28.573.593**

		December 31, 2017				
Provision for impairment		**Commercial**	**Consumption**	**Mortgage of Housing**	**Financial Leasing**	**Total**
Credits individually evaluated	$	277.458	-	-	33,034	310.492
Credits collectively evaluated		248.199	467.212	10.557	99.288	825.256
Total provision for impairment	$	**525.657**	**467.212**	**10.557**	**132.322**	**1.132.748**
Gross balance of financial assets for credit portfolio		**Commercial**	**Consumption**	**Mortgage of Housing**	**Financial Leasing**	**Total**
Credits individually evaluated (1)	$	11,069.181	10.549	4.246	3.062.070	14.146.046
Credits collectively evaluated		4.938.713	6.853.106	505.693	2.173.071	14.470.583
Total provision for impairment	$	**16.007.894**	**6.863.655**	**509.939**	**5.235.141**	**28.616.629**

(1) Include all the individually evaluated more than $2,000 million regardless whether the product of the evaluation is deemed impaired or not impaired.

(2)

4. Credit portfolio individually evaluated

The following is the detail of credits individually evaluated for impairment at December 31, 2018 and 2017:

		December 31, 2018		
		Registered gross value	Collateral Guarantees	Provision Made
Impairment no recorded				
Commercial	$	58.507	89.225	_
Commercial leasing		113.211	315.608	_
Subtotal		**171.718**	**404.833**	**_**
With recorded impairment				
Commercial		1.658.661	190.903	479.813
Commercial leasing		225.806	166.152	72.069
Subtotal		**1.884.467**	**357.055**	**551.882**
Totals				
Commercial		1.717.168	280.128	479.813
Commercial leasing		339.017	481.760	72.069
Totals	$	**2.056.185**	**761.888**	**551.882**

		December 31, 2017 Credits valued individually impaired		
		Registered gross value	Collateral Guarantees	Provision Made
Impairment no recorded				
Commercial		485.064	184.136	_
Commercial leasing		173.921	538.948	_
Subtotal		**658.985**	**723.084**	**_**
With recorded impairment				
Commercial		1.866.061	57.747	277.458
Commercial leasing		190.621	72.761	33.034
Subtotal		**2.056.682**	**130.508**	**310.492**
Totals				
Commercial		2.351.125	241.883	277.458
Commercial leasing		364.542	611.709	33.034
Totals	**$**	**2.715.667**	**853.592**	**310.492**

5. Credit portfolio maturity period

Below the distribution of credit portfolio of the Holding Company and Subsidiaries is shown by maturity periods:

31- December 2018

		Up to 1 year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years	Total
Commercial	$	9.470.017	3.795.166	1.486.663	1.128.758	15.880.604
Consumption		2.055.588	2.853.165	1.505.912	375.350	6.790.015
Housing		50.591	88.098	83.982	368.836	591.507
Commercial leasing		1.318.068	1.608.146	819.199	759.901	4.505.314
Consum. leasing		3.667	4.372	1.867	308	10.214
Housing leasing		77.385	124.272	117.027	477.255	795.939
Total portfolio	$	**12.975.316**	**8.473.219**	**4.014.650**	**3.110.408**	**28.573.593**

31- December, 2017

		Up to 1 year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years	Total
Commercial	$	9.681.664	3.783.102	1.342.782	1.200.346	16.007.894
Consumption		2.139.049	2.981.332	1.387.582	355.692	6.863.655
Housing		42.001	74.748	74.177	322.013	509.939
Financial leasing		1.433.332	1.707.124	913.547	1.181.138	5.235.141
Total portfolio	$	**13.296.046**	**8.546.306**	**3.715.088**	**3.059.189**	**28.616.629**

6. Credit portfolio by type of currency

Following the credit portfolio classification is itemized by type of currency:

31- December - 2018

		Colombian pesos	Foreign currency	Total
Commercial	$	12.923.483	2.957.121	**15.880.604**
Consumption		6.730.065	59.950	**6.790.015**
Housing		591.507	_	**591.507**
Commercial leasing		4.505.314	_	**4.505.314**
Consum. leasing		10.214	_	**10.214**
Housing leasing		795.939	_	**795.939**
Total portfolio	**$**	**25.556.822**	**3.017.071**	**28.573.393**

31- December - 2017

		Colombian pesos	Foreign currency	Total
Commercial	$	13.244.902	2.762.992	**16.007.894**
Consumption		6.811.011	52.644	**6.863.655**
Housing		509.939	_	**509.939**
Financial leasing		5.235.141	_	**5.235.141**
Total portfolio	**$**	**25.800.993**	**2.815.636**	**28.616.629**

7. Credit portfolio by financial leasing

The following is the reconciliation between gross investments in financial leasing and the present value of the minimum payments receivable with closing December 31, 2018 and 2017:

		December 31, 2018	December 31, 2017
Total rent fees of leasing to be received in the future	$	7.527.435	7.519.477
Plus residual value estimate of assent delivered in Leasing (Unguaranteed)		1.324	734
Gross investment in leasing contracts		**7.528.759**	**7.520.211**
Less financial income unrealized		(2.217.292)	(2.285.070)
Net investment in financial leasing contracts		**5.311.467**	**5.235.141**
Impairment of net investment in financial leasing contracts	$	**(217.065)**	**(132.322)**

Below the detail of gross investment and net investment in financial leasing contracts receivable at December 31, 2018 and 2017 in each of the following operational years:

		December 31, 2018		December 31, 2017	
		Gross investment	Net investment	Gross investment	Net investment
Up to 1 year	$	1.669.781	1.169.212	1.691.621	1.185.471
Between 1 and 5 years		3.586.612	2.457.584	3.606.027	2.424.817
More than 5 years		2.272.366	1.684.671	2.222.563	1.624.853
Total	**$**	**7.528.759**	**5.311.467**	**7.520.211**	**5.235.141**

In financial leasing operations, the Holding Company as the lessor delivers goods to the lessee to be used for an agreement term in exchange of a rental free and the upon the completion the lessee is entitled to acquire the assets through an option agreed upon from the beginning usually corresponding to a significantly lower than the commercial value at that time. In most of the contracts the fee is calculated taking as reference the DTF or IBR adding some nominal points. The insurances, maintenance and any cost over the assetaa are assumed by the lessee. On the other hand, there is in place leasing operations without purchase option, that from the beginning includes guaranteed residuals, or if not guaranteed, the residuals correspond to a low percentage related to the asset value. In most of the prior contracts, the rental fee is reckoned taking as a reference the DTF or IBR adding or subtracting some nominal points the lessee assuming the VAT, the insurances and the asset maintenance.

Note 12. - Other Accounts Receivable, Net

Below the detail of other current accounts receivable at December 31, 2018 and 2017:

Detail		December 31, 2018	December 31, 2017
To parent company, subsidiaries, related companies and associates	$	153	_
Advance contract of suppliers		1.016	1.202
Advance tax of industry and commerce		3.356	9.529
Leases		313	259
Rent fees of goods given in operational leasing		92	147
Commissions		9.163	8.977
Compensations of credit cards and Network Compensations		20.262	15.881
Condonations SIIF		2.219	4.435
Contributions		127	256
Abandoned accounts ICETEX		34.872	29.091
Accounts receivable sale of goods and services		26.572	24.223
Deposits		1.851	1.262
Debtors		-	658
Dividends		7.719	9.768
Missing in exchange		154	-
Missing in cash		22	-
Prepaid expenses		5.412	15.392
Fees, services and advance payment		501	-
Taxes		10	-
Interests		81	-
Others		23.649	33.432
Promising sellers		146	1.372
Claims to insurance companies		1.125	1.637
Balances in favor in compliance with forward contracts		1.709	5.519
Transfer to the National Treasury Office		3.172	-
Electronic transfers in process		4	(1.463)
Subtotal	$	143.699	161.581
Provision of other accounts receivable		(14.269)	(25.047)
Total	$	129.430	136.534

Accounts receivable of contracts with clients for compliance of IFRS 15

Goods and services		31- December 2018	31- December 2017
Banking services commissions	$	24	16
Fiduciary activities		3.755	3.622
Other Commissions		5.384	5.339
Total	**$**	**9.163**	**8.977**

He following is the movement of impairment for the years ended 31-Deceber-2018 and 2017:

		31- December 2018	31- December 2.017
Balance at December 31-2017 IAS 39	$	25.047	7.049
Adoption IFRS 9		(160)	_
Balance, 1- January- 2018 IFRS 9		**24.887**	**7.049**
Provision charged to results		40.411	48.342
Recoveries from other accounts receivable		(336)	(391)
Writte-off		(50.697)	(29.953)
Adjustment for difference in foreign currency exchange		4	_
31- December -2018	$	14.269	25.047

Note 13 –Profit and/or loss of non-current assets maintained for sale

Below the detail of profit and/or loss is included resulting from the sale the sale of goods classified as maintained for sale during periods ended on 31-December-2018 and 2017:

		31- December 2018			31 December 2017		
		Value in books	Value of the sale	Utility	Value in books	Value of the sale	Utility and / or (loss)
Real Property	$	9.522	9.767	245	3.447	2.500	(947)
Cattles		7.517	7.705	188	5.267	5.677	410
	$	**17.039**	**17.472**	**433**	**8.714**	**8.177**	**(537)**

Note 14 – Investments in associated and joint ventures, and joint operations

1. Investments in associates and joint ventures and joint business

Bellow detail of the investments in associates and joint business at 31- December-2018 and 2017:

		31- December 2018	Reexpressed (See note 2) 31 - December 2017	Reexpressed (See note 2) 1 - January 2017
Associate (restated)	$	1.246.888	1.100.771	987.862
Joint business		1.046	1.597	_
Total	$	**1.247.934**	**1.102.368**	**987.862**

Below the participation percent in each one of the associated companies and joint ventures:

	31- December 2018		Reexpressed (See note 2) 31- December 2017		Reexpressed (See note 2) 1- January - 2017	
	% participation	**Value in books**	**% participation**	**Value in books**	**% participation**	**Value in books**
Associate						
A Toda Hora S.A	20,00%	$ 1.892	20,00%	$ 1.655	20,00%	$ 1.520
Porvenir S.A	33.09%	724.979	33,09%	668.917	33,09%	569.262
Aval Soluciones Digitales S.A	26,60%	2.419	26,60%	_	26,60%	_
Corporación Financiera Colombiana S.	3,96%	517.598	4,64%	430.199	4,64%	417.080
		$ 1.246.888		**$ 1.100.771**		**$ 987.862**
Joint business						
A Toda Hora S.A	25,00%	$ 1.046	25,00%	$ 1.597	25,00%	$ _
		$ 1.046		$ 1.597		$ _

(*) The carrying value in of investment in Porvenir S.A. includes the mercantile credit for the acquisition of the Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. on December 2013 for $64,724.

Below the movement of investments is shown of the investments in associated companies and joint ventures for the years ended on December 31, 2018 and 2017:

Associated companies	**31- December 2018**	**Reexpressed (See note 2) 31- December 2017**
Balance at the beginning of the restate period	**$ 1.100.772**	**987.862**
Changes in accounting policies	(1,923)	_
Dividends received in cash and shares	(49,198)	(42,935)
Participation in other integral results	(3.552)	5.977
Participation in the results of period	183.380	149.867
Dilution effect	14.748	_
Acquisitions of controlled companies and associates	2.661	_
Balance at the end of the period restated	**$ 1.246.888**	**1.100.771**

Joint business	**31- December 2018**	**31- December 2017**
Balance at the beginning of period	**1.597**	_
Share in the results of period	(551)	2.175
Transfer / Reclassifications	_	(578)
Balance at the end of period	**$ 1.046**	**1.597**

The business purpose of A Toda Hora S.A. is the supply of services as provided in Article 5 in Act 45/1990 and the complementary regulations, specially computer programming, the marketing of programs, the representation of national or overseas companies, producing

or marketing programs, the organization and administration of ATMs to carry out transactions or operations; data processing and information management in own or alien equipment to keep the accounting, the creation and organization of files, and the performance of calculations, statistics and information in general; as well as the communications electronic transference of data.

The business purpose of Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. is the management of Funds of Pensions and severance authorized by law, as well as the managements of the autonomous patrimonies make up by the territorial entities, their decentralized and private companies, as provided in Art. 16, Decree 941 – 2002, for the purpose to make available resources to pay the pension obligations; such as pensions, pensional bonds, pension bonds fees and quotas part of pensions under the terms in Article 23, Decree 1299 / 1994, regulated by decrees 810 / 1998 and 941 – 2002; which constitute autonomous patrimonies independent of Company's equity.

On January 2018, the Holding Company, together with other entities of Grupo Aval, incorporated the company Soluciones Digitales S.A. under public deed No. 6041 of Notary 73 in Bogotá.

The exclusive business purpose of the corporation is supply of services authorized to the companies specialized in deposits and electronic payments in the compliance of its business purpose.

Aval Soluciones Digitales S.A. has in place total 10.000.000 shares subscribed, which are totally paid. The Holding Company holds a participation for 26.60% with 2.660.001 shares.

Corporación Financiera Colombiana S.A. Corficol, is a credit establishment which principal purpose is the receive term-deposits, through deposits or term debt instruments, in order to carry out active credit operations and make investments, for main purpose to encourage or promote the creation, reorganization, merging, transformation and extension of companies, in the sectors indicated by the provisions regulating their activity, organized pursuant to the provision issued by the Organic Statute of Financial System (Decree 663 – 1993) and the additional provisions and other provision amending, abolishing or replacing them. By decision of Stock Holders General Meeting, the Corporation may change the registered office, and by decision of the Board of Directors may establish branch offices or agencies inside or outside the national territory.

On October 2018 revision of investment control was made in Corficolombiana S.A. and after analysis it was decided for the Bank to hold significant influence, and for such reason, this investment is reclassified that in such time was recorded as investment at fair value with changes in ORI. The accounting effects are then recognized in the financial statements separated of Banco de Occidente. Upon the revision of concepts given by IAS 28, it was possible to establish that Banco de Occidente has significant influence on Corficolombiana S.A. through the following ways:

- Representation in the Administration Council or an equivalent body of the top management of the entity participate (only one member).
- Participation in the processes to propose the policies, among which, the participation in the decisions about dividends and other distributions.

The Bank, according to provision in IAS 28, proceeds to apply the participation method as from 01-January-2017, based on adjusted figures of previous operation periods.

Below the detail of the accounts influenced by the amendments of separated financial statements at 01-January-2017 and 31-December-2017:

On 5-September-2018, Corficolombiana increased its capital through the issue of common shares and shares with preferential dividend and without voting right. This way, the subscribed and paid up capital of this company increased by $2.794.483,17o and the outstanding shares were 279,448,317, as follows: Ordinary 263,545,395 and 15,902,922 and preference shares without voting right.

The Bank waived its right to subscribe of these new shares, for the reasons below:

- To increase the amount of investment in Corficolobiana, will result that the deduction in Basic Ordinary equity to be higher, and for such reason will impact the ratios of individual solvency and consolidated of the Bank, more than provided in the current provision and new provision of solvency.
- The investment capacity of the Bank would be impacted, according to Article 119 of the Organic Statute of Financial System. The capacity at 30-June-2018 is $2,1 billion pesos.
- To subscribe the shares of Corficolombiana, involves an effect on the cash flow of the Bank, in the extent that, it is necessary to obtain resources by increasing the liabilities or cancellation of assets.

As a result of the decision previously described, the Bank has lost a portion of its percentage of patrimonial participation in the associate Corficolombiana, without implying the loss of significant influence make on this entity.

This way, the Bank participation in Corficolombiana is decreased by 0.6915%, as detailed below:

Detail	August 2018
Outstanding shares	237.918.775
Banco de Occidente shares	11.071.638
Bank participation before issuance	4.653547%

Detail	September 2018
Total Outstanding shares	279.448.317
Banco de Occidente shares	11.071.638
Bank participation after issuance	3.961963%

Reduction of participation	**0.691584%**

The abridged information of the investments in associate companies recorded based on the participation method, is as follows:

31- December 2018

		Assets	Liabilities	Heritage	Income	Expenses	Results
A Toda Hora S.A	$	10.262	802	9.459	12.044	10.860	1.184
Porvenir S.A		3.094.360	1.071.767	2.022.593	1.809.832	1.449.704	360.129
Aval Soluciones Digitales S.A		9.623	531	9.092	268	1.175	(908)
Corporacion Financiera Colombiana S.A		11.945.187	6.022.873	5.922.314	1.733.355	133.622	1.599.733
	$	**15.059.432**	**7.095.973**	**7.963.458**	**3.555.499**	**1.595.361**	**1.960.138**

31- December 2017

		Assets	Liabilities	Heritage	Income	Expenses	Results
A Toda Hora S.A	$	9.317	1.041	8.275	11.091	10.399	692
Porvenir S.A		2.792.066	966.246	1.825.759	1.440.841	1.018.863	421.978
Aval Soluciones Digitales S.A		9.129.613	5.954.998	3.174.615	236.959	19.001	217.958
Corporacion Financiera Colombiana S.A		**11.930.936**	**6.922.285**	**5.008.649**	**1.688.891**	**1.048.263**	**640.628**

Below the detail of dividends received from the associate companies during the years ended on 31-December-2018 and 2017

Porvenir S.A		**31- December 2.018**	**31- December 2017**
Cash	$	49.198	42.935

Corficol S.A **Reexpressed (See Nota 2)**		**31- December 2018**	**31- December 2017**
Shares	$	5.420	4.234

Below the abridged financial information of investments in joint ventures recorded based on the participation method:

	Assets	**Liabilities**	**Heritage**	**Income**	**Expenses**	**Results**
A Toda Hora S.A $	41.249	37.062	4.187	210.800	213.001	(2,201)

31- December 2017

	Assets	**Liabilities**	**Heritage**	**Income**	**Expenses**	**Results**
A Toda Hora S.A $	47.986	41.598	6.387	207.848	199.148	8,700

During the years ended on December 31, 2018 and December 31 2017, dividends from joint ventures were not received.

For the development of itheir operations ATH has entered into an agreement of participation accounts with other financial entities of Grupo Aval for the purpose to develop all the mercantile operations related to the centralized management of electronic transfer operations of of data and funds through automatic teller machines, internet or any other electronic means.

ATH takes part in its capacity as manager of such agreement to develop in its name and under its personal credit the purpose of agreement.

2. Joint controlled operations

Any joint operation is a joint agreement whereby the parties holding the joint control of the agreement are entitled to the assets and obligations with regards to the liabilities, related to the agreement. Such parties are named joint operators.

Such joint operations are recognized in each item of financial statement of the entity in a proportional manner of participation in the assets, liabilities, income and expenses from every joint operation in force during the period.

Below the summary of participation in the joint operations, where the subsidiary Fiduciaria de Occidente holds participation at 31-December--2018 and 2017:

			31- December 2018		31- December 2017	
	% participation		Assets	Liabilities	Assets	Liabilities
Emcali	25	$	92	77	99	68
Fosyga en Liquidacion	6.55		52	1.075	47	479
Pensiones Cundinamarca 2012	55		39	4	186	33
Metroplus APEE	60		1	1	1	1
Concesionaria Calimio	56		8	2	8	2
Consorcio Sop 2012	33.33		667	6	630	152
Fondo de Adaptacion	50		269	15	216	17
Fidupensiones Bogota Colpatria Occidente 2(	23		3	_	3	_
Lote Avenida Colombia (Proyecto Cali)	50		113	110	109	_
Total		**$**	**1.244**	**1.290**	**1.299**	**752**

			31 December 2018			31- December 2017		
	% Participation		Income	Expenses	Utility (Lost)	Income	Expenses	Utility (Lost)
Emcali	25	$	326	227	99	310	216	94
Fosyga en Liquidacion	6.55		1	638	(637)	1	56	(55)
Pensiones Cundinamarca 2012	55		_	119	(119)	402	397	5
Matroplus APEE	60		_	_	_	_	_	_
Concesionaria Cali Mio	56		36	11	25	33	10	23
Consorcio Sop 2012	33.33		1.185	452	733	1.472	341	1.131
Fondo de Adaptación	50		430	176	254	343	181	162
Fidupensiones Bogota Colpatria Occidente 201	23		_	_	_	9	4	5
Lote Avenida Colombia (Proyecto Cali)	50		5	110	(105)	7	1	6
Total			**1.983**	**1.733**	**250**	**2.577**	**1.206**	**1.371**

The participations of joint operations of asset of the corporation include the following at 31-December-2018 and 2017:

Share of asset		**31- December 2018**	**31- December 2017**
Cash and cash equivalent	**$**	691	637
Deposits and investments in debt securities		5	5
Accounts receivable		534	654
Properties and equipment for own use		5	_
Other activities in joint operations		9	3
Total assets		1.244	1.299

The joint operations participations of liabilities of Subsidiria Fiduciaria de Occidente S.A. include the following at 31-December-2018 and 2017:

Liabilities participation		31- December 2018	31- December 2.017
Accounts payable	$	153	50
Other liabilities		8	15
Other liabilities, contributions		99	247
Other provisions		1.030	440
Total liabilities		**1290**	**752**

Below the economic activity of the joint operations (Consortiums):

Name	ACTIVITY
Emcali	Under the contract 160GF-CF-001-2005, the Autonomous Equity.0 was established, for the purposes, inter alia: (i) Collecting the total of income of Emcali through mechanisms and procedures defined in Operative Manual; (ii) administer the trust income as established in this agreement; (iii) pay under EmCALI instruction as indicated in this agreement, all operational and administrative of the business expenses through the trust observing the provision in Annex No. 4 of the agreement. The principal domicile where the consortium develops its operations is Carrera 5 No. 12-42 in the city of Cali.
Fosyga (under liquidation)	The purpose of this Agreement is the collection, administration and payment by the consortium the resources of the Fund of Solidarity and Guaranty of the general system of Social Security in health under the terms provided in Act 100, 1993. The principal domicile where the consortium develops its operations is Calle 31 No. 6-39 Piso 19, in the City of Bogotá.
Pensiones Cundinamarca (under liquidation)	Administration of resources from Fondo de Pensiones Públicas de Cundinamarca, used to cover the pension liability of the Department. The principal domicile where the consortium develops its operations is in Carrera 13 No. 26A-47 Piso 9 in the City of Bogotá.
Name	**ACTIVITY**
Metroplus APEE	Administration, investment and payments of Resources delivered to Metroplus as co-financing contributions of nation, the resources delivered by the municipalities Medellín, Itagui and Envigado for contracts entered made by Metroplus S.A. of the design, studies, physical infrastructure and to purchase properties required for the integrated system of transportation to Valle de Aburra. The principal domicile where the consortium develops its operations is in Carrera 13 No. 26A-47 piso 9 in the city of Bogotá.
Consorcio SOP 2012	Administration of resources making up the autonomous patrimonies integrating the Fondo Nacional de Pensiones de las Entidades Territoriales FONPET – and the related and complementary activities involving such administration. The principal domicile where the consortium develops its operations is in Carrera 13 No. 26A-47 piso 9 in the city of Bogotá.
Fondo de Adaptación	FIDUCIARIA undertakes to El FONDO to create an autonomous Equity with the investment resources of El Fondo Adaptación to collect, administer, investment and payments inside and outside Colombia by virtue of the provision in article 5th Decree 4819, 2010 regulated by the Decree 2906, 2011. The Agreement will be

	accomplished according to the terms, conditions and requirements set forth in thr contractual terms and conditions and its technical annex, as well as the proposal submitted by LA FIDUCIARIA on April 27, 2012 for the original execution of the contract and the proposal submitted by the Fiduciaria on December 30, 2013 for the execution of the additional clause No. 1, such document making an integral part of this Contract. Additionally, Fiduciaria, as the spokesman of the autonomous equity,might execute credit operations with the national treasury and/or financial entities under the control and vigilance of the Finance Superintendence, under the terms of Article 84 in Act 1687, 2013. PARAGRAPH: Fiduciaria undertakes to develop the contractual aim under total autonomy and independence, at its own account and risk and under its exclusive responsibility, and for such reason, this contract does not involves any labor relationship between Fiduciaria and Fondo. The principal domicile where the consortium develops its operations is in Carrera 13 No. 26A-47 piso 9 in the city of Bogotá.
Concesionaria Calimío	Collection and administration of the resources used to develop the projects and those ones derived from them, among which the capital contributions of equity made by the trustee those products of the use of syndicated loans, and the payments corresponding to the Economic Participation received from MIO System. The principal domicile where the consortium develops its operations is Carrera 13 No. 26A-47 piso 9 in the city of Bogotá
Land lot Avenida Colombia (Project Cali) (under liquid.)	Administration Real estate project in the city of Cali corresponding to the construction of commerce and offices building. The domicile where the consortium develops its operations is Calle 67 No. 7-37, piso 3 in the city of Bogotá.
Fidupensiones Bogotá Colpatria Occidente 2011 (under liquidation.)	The integration of a consortium between Fiduciaria Bogota S.A., Fiduciaria Colpatria S.A. and Fiduciaria de Occidente S.A. for the purpose to complement the technical, operative, administrative and financial capabilities of the parties making part of this consortium, for the proposal, awarding, execution and development of this contract, within the open contest (Internet contracting) No. 523364 open by Ecopetrol S.A. the purpose of which is the administration of a pension autonomous patrimony destined to pay Ecopetrol S.A. pension obligations; the domicile of consortium will be Calle 67 No. 7-37 in the City of Bogota.

At December 31-2018 and 2017 according to IAS 37, the joint operations managed by the subsidiary Fiduciaria de Occidente S.A. (Metroplus, Calimio, Pensiones Cundinamarca (under liquidation), Fidufonpet 2006, Fondo de Adaptación and Sop 2012), Fiducolombia S.A., (Emcali and Fosyga) Fiduciaria Bogotá S.A. (Bogotá Colpatria Occidente 2011 and Proyecto Cali), in their financial statements show neither liabilities nor contingent assets potentially endangering the normal operations of the consortiums.

Legal and financial situation of the joint operation (consortium) FOSYGA 2005 “Under liquidation”.

It is reported that the Consorcio Fosyga 2005 “under liquidation”, where the subsidiary Fiduciaria de Occidente S.A. holds 6.55% participation, has been linked by General Comptroller of the Republic as payer of resources in fiscal responsibility proceedings and there exist contingences in other processes of third parties addressed against the Nation where the Consortium has been included as the alleged responsible. The provisions in the Consortium, with closing December 31, 2018 amount to $14,888, among which the Society holds 6.55% participation and this is the amount recorded in the liabilities account estimated of the joint operations.

The fiduciary assignment created to manage the resources of Fosyga, entered into by the Ministry of Health and Social Protection with Consorcio Fosyga 2005 finished its execution at August 31, 2011 and was unilaterally liquidated by the aforementioned Ministry through the Resolutions 371 and 809 of February 10 and March 17, 2014, respectively, where it is determined that there exists a credit balance of the Ministry for $15,611. In connection with that, the Consortium performed a conciliation before the Attorney General Office of the Nation the purpose thereof was to diminish the amounts established payable by Fiduciaries making up the Fidufosyga consortium 2005, in the administrative actions issued on occasion of contract unilateral winding up, as a result of this, the consolatory agreement was executed on December 18, 2014, by virtue of which the entities making up the consortium made the payment to the Ministry for $12,005, such agreement approved by the Administrative Contention Court of Cundinamarca, by the decision dated December 10, 2015 pursuant to provision in Art. 24, Act 640. 2001. The day February 2, 2016, the resources were delivered in favor of the Ministry of Health and Social Protection, such situation involving the liquidation of autonomous patrimony constituted in Helm Fiduciaria S.A.

Lastly, there exist other contingencies, to which the Consortium administration considers that the possibility of loss in these proceedings is not probable and for such reasons provisions have not been made, considering the compliance of purpose of contract by the Consortium.

Legal and Financial Situation of the joint operation (Consortium) EMCALI

The society Fiduciary has initiated twenty two (22) judicial actions for the protection of the own interest, corresponding to the collection of fiduciary commissions in the insolvency proceedings of some of the clients, the collection of judicial costs and the nullity and the restoration of right of administrative acts through which EMCALI has collected to Fiduciaria utilities generated by a real estate making part of an autonomous patrimony already liquidated.

Note 15. Tangible Assets, Net

Below the movement of the carrying value of the tangible assets accounts (properties and equipment for own use, properties given in operative leasing and properties of investment) for the operational periods ended on December 31, 2018 and 2017:

		For own use	Dice in operating lease	Investment properties	Total
Cost at fair value:					
Balance as of December 31, 2016	**$**	**771.651**	**7.047**	**144.865**	**923.563**
Purchases or capitalized expenses (net)		82.470	3.100	66.712	152.282
Withdrawals / Sales (net)		(31.428)	(2.466)	(22.430)	(56.324)
Changes in fair value		_	_	32.612	32.612
Adjustment for difference in exchange		(27)	_	_	(27)
Reclassification concessions		_	_	_	_
Other reclassifications		3.371	_	(3.595)	(224)
Balance at of December 31, 2017	**$**	**826.037**	**7.681**	**218.164**	**1.051.882**
Balance at of December 31, 2017	$	**826.037**	**7.681**	**218.164**	**1.051.882**
Purchases or capitalized expenses (net)		49.501	1.330	41.937	92.768
Withdrawals / Sales (net)		(38,804)	(1.539)	(50.388)	(90.731)
Changes in fair value		_	_	(2.668)	(2.668)
Adjustment for difference in exchange		549	_	_	549
Other reclassifications		(6.678)	_	5.431	(1.247)
Balance at of December 31, 2018		**830.605**	**7.472**	**212.476**	**1.050.553**
Accumulated depreciation:					
Balance at of December 31, 2016	$	**(218.969)**	**(4.970)**	**_**	**(223.939)**
Depreciation of the year charged to results		(63.077)	(760)	_	(63.837)
Withdrawals / Sales		9.313	2.125	_	11.438
Adjustment for difference in exchange		13	_	_	13
Other reclassifications		223	_	_	223
Balance at of December 31, 2017	**$**	**(272.497)**	**(3.605)**	**_**	**(276.102)**
Balance at of December 31, 2017	**$**	**(272.497)**	**(3.605)**	**_**	**(276.102)**
Depreciation of the year charged to results		(67.489)	(1,329)	_	(68.818)
Withdrawals / Sales		21.949	1.381	_	23.330
Adjustment for difference in exchange		(493)	_	_	(493)
Other reclassifications		1.247	_	_	1.247
Balance at of December 31, 2018		**(317.283)**	**(3.553)**	**_**	**(320.836)**
Loss for impairment:					
Balance at of December 31, 2016	**$**	**(60)**	**(1)**	**_**	**(61)**
Charge for impairment of year		(3.043)	(1)	_	(3.044)
Refund for impairment		(7)	2	_	(5)
Adjustment for difference in exchange		14	_	_	14
Balance at of December 31, 2017		**(3.096)**	**_**	**_**	**(3.096)**
Balance at of December 31, 2017	**$**	**(3.096)**	**_**	**_**	**(3.096)**
Charge fir umpairmet in the year		(120)	(19)	_	(139)
Refund for impairment		1.309	20	_	1.329
Balance at of December 31, 2018	**$**	**(1.907)**	**1**	**_**	**(1.906)**
Tangible assets, net:					
Balance at December 31, 2017		**550.444**	**4.076**	**218.164**	**772.684**
Balance at December 31, 2018		**511.415**	**3.920**	**212.476**	**727.811**

a) Properties and equipment for own use

Below the detail of the balance at 31-December- 2018 and 2017. By type of properties and equipment for own use:

31- December - 2018	Costs	Accumulated depreciation	Lost due to deterioration	Amount in books
Land	77.617	_	_	77.617
Buildings	386.798	(102.377)	_	284.421
Office equipment, fillings and fixtures	107.939	(64.613)	(262)	43.064
Informatics equipment	171.843	(116.835)	_	55.008
Vehicles	14.359	(5.275)	(35)	9.049
Mobilization equipment and machinery	31.101	(8,139)	(1.610)	21.352
Improvements in third-party properties	33.172	(20,044)	_	13.128
Ongoing constructions	7.776	_	_	7.776
Total	**830.605**	**(317.283)**	**(1.907)**	**511.415**

31- December - 2017	Costs	Accumulated depreciation	Lost due to deterioration	Amount in books
Land	$ 77.998	_	_	77.998
Buildings	392.416	(82.647)	(116)	309.653
Office equipment, filing and fixtures	101.204	(58.995)	(226)	41.983
Informatic equipments	166.247	(106.716)	(11)	59.520
Vehicles	9.798	(5.725)	_	4.073
Mobilization equipment and machinery	39.320	(4.037)	(2,743)	32.540
Improvements in third-party properties	29.438	(14.377)	_	15.061
Ongoing constructions	9.616	_	_	9.616
Total	**$ 826.037**	**(272.497)**	**(3.096)**	**550.444**

Below the principal ongoing constructions and enhancements in Holding Company's properties and its subsidiaries at December 31, 2018:

Construciones en curso

Work	Value
Obra Edificio Santa Bárbara	$ 1.754
Obra Edificio Santa Bárbara Fidecomiso	3.144
Obra Subestación Ed. Centro Internacional	1.022
Obra Of. Pedro de Heredia	577
Obra Of. Cartagena Ppal	227
Obra Of.Ricaurte	164
Obra Ed.Barranquilla P2 - P3	115
Obra Of. Calle 92	109
Obra Of. Yopal	100
Obra Of. Cañaveral	94
Other	470
Total Ongoing Constructions	**$ 7.776**

Enhancements in alien properties

Improvements in third-party properties

Work		Cost	Accumulated depreciation	Amount in Books
Ed. Citibank piso 10	$	551	(223)	328
Ed. Calle 72 piso 3		316	(6)	310
Of. Unicentro Pereira		395	(85)	310
Of.Credicentro Integral Cartagena		488	(198)	290
Of. Credicentro Vivienda El Poblado		340	(64)	276
Of. Av. Santander		445	(179)	266
Of.Rionegro		317	(68)	249
Of.Plaza Central		317	(71)	246
Of.Parque La Colina		333	(100)	233
Of. Monteria principal		460	(230)	230
Of. CC. La Estacion Cali		339	(119)	220
Of. Calle 147 (Cedritos II)		270	(52)	218
Of. CC. Tesoro		445	(228)	217
Of. Centro Comercial Mayorca		321	(113)	208
Of. Centro Comercial Unico Pasto		210	(16)	194
Of. Avenida Cuarenta Villavivencio		307	(119)	188
Of. La Castellana Bogota		274	(95)	179
Od. CC. Jardin Plaza		347	(177)	170
Of. Pitalito		331	(163)	168
Of. Soledad Atlántico		413	(249)	164
Of. Soacha		225	(63)	162
Of. Apartado		381	(230)	151
Of. Paseo La Castellana		392	(243)	149
Of. Chiriguana		272	(125)	147
Of. Las Peñitas		437	(297)	140
Others		13.467	(10.461)	3.006
Total improvements in alien properties of the Matrix	$	**22.393**	**(13,974)**	**8.419**
Sede Norte		5.434	(2.294)	3.140
Sede Centro		381	(185)	196
Sede Fontibon		95	(24)	71
Sede Cali		900	(469)	431
Sede Medellín		480	(203)	277
Sede Barranquilla		258	(77)	181
Sede Bucaramanga		53	(18)	35
Sede Cúcuta		16	(3)	13
Sede Cartagena		2	(1)	1
Sede Ibagué		7	(2)	5
Sede Neiva		17	(3)	14
Sede Valledupar		15	(3)	12
Sede Villavicencio		14	(3)	11
Dismantling costs		280	(178)	102
Total improvements in alien properties Sales and Services		**7.952**	**(3.463)**	**4.489**
Occidental Bank Barbados Ltd.(Bogotá)(*)		296	(76)	220
Total improvements in alien properties Occidental Bank Barbados Ltd.		**296**	**(76)**	**220**
Banco Occidente Panama S.A		2.531	(2.531)	_
Total Improvements in alien properties Banco de Occidente Panama S.A		**2.531**	**(2,531)**	_
Total Improvements in alien properties	$	**33.172**	**(20,044)**	**13,128**

(*) Occidental Bank Barbados Ltd. has in place a branch office in Colombia - Bogotá

Upon the termination, such assets will be transferred to the relevant asset account.

All Properties and equipment of the Holding's Company and subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente Panama S.A. and Occidental Bank (Barbados) Ltd., as well as the goods given in operative leasing are duly covered against fire, weak current, and other risks, with insurance policies in force. The Holding Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente Panama S.A. and Occidental Bank (Barbados) Ltd. have insurance policies to protect their properties and equipment for $961,507 and $1,234,298 at December 31 2018 and 2017, respectively, covering theft, fire, ray, explosion, earthquake, strikes, riot, and other.

About the properties and equipment of the Holding Company and subsidiaries Financiera de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente Panama S.A. and Occidental Bank (Barbados) Ltd. there exist neither mortgages nor pledges,

The Holding Company and subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente Panama S.A. and Occidental Bank (Barbados) Ltd. establish impairment over the properties and equipment when the carrying value exceeds its recoverable value. The Holding Compnay and its subsidiaries, Fiduciaria de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente Panama S.A. and Occidental Bank (Barbados) Ltd. evaluate at the end of each operational period reported, if there exists any signal of impairment of the value of any asset, if such signal exists, the recoverable amount of the asset is estimated.

To evaluate whether there exists any signal that the asset has been impaired, the following factors shall be taking into account:

External sources of information:

a. There exist observable clues for the value of any asset has significantly decreased during the period more than expected as a result of the time elapsed, or its normal use.

b. During the period occurred, or will occur in a near future, significant changes with an adverse incidence on the entity, related to the legal, economic, technological or market environment where the asset operates or even, in the market where to, the asset is destined.

c. During the operational period, the market interest rates, or other market rates of investment returns, have increased probably impacting the discount rates used to calculate the value in use of the asset, in such a way to decrease its recoverable value in a significant manner.

d. The carrying value of the net assets of the entity, is higher than its stock market capitalization.

Information Internal Sources:

a. There exists evidence about the obsolescence or physical impairment of an asset.

b. During the operational period have occurred or it is expected to occur in a near future, significant changes in the scope or manner whereby the asset is used or expected to be used**,** that will unfavorable affect the entity.

c. There exists evidence based on internal reports, indicating that the economic return of asset is, or will be worse than the expected return.

b) Property and equipment given in operative leasing

The following is the detail of balance at 31-December-2018 and 2017 by type of properties and equipment given in operative leasing:

31- December - 2018		Cost	Accumulated depreciation	Lost due to deterioration	Amount in Books
Office Equipment, furniture and fixture	$	98	(98)	_	_
Computer equipment		4.039	(1.640)	1	2.400
Vehicles		2.866	(1.631)	_	1.235
Mobilization equipment and machinery		469	(184)	_	285
Total	$	**7.472**	**(3.553)**	**1**	**3.920**

31- December- 2017		Cost	Accumulated depreciation	Lost due to deterioration	Amount in Books
Office Equipment, furniture and fixture	$	202	(202)	_	_
Computer equipment		3.363	(1.484)	_	1.879
Vehicles		3.627	(1.834)	_	1.793
Mobilization equipment and machinery		489	(85)	_	404
Total	**$**	**7.681**	**(3.605)**	**_**	**4.076**

The following is the summary of the minimum rental lease fees receivable by the Holding Company in the next terms over goods delivered in operative leasing at December 31, 2018 and 2017:

		31 December 2018	31 December 2017
Not more than one year	$	1.974	2.833
More than one year and less than five years		1.712	2.435
Total	**$**	**3.686**	**5.268**

During the years ended on December 31, 2018 and 2017 income in results were not recorded for the operational periods from contingent rental frees received over goods delivered in operative leasing.

In the operative leasing operations, the Holding Company, as the lessor, delivers the goods to the lessee for its use during a term established in exchange of a rental fee. Upon the completion of the leasing term, the lessee might buy the asset for its commercial value, extend the leasing term, or otherwise, to deliver back the asset. In most of contracts, the rental fee is reckoned taking as a reference the DTF or IBR adding or subtracting some nominal points and for the extensions of terms, fixed fees are established. The VAT, the insurances, the maintenance, and any other amount charged to the asset are in-charge of the lessee. The assets delivered back are re-located or marketed by the Holding Company.

c) Properties of Investment

The following is the detail of balance at December 31, 2018 and 2017 by type of properties of investment for the Holding Company and its subsidiaries:

31- December - 2018		Cost	Accumulated adjustments to the salable value	Amount in Books
Land	$	90.203	28.388	118.591
Building		86.205	7.680	93.885
Total	$	**176.408**	**36.068**	**212.476**

31- December 2017		Cost	Accumulated adjustments to the salable value	Amount in Books
Land	$	88.141	36.081	124.222
Building		84.536	9.406	93.942
Total	$	**172.677**	**45.487**	**218.164**

The following amounts have been recognized in the statement of results derived from the administration of properties of investment during the years ended on December 31, 2018 and 2017:

		31- December 2018	31- December 2017
Income for rent fees	$	3.591	3.309
Direct operating expenses arising from investment properties generating rental income		(828)	(233)
Direct operating expenses arising from investment properties that do not generate rental income		(4,492)	(2.754)
Net	**$**	**(1.729)**	**322**

The investment properties of the Holding Company and subsidiaries are valued on an annual basis at the reasonable value based on the market values determined by independent qualified experts with enough experience in the valuation of similar properties. The significant methods and assumptions used to determine the reasonable value according to provisions in IFRS 13 were the following:

- **Market comparative method**

  This is the evaluating technique attempting to determine the commercial value of the good based on the study of offers or recent transactions of similar goods and comparable to that of the good subject to evaluation. Such offers or transactions need to be classified, analyzed and interpreted in order to obtain the commercial estimate value.

- **Approach of comparison of sales**
  The approach by comparison of sales, allows for determining the value of property evaluated according to comparison to other similar properties currently transacting or have been recently transacted in the real estate market.
  This comparative approach considers the sales of goods similar or substitutive, as well as the data obtained from the market and establishes an estimate value using processes, including the

comparison. In general, any good which value (the good subject matter of valuation) is compared to the sales of similar goods marketed in the open market. Notices and offers may be considered as well.

Up to date, the Holding Company neither has any restriction in the collection of income for income nor for the sale of goods classified in the property of investment.

Note 16. - Intangible assets, net

The following is the movement of intangible assets accounts for the periods ended on December 31, 2018 and 2017:

		Capital gain	Other Intangibles	Total intangible assets
Costs:				
Balance as of December 31, 2016	$	22.724	162.580	185.304
Additions / Purchases (net)		_	36.243	36.243
Withdrawals / Sales (net)		_	(8.187)	(8.187)
Balance as of December 31, 2017	**$**	**22.724**	**190.636**	**213.360**
Balance as of December 31, 2017	$	22.724	190.636	213.360
Additions / Purchases (net)		_	59.754	59.754
Withdrawals / Sales (net)		_	(1.588)	(1.588)
Balance as of December 31, 2018	**$**	**22.724**	**248.802**	**271.526**
Accumulated amortization:				
Balance as of December 31, 2016	$	_	16.162	16.162
Amortization of the year charged to results		_	13.310	13.310
Withdrawals / Sales (net)		_	(8.183)	(8.183)
Balance as of December 31, 2017		**_**	**21.289**	**21.289**
Balance as of December 31, 2017	$	_	21.289	21.289
Amortization of the year charged to results		_	16.193	16.193
Withdrawals / Sales (net)		_	(1.588)	(1.588)
Balance as of December 31, 2018		**_**	**35.894**	**35.894**
Intangible assets, net:				
Balance as of December 31, 2017	**$**	**22.724**	**169.347**	**192.071**
Balance as of December 31, 2018	**$**	**22.724**	**212.908**	**235.632**

In the closings above mentioned, the Holding Company and subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. do not show loss for impairment of those intangible assets.

Capital gain

The capital gain recorded corresponds to the merging of the Holding Company to Banco Unión occurred in precedent years before the implementation process of the Colombian financial information standards which for evaluation purposes has been assigned to the Holding Company as a whole as unit generating of cash to such capital gain.

The technical valuation study the capital gain by the acquisition of Banco Unión was made by the firm Deloitte Asesores y Consultores Ltda. an independent firm with more than 55 years' operating, in Colombian market, the evaluation of capital gain recorded by the Holding Comps on September 2018 drew the conclusion that the Goodwill assigned to the Unit Generating Cash (UGC) is not impaired up to the date of valuation and shows a surplus by $9.152.

The recoverable amount of the unit generating cash was determined based on the use value calculations. Such calculations used cash flow projections approved by the top management covering 5 years and 3 months periods. Below the main assumptions used in such valuations.

Colombia Macro-economic Information						
Index	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Gross domestic product (Real GDO)	1.8%	2.7%	3.1%	3.1%	3.5%	3.4%
Population (in million)	49.2	49.8	50.3	50.3	51.4	52.8
Inflation	4.1%	3.3%	2.9%	3.1%	2.7%	3.5%
Exchange rate	2.970	2.974	_	_	_	_
Interest rate	_	4.3%	5.0%	4.9%	4.7%	_
DTF (E.A)	6.2%	5.0%	5.5%	5.7%	5.8%	6.0%

According to IAS 36 the flow-cash projections of the asset in the more recent financial assumptions or forecasts have been approved by the top management of the Holding Company, excluding any estimation of inflows or outflows of cash expected to occur from future restructurings or enhancements of the assets. The projections based on these assumptions or foresees will cover maximum five years period.

The approach and methodology of valuation applied by Deloitte Asesores y Consultores Ltda, was the approach of income, methodology indicated to determine the value in use of the company and there were enough information available for the use of this methodology:

Approach of Income

The methodology of future revenues is based on the premise that the market reasonable value of any asset is represented by the present value of the future revenues the asset can generate and that remain available for distribution to the respective investors. The most usual approximation to this methodology is through the analysis of cash flows discounted. This analysis requires the projection of active lows generated during a time period determined to be subsequently carried back them to present value discounting them at any appropriate rate for such operation. This discount rate need to consider the value of money throughout the time, the inflation and the inherent risk to the transaction to be made.

In order to define the rate to discount the flows, there is in place as the reference framework the concept of capital cost, based on the model CAPM (Capital Asset Pricing Model). This model is defined based on the free-risk rate, added with a component of market-risk premium that may increase or decrease depending on the behavior related to the asset market which specific valuation will be made (beta coefficient).
The construction of discount rate to be used in the valuation of the lines of business acquired by the Holding Company in the acquisition of Banco Union is the following:

Discount Rate

a. **Risk-free Rate (Rf):** The United State treasury rate was taken as risk-free rate with 20 years term Rf = 3.1%. Source: US Department of Treasury.
b. **Country Risk (Rc):** The EMBI of Colombia was taken indicating the difference of returns between US bonds and Colombian bonds Rc= 1.70%. Source: JP Morgan.
c. **Market risk premium (Rp):** Extra return the stock exchange market has historically provided about the risk-free rate as compensation for the market risk. Rp = 6.00% Source: Delotte Research.
d. **Premium for Size (Rt)**: Result 1.8%
e. **Beta (β):** as coefficient beta applied based on data comparable from companies resulting in 1,18. Source: Bloomberg
f. **Implicit Devaluation (Ri):** for the calculation of implicit devaluation the Fisher's equation was used to indicate the effect of Colombian peso devaluation vs dollar.
g. **Equity Cost COP:** According to methodology used a 15.0% discount nominal rate was estimated in Col. Pesos.
h. In these conditions the discount rate obtained is the following:

Capital Cost = Rf+B(ERP)+Rp+Rt+Ri+Dev

As a result of valuation it was determined it is not necessary to construct any impairment corresponding to plus value at December 31, 2018 and 2017.

Estimate capital cost for valuation of acquisition
Banco de Occidente: Banco Union

Variable	Rate
Leveraged Beta for industry	1.18%
Risk-free rate	3.10%
Market Risk Premium	6.00%
Cost of patrimony (USD)	**10.28%**
Non-systematic Risk Factors	1.70%
Premium by Size	1.80%
Cost of patrimony (USD)	**13.78%**
Implicit Devaluation	1.10%
Cost of (Rounded) equity (COP)	**15.00%**

Result Valuation line of business acquisition Banco Unión at September 30, 2018

Sensitivity Value in Use (COP $ MM)
Lines

Rates	Ordinary portfolio	Treasury credits	Personal Loan	Vehicles	Unidirect	Overdraft current account	Credential and visa	Promotion Portfolio	Several debtors ME
13.00%	138.942	18.052	25.622	34.924	5.685	2.073	21.510	15.491	27.029
14.00%	132.101	17.163	24.361	33.205	5.405	1.970	20.451	14.728	25.698
15.00%	126.173	16.393	23.268	31.715	5.162	1.882	19.533	14.067	24.545
16.00%	120.985	15.719	22.311	30.411	4.950	1.805	18.730	13.489	23.535
17.00%	116.408	15.124	21.467	29.260	4.763	1.736	18.022	12.979	22.645
TOTAL	**$ 634.609**	**82.451**	**117.029**	**159.515**	**25.965**	**9.466**	**98.246**	**70.754**	**123.452**

Excess / Dependent Sensitivity (COP $MM)

Rates	Ordinary portfolio	Treasury credits	Personal Loan	Vehicles	Unidirect	Overdraft current account	Credential and visa	Promotion Portfolio	Several debtors ME
	Lines								
13.00%	17.164	2.230	3.165	4.314	702	256	2.657	1.914	3.339
14.00%	10.323	1.341	1.904	2.595	422	154	1.598	1.151	2.008
15.00%	4.395	571	810	1.105	180	66	680	490	855
16.00%	(793)	(103)	(146)	(199)	(32)	(12)	(123)	(88)	(154)
17.00%	(5.370)	(698)	(990)	(1.350)	(220)	(80)	(831)	(599)	(1.045)
TOTAL	**$ 25.719**	**3.341**	**4.743**	**6.465**	**1.052**	**384**	**3.981**	**2.868**	**5.003**

Detail of intangible assets different from capital gain

Below the detail of intangible assets other than capital gain at December 31, 2018 and 2017:

31- December - 2018	Cost	Accumulated amortization	Amount in books
Licenses	$ 120.064	33.340	86.724
Informatic and application programs	728.738	2.554	126.184
Total	**$ 248.802**	**35.894**	**212.908**

31- December - 2017	Cost	Accumulated amortization	Amount in books
Licenses	$ 87.293	19.758	67.535
Informatic and application programs	103.341	1.531	101.810
Other intangible assets	2	_	2
Total	**$ 190.636**	**21.289**	**169.347**

Note 17.- Tax to Gains

a. Expense components for tax to gains

The expense for tax to gains for the years ended on December 31, 2018 and 2017 include the following:

	31- December 2018	31- December 2017
Income tax of current period	$ 62.521	99.096
Rent surcharge	7.578	17.489
Subtotal tax current period	**70.099**	**116.585**
Adjustment of previous periods (*)	(50.316)	(6.605)
Adjustment for uncertain tax positions of previous periods	(2.197)	(23.807)
Deferred tax		
Net deferred tax of period	(28.798)	82.619
Asjust fo deferred tax from prior periods	(24.242)	_
Subtotal deferred tax	**(53.040)**	**82.619**
Total	**$ (35.454)**	**168.792**

(*) To complete $50,316) is completed of following manner to recover tax, for $50,675 as follows: For excess compensation of minimal bases of CREE of the periods 2013 and 2014, for $32,883 and recovery of current tax income, in taxable year 2017 $17,792 generating a diminution of the effective taxation for 19.33%. and $359 corresponding to Fiduciaria de Occidente.

b. Reconciliation of nominal tax rate and the effective rate.

The following are the basic parameters prevailing of the income taxation:

In Colombia:

The taxation provisions prevailing in Colombia in connection with the income tax and applicable complementary tax applicable during 2018, provide, inter alia, the following:

- The taxable income are taxed at the rate 4% in 2017 and 33% as from 2018, and an overtax to income taxi of 6% is created on 2017, and 4% in the year 2018 for those income more than $800.
- The base to determine the income tax of any corporation will not be less than 3.5% of its fiscal equity in the last day of the immediate precedent taxable period.
- The income for fiscal occasional profit is taxed at the rate 10%.
- The Taxation declarations for income tax of the corporations subject to transference price remain in force after 6 years after his submission.
- The fiscal loss occurred before 2017 continue to be compensable under the same terms provided in the tax provisions applicable to 2015 and 2016, although they cannot be readjusted. The fiscal loss occurred as from 2017 may be set-off with the liquid ordinary incomes obtained by the corporations during the following twelve taxable periods, the tax declaration where fiscal loss is liquated will remain firm under the same term that the tax payer to compensate it, according to the provisions of the Tax Statute. If fiscal loss is compensated in any of the two last year's given, the firm term will be extended as from such compensation for 3 additional years in connection with such loss.
- For determining the income and complementary tax, as from January 1, 2017 the value of assets, liabilities, equity, taxes, cost and expenses, the recognition and measurement systems will apply, pursuant to the technical accounting provisions prevailing in Colombia, when the tax law explicitly indicates to them, and in the events when the law does not regulates the matter. In any case, the tax law may provide explicitly any different treatment.

In other countries

- The subsidiary Banco de Occidente Panamá S.A:, that holds an international license, applies zero tax payment.
- The Subsidiary Occidental Bank (Barbados) for the period 2018 did not include charge for tax.
- In Subsidiary Occidental Bank (Barbados) Ltd. pursuant to the law about international financial services 2002 of Barbados, the profits of Occidental Bank (Barbados) Ltd. are subject to a corporate tax rate no higher than 2.5% on the profits.

The following is the detail of the reconciliation between total income tax and complementary, of the Group, calculated at the taxation rates currently in force, and the expense for gain tax properly recorded in the statements of results every year:

		31-December 2018	31-December 2017
Profit before income taxes	**$**	**380.839**	**531.311**
Total tax rate		37%	40%
Theoretical tax expenses calculated according to the tax rates prevailing		140.910	212.524
Non-deductible expenses		8.176	21.482
Dividends received not constituting income		(999)	(2.346)
Method of participation income not constitutive of income		(67.647)	(56.783)
Profit (loss) for sale or valuation of investment not constitutive of incom		_	46.616
Interest and other income not taxed		(9,145)	_
Exempt income		(6.530)	(10.416)
Tax benefit in acquisition of productive assets		(7.502)	(9.882)
Utilities of subsidiaries in tax-free countries		(7.463)	(7.049)
determination		(8.408)	(15.429)
Adjustment of previous periods		(50.317)	(6.605)
Adjustment for uncertain tax positions of previous periods		(2.197)	(23.807)
Deferred tax adjustment from previous periods		(24.242)	_
Other concepts		(9)	20.487
Total tax expenses for the period		**(35.454)**	**168.792**

c. Deferred tax in respect of subsidiary companies, associated and joint business

In compliance with IAS 12, the Group did not recorded liability tax related to temporary differences of investments in subsidiaries because: (i) the Holding Company holds the control of subsidiaries and hence, may make decision about the review of such temporary differences, and (ii) the Holding Company has not foreseen its compliance in the middle term; therefore it is possible for such temporary differences will not be reversed on a foreseeable future. At 31-December-2018 and 2017, in compliance with the IAS 12, paragraph 39 deferred tax liability

d. Deferred Tax by Type of temporary difference.

Differences between carrying value of assets and liabilities and the fiscal bases thereof, result in the following temporary differences generating deferred taxes, calculated and recorded in the years ended on December 31, 2018 and 2017 based on the tax rates currently in force for the years when such temporary differences will be reverted.

31-December - 2018		Balance,31-December 2017	Change in accounting policies	Accredited (charged) to results	Accredited (charged) to ORI	Balance,31-December 2018
Active deferred taxes						
Valuation of fixed income investments	$	108	553	(661)	_	_
Valuations of investment of variable interest		103	_	(103)	_	_
Valuation of derivatives		35.704	_	(35,704)	_	_
Credit portfolio		233	_	(233)	_	_
Provision for credit portfolio		57.236	79.260	(136.496)	_	_
Depreciation of property, plant and equipment		_	_	4.947	_	4.947
Deferred charges of intangible assets		_	_	2.457	_	2.457
Non-deductible passive provisions		1.242	_	(1.242)	_	_
Employee benefits		6.969	_	908	102	7.979
Leasing contracts		1.194	_	(1,194)	_	_
Others		30.836	(102)	(23.459)	_	7.275
Subtotal		**133.625**	**79.711**	**(190.780)**	**102**	**22.658**
Deferred tax liabilities						
Valuation of fixed income investments		(18,918)	_	(2.109)	399	(20.628)
Valuations of investment of variable interest		(14.564)	_	8.847	(593)	(6.310)
Valuation of derivatives		(39.279)	_	24.918	_	(14.361)
Provision of investments		(182)	_	182	_	_
Accounts receivable		_	(78)	78	_	_
Credit portfolio		(239.736)	_	239.736	_	_
Provision for credit portfolio		_	_	(53.210)	_	(53.210)
Properties, plant and equipment		(11.566)	_	11.566	_	_
Depreciation of property, plant and equipment		(26.295)	_	(73.766)	_	(100.061)
Deferred charges of intangible assets		(10.292)	_	10.292	_	_
Employee benefits		(61)	145	(84)	_	_
Mercantile credit		(7.499)	7.499	(6.817)	_	(6.817)
Deferred income		(18.990)	_	18.990	_	_
Leasing contracts		(74.133)	_	74.133	_	_
Others		_	_	(8.938)	4.248	(4.689)
Subtotal		**(461,515)**	**7.566**	**243.818**	**4.054**	**(206.076)**
Total	$	**(327.890)**	**87.277**	**53.038**	**4.156**	**(183.418)**

31-December 2017		Balance,31-December 2016	Accredited (charged) to results	Accredited (charged) to ORI	Balance,31-December 2018
Tax deferred of asset					
Valuation of fixed income investments	$	135	(27)	_	108
Valuation of variable income		5.004	(4,901)	_	103
Valuation of derivatives		_	35.704	_	35.704
Difference between accounting and fiscal bases of the credit portfolio		_	233	_	233
Provision for credit portfolio		_	25.932	31.304	57.236
Provisions accounts receivable		15.986	(15.986)	_	_
Tax loss		(31.152)	(76.423)	_	(107.575)
Non-deductible passive provisions		_	1.242	_	1.242
Employee benefits		6.443	526	_	6.969
Leasing contracts		1.913	(719)	_	1.194
Others		133.613	4.826	(28)	138.411
Subtotal		**131.942**	**(29.593)**	**31,276**	**133.625**
Deferred tax of liabilities					
Valuation of fixed income investments		(18,112)	(806)	_	(18.918)
Valiuation of variable income investments		(13.926)	(119)	(519)	(14.564)
Valuation of derivatives		_	(39.279)	_	(39.279)
Accounts receivable		(52.457)	52.457	_	_
Difference between accounting and fiscal bases of the credit portfolio		(102.313)	102,131	_	(182)
Provision for credit portfolio		(16.367)	(223.369)	_	(239.736)
Provision for goods received in payment		(7.582)	7.582	_	_
Differences between the accounting and tax bases of the cost of plant property and equipment		(71.854)	60.288	_	(11.566)
Difference between the accounting and tax bases of the depreciation of property, plant and equipment		(43.865)	17.570	_	(26.295)
Difference between the accounting and tax bases of deferred charges of intangible assets		(2.042)	(8.250)	_	(10.292)
Employee benefits		_	(1.670)	1.609	(61)
Mercantile credit		(7.726)	227	_	(7.499)
Deferred income		(61.992)	61.992	_	_
Others		(8.633)	(10.357)	_	(18.990)
Leasing contracts		(2.712)	(71.421)	_	(74.133)
Subtotal		**(409,581)**	**(53.024)**	**1.090**	**(461.515)**
Total	$	**(277.639)**	**(82.617**	**32.366**	**(327.890)**

The following is the analysis of assets and liabilities for deferred taxes and current as of December 31, 2018 and 2017:

Deferred tax balances:

31- December - 2018		**Gross amounts of deferred tax**	**Reclassifications of compensation**	**Balances in financial situation statements**
Deferred taxes on asset income	$	22.658	(22.658)	_
Deferred tax on liability income		(206.076)	22.658	(183.418)
Net	**$**	**(183.418)**	**_**	**(183.418)**

31- December - 2017		**Gross amounts of deferred tax**	**Reclassifications of compensation**	**Balances in financial situation statements**
Deferred taxes on asset income	$	133.624	133.624	_
Deferred tax on liability income		461.514	(133.624)	327.890
Net	**$**	**(327.890)**	**_**	**327.890**

Balance current tax:

31- December - 2018		**Gross amounts of deferred tax**	**Reclassifications of compensation**	**Balances in financial situation statements**
Deferred taxes on asset income	$	146.085	(3.970)	142.115
Deferred tax on liability income		(10.065)	3.970	(6.095)
Net	**$**	**136.020**	**_**	**136.020**

31- December- 2017		**Gross amounts of deferred tax**	**Reclassifications of compensation**	**Balances in financial situation statements**
Deferred taxes on asset income	$	147.983	_	147.983
Deferred tax on liability income		10.328	_	10.328
Net	**$**	**137.655**	**_**	**137.655**

e. Effect of current and deferred taxes on every component of Other Integral Results account in equity.

The effects of current and deferred taxes on every component of the account Other Integral results, are detailed below, for the years ended at December 31, 2018 and 2017:

		Amount before tax	Deferred tax expenses (Income)	Net	Amount before tax	Deferred tax expenses (Income)	Net
Items that can be subsequently reclassified to results							
Net Profit / Loss not realized in debt securities	$	(34.203)	399	**(33.804)**	_	_	_
Hedge of net investment abroad- Non-Derivative Hedge Instrument		(11.464)	4.248	**(7.216)**	85	(28)	**57**
Difference In Foreign Operations		3.209	_	**3.209**	(629)	_	**(629)**
Dif. In Change Foreign Branches		11.464	_	**11.464**	(85)	_	**(85)**
Participation in ORI of investments in associated companies and joint ventures		(3.579)	_	**(3.579)**	5.976	_	**5.975**
Impairment of Credit Portfolio and contingents		_	_	_	(73.493)	31.304	**(42.189)**
Subtotal		**(34.573)**	**4.647**	**(29.926)**	**(68.146)**	**31.276**	**(36.870)**
Items that will not be reclassified to results							
Net Profit / Loss Not Realized in Financial Instruments at Fair Value		5.056	(593)	**4.463**	88.348	(519)	**87.829**
Actuarial Gains / Losses for Employee Benefits		(311)	102	**(209)**	(3.741)	1.609	**(2.132)**
Subtotal		**4.745**	**(491)**	**4.254**	**84.607**	**1.090**	**85.697**
Total other integral results during the period	**$**	**(29.828)**	**4.156**	**(25.672)**	**16.461**	**32.366**	**48.827**

f. Tax uncertainty

At 31-December-2018 and 2017 The tax uncertainty amount to: $6,095 and $8,293, respectively. The sanctions and the arrears interest related to such taxation uncertainties are accumulated and recorded in the relevant expense. The balance at 31-December-2018 is expected to be totally used or released when the inspections rights of taxation authority's expiry with respect to tax returns.

The following is the detail of the movement of tax uncertainties with closing 31-December-2018 and 2017:

		31- December 2018	31- December 2017
Balance at the beginning	$	**8.292**	**32.210**
Increase in the provision		161	1.545
Provisioning utilization		(443)	_
Amount of unused provisions (*)		(2.943)	(27.427)
Financial cost		1.028	1.965
Balance at the end	**$**	**6.095**	**8.293**

(*) For 2018 release of uncertainty provision occurred for the default to accomplish the firm term of the Income Statement declaration year 2015.

The balance at 31-December-2018 expected to be totally used or released when the inspection rights of tax authorities with regard to declarations expiry, is as follows:

Year		31-December 2018
2018	$	**1.186**
2019		1.305
2020		1.153
2021		720
2023		1.579
2024		152
Total	$	**6.095**

Note 18 - Clients' Deposits

Below the detail of the balances of deposits received from clients of the Holding Company and its subsidiaries in the development of their deposit capture operations:

Detail		31- December 2018	31- December 2017
at the sight			
Current accounts	$	6.135.439	6.035.979
Savings accounts		11.045.313	11.449.504
Other funds at sight		43.984	59.666
		17.224.736	**17.545.149**
At term			
Term-deposit certificates		8.367.495	8.623.959
Total Deposit	**$**	**25.592.231**	**26.169.108**
By currency			
In Colombian pesos	$	21.978.678	22.648.486
In American dollars		3.608.184	3.516.276
Other currencies		5.369	4.346
Total per Currency	**$**	**25.592.231**	**26.169.108**

Below the detail of the time deposits certificates maturity prevailing at December 31, 2018:

Año		Value
2018	$	142.153
2019		6.018.701
2020		767.435
2021		328.099
2022		277.237
After 2023		833.870
Total	$	**8.367.495**

Below a summary of the effective interest rates caused on the clients' deposits:

	31-December- 2018				31-December- 2017			
	Deposits in pesos		Deposit in dollars		Deposits in pesos		Deposit in dollars	
	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %
Current accounts	_	2.50%	0.25%	2.70%	_	2.50%	0.15%	0.50%
Savings accounts	0.03%	4.55%	0.05%	0.35%	0.10%	5.55%	0.30%	0.30%
Term-deposits certificate	0.01%	8.67%	0.05%	8.05%	0.01%	9.31%	0.01%	8.05%

Frequency Interest Liquidation: For the Time Deposit Certificates the frequency of interest liquidation corresponds to the agreed on with each client in its security; for the saving accounts liquidation is made on a daily basis.

The following is the detail of concentration of deposits received from clients, by economic sector:

Sector		31- December - 2018		31- December - 2017	
		Amount	%	Amount	%
Government or entities of the Colombian Government (1)	$	5.396.117	21.08%	5.594.065	21.38%
Manufacture		424.892	1.66%	463.011	1.77%
Real Estate		246.781	0.96%	257.545	0.98%
Commerce		4.021.645	15.71%	3.988.209	15.24%
Agricultural and livestock		101.411	0.40%	107.271	0.41%
Individuals		3.074.828	12.01%	2.961.118	11.32%
Others (2)		12.330.993	48.18%	12.810.268	48.95%
Deletions		(4.436)	_0.02%	(12.379)	_0.05%
Total	$	**25.592.231**	**100%**	**26.169.108**	**100%**

(1) Government includes sectors O and U (according to CIIU) classification corresponding to public administration and defense and social security plans of mandatory affiliation and activities of organizations and extra-territorial bodies, respectively.

(2) The most representative item included in this category corresponds to financial and insurance activities (Sector K), which at the closing December 31, 2018 showed $7,787,592 total balance, representing 35.38% of the total. (At December 31, 2017 showed $7,451,442 total balance representing 32.84% total of category).

At December 31, 2018 there were 9,147 clients with balances higher than $250 for $22,750,182 total value (At December 31, 2017 there were 8,989 clients for $19,737,395).

For clients' deposits the expense caused in the results on account of interest in the saving accounts, term deposits and current accounts in the years ended on December 31, 2018 and 2017, are $794,421 and $1,033,408, respectively.

Note 19. - Financial Obligations

1. Financial obligations

Below the summary of financial obligations assumed by the Holding Company and its subsidiaries at December 31, 201 and 2017, with the basic purpose to finance their operations mainly international trade:

		31- December- 2018		31- December - 2017	
		Short-term portion	Long-term portion	Short-term portion	Long-term portion
Colombian legal tender					
Interbank and overnight fund					
Banks and correspondents	$	1.064	_	178	_
Ordinary interbank funds purchased		80.036	_	_	_
Simultaneous operations		541.282	_	51.955	_
Commitments originated in positions in short		166.420	_	45.841	_
Total interbank funds and overnigth		**788.802**	_	**97.974**	_
Bank Credits					
Credits		3.866	_	1.201	_
Leter of credit		_	4.702	_	7.130
Acceptances		17	_	17	_
Total bank credits		**3.883**	**4.702**	**1.218**	**7.130**
Total obligations legal tender		**792.685**	**4.702**	**99.192**	**7.130**
Foreign currency					
Interbank and overnight fund					
Banks and correspondents		_	_	217	_
Ordinary interbank funds purchased		142.735	_	24.369	_
Total interbank funds and overnigth		**142.735**	_	**24.586**	_
Bank Credits					
Credits		1.476.547	_	1.265.003	_
Letter of credit		4.908	_	1.364	_
Acceptances		21.208	_	20.827	_
Total bank credits		**1.502.663**	_	**1.287.194**	_
Total obligations in foreign currency		**1.645.398**	_	**1.311.780**	_
Total financial obligations	**$**	**2.438.083**	**4.702**	**1.410.972**	**7.130**

At December 31, 2018 the short-term financial obligations corresponding to simultaneous and repo operations obligations for $541,282 were ensured with investments for $541,798 (at December 31, 2017 for $51,955 ensured with investments for $51,988).

Bellow the summary of the effective interest rates caused on the financial obligations with closing at December 31, 2018 and 2017:

	31-December- 2018		31-December - 2017	
	In Colombian pesos		In Colombian pesos	
	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %
Interbank funds and repo and simultaneous operations	4,18	4,25	4,75	4,75
Bank acceptances	_	_	_	_
Correspondent banks	4,15	6.00	4,15	6.00

	31-December - 2018		31-December - 2017	
	In Colombian pesos		In Colombian pesos	
	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %
Interbank funds and repo and simultaneous operations	2,28	2,83	1.39	1.70
Bank acceptances	_	_	_	_
Correspondent banks	0,35	2.90	0.40	2.90

For short-term financial obligations, the expense caused in results on account of interest in monetary market operations of interbank funds, transfer commitments in repo operations, simultaneous operations and other interest for the years ended on December 31, 2018 and 2017 are $9,936 and $22,772, respectively

2. Bonds and Investment securities

The Holding Company is authorized by Colombia Finance Superintendence, to issue or to place, Bonds or bonds of general guaranty. The total issues of bonds by the Holding Company have been issued without guaranty and represent exclusively the obligations of each one of the issuers.

Below the detail of liabilities at December 31, 2018 and 2017, by date of issue and date of maturity in legal currency:

Issuer	Date issue		31-December 2018	31-December 2017	Expiry date	Interest rate
Ordinary bonds Leasing de Occidente	Between 25/08/200 and 30/03/2009	$	1.031	54.545	Between 25/08/2018 and 30/03/2019	Between IPC+ 7,00% and 5,75%
Ordinary bonds Banco de Occidente	Between 22/09/2011 and 14/12/2017		2.239.326	2.319.383	Between 26/10/2019 and 14/12/2032	Between IPC+2,90 and 4,65%; fixed+ 6,18% end 7,85%
Subordinated bonds Banco de Occidente	Between 09/02/2012 and 12/10/2017		907.081	908.037	Between 09/02/2019 and 12/10/2025	Between IPC+ 3,58% and 4,65%
Total		**$**	**3.147.438**	**3.281.965**		

The future maturities at 31-December-2018 of the outstanding investments securities in long-term debt are:

Year		Value
2018	$	32.078
2019		209.640
2020		557.440
2021		346.640
2022		324.890
After 2023		1.676.750
Total	**$**	**3.147.438**

For 2018 $32.078 is not a capital, they correspond to outstanding payable that remained caused at the closing period 31-December-2018.

For long-term financial obligations for issue of Bonds, the interest caused in results for the closing period at 31-December-2018 and 2017 were $232.959 and $ 242.344, respectively.

3. Financial Obligations with rediscount entities

Colombian Government has implemented some credit programs in order to promote the development of specific economics sectors, including foreign trade, agriculture, tourism, housing construction and other industries. The programs are managed by several government entities such as Banco de Comercio Exterior ("BANCOLDEX"), Fondo para el Financiamiento del Sector Agropecuario ("FINAGRO") and Financiera de Desarrollo Territorial ("FINDETER").

The following is the detail of the loans obtained by the Holding Company of these entities at December 31, 2018 and 2017:

	Current interest rate at closing		31- December 2018	31- December 2017
Legal Tender				
Banco de Comercio Exterior "BANCOLDEX"	Between-2,00%-9,29%	$	482.145	347.842
Fondo para el Financiamiento del Sector Agropecuario - "FINAGRO"	Between 0% - 7.30%		66.316	92.964
Financiera de Desarrollo Territorial "FINDETER"	Between - 4% -9.78%		602.946	611.887
Total legal tender		**$**	**1.151.407**	**1.052.693**
Foreign currency				
Banco de Comercio Exterior- "BANCOLDEX"	Between - 2.00% - 9.29%	$	140.086	49.969
Total foreign currency			**140.086**	**49.969**
Total rediscount entities		$	**1.291.493**	**1.102.662**

The following is the detail of the maturities of financial obligations with rediscount entities in force at December 31, 2018:

Year		Value
2019	$	1.097
2020		177.714
2021		166.151
2022		330.714
After 2023		615.817
Total	**$**	**1.291.493**

For financial obligations with rediscount entities the interest caused in the results for the periods ended on December 31, 2018 and 2017 were $46,741 $52,512 , respectively.

Note 20. - Provisions for employees benefits

According to Colombia labor legislation and based on the labor bargaining and collective agreements occurred in the Holding Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios the employees are entitled to short-term benefits, such as: salaries, vacations, legal and extra-legal premiums, and severance and interest on severance, of long-term such: as extralegal premiums and benefits of retirement such as severance to employees that continue with the labor regime before the Act 50, 1990, and legal and extra-legal retirement pensions. Concerning with subsidiaries abroad, Banco de Occidente Panamá S.A. and Occidental Bank (Barbados) Ltd., according to the labor legislation of their country they only are entitled to the short-term benefits. For the compensation of the key staff of the top management includes salaries, benefits other than cash and contributions to a plan of benefits defined post-employment; see note 31.

The following is the detail of the balances of provisions for employees' benefits at December 31, 2018 and 2017:

		31- December 2018	31- December 2017
Short-term benefits	$	57.852	55.638
Post-employment benefits		12.781	13.491
Long-term benefits		32.153	32.798
Total	$	**102.786**	**101.927**

a) Post-employment benefits

- In Colombia the retirement pension when the employees leave the company after completing the age and the time of service, are assumed by the public or private pension funds based on the plan of contribution defined where the entities and employees contribute on a monthly basis with the amounts defined in law in order to obtain the pension at the time of employee retirement; nevertheless, some employees hired by the Holding Company before 1968, who accomplished with the age and time of services, the pensions are assumed directly by the Holding Company.
- Pursuant to Decree 1625, 2016 the pension liability updating was made resulting in a pension liability for $3,355.
- 99 employees hired by the Holding Company before 1990 are entitled to receive in the date of retirement at the will of the employee or the company a compensation corresponding to the salary of the last month multiplied by every year worked, at December 31, 2018 the provision for this concept corresponds to $3,901.

- In the Holding Company and its subsidiary Fiduciaria de Occidente S.A. extra-legally or by collective bargaining agreement an additional premium is recognized to the employees when they leave the company when they complete the age and the years of service to begin enjoying the pension given by the pension funds, at December 31, 2018, the provision for this concept amounts to $5,526.
- In the Holding Company and its subsidiary Fiduciaria de Occidente S.A. an extra-legal bonus is recognized to the employees leaving the Company when they complete the age and the years of service to enjoy the pension given by the pension funds; this bonus is made at the time of employee retirement. The amount assigned to the professional staff is $10 and to operative personnel is $5 (Retirement pension bonus).
- In the Holding Company there exist employees belonging to the prior labor regime and according to that, their severances are assumed by the Holding Company at the time of retirement (severance of employees of prior Act), the new regimens involve this benefit in the contribution plans defined.

b) Benefits to long-term employees

- The Holding Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicio S.A. grant to its employees long-term extralegal premiums during their labor life, depending on the number of years of service, every 5, 10, 15 and 20 years etc., reckoned as days of salary (between 15 and 180 days) every payment.
- The Holding Company and its Subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. have recorded the liabilities corresponding to such benefits based on the actuarial calculations performed under the same parameters of the retirement benefits, the benefits for retirement correspond to $32.253 at 31-December, 2018.

Below the movement of employees retirement benefits and the long-term benefits during the years ended 31-December-2018 and 2017:

		Post Employment Benefits		Long Term Benefits	
		31- December 2018	31- December 2017	31- December 2018	31- December 2017
Balance at the beginning of period	$	**13.919**	**10.059**	**32.798**	**28.334**
Costs incurred during the period		371	297	2.441	2.190
Cost of interest		553	764	180	1.796
Costs by Agreements		(163)	_	_	_
		14.680	**11.120**	**35.419**	**32.320**
(Gains) / losses due to changes in demographic assumptions		76	_	_	_
(Gains) / losses due to changes in financial assumptions		235	3.911	3.269	6.119
		311	**3.911**	**3.269**	**6.119**
Payments to employees		(2,210)	(1,540)	(6,535)	(5.641)
Balance at the end of the period	**$**	**12.781**	**13.941**	**32.153**	**32.798**

Variables used to calculate the foreseen obligations of the different retirement log-term benefits of the employees are showed below:

	Post Employment Benefits		Long Term Benefits	
	31- December 2018	31- December 2017	31- December 2018	31- December 2017
Discount rate	6,97%	7.32%	6.48%	6.25%
Rate of inflation	3.00%	3.81%	3.00%	3.50%
Rate of salary increase	3.33%	3.50%	4.00%	3.50%
Pension increase rate	3.00%	5.34%	4.00%	3.50%
Employees turnover rate (Between the service year 1 and 40 for men and women the following is the rate turnover rotation)	16.53%	11.85%	16.53%	11.85%

The Expected life of the employees is calculated based on the mortality tables issued by Colombia Finance Superintendence, developed based on the mortality experience supplied by different insurance companies operating in Colombia.

The sensitiveness analysis of liabilities, for retirements of employees' benefits, of the different financial and actuarial variables, is the following, servatis servandi other constant variables:

Post-employment

	-0.50 Points		+0.50 Points	
31- December - 2018	Post Employment	Long term	Post Employment	Long term
Discount rate	13.153	32.852	12.432	31.488
Rate of growth of wages	8.960	31.319	9.914	33.022
Pension growth rate	3.232	_	3.485	_

c) Payment of future expected benefits

The payments of future expected benefits reflecting the services, as applicable, are expected to be paid as indicated below:

Year		Post employment benefits	Other benefits Long Term
2019	$	2.157	6.096
2020		1.584	5.297
2021		1.329	5.040
2022		1.405	4.918
2023		1.580	4.375
Year 2024 - 2028	$	5.897	17.406

The Holding Company shall provide with own resources the future cash-flows to pay the extra-legal benefits and pensions.

At December 31, 2018 and 2017, the number of participants of the post-employment benefits and long-term are the following:

Benefits	31 December 2018	31 December 2017
Post-employment participants	7.325	7.768
Long-term participants	7.257	7.666

Note 21. - Provisions for legal contingencies and other provisions

The movement and balances of legal provisions and other provisions during the operation periods ended on December 31, 2018 and 2017, are itemized below:

		Legal provisions	Other Provisions	Total provisions
Balance December 31, 2016	**$**	**4.361**	**17.473**	**21.834**
Increase in provisions in the year		1.375	3.120	4.495
Uses of provisions		(682)	(1)	(683)
Reversed amounts for unused provisions		(722)	(2.637)	(3.359)
Balance December 31, 2017	**$**	**4.332**	**17.955**	**22.287**
Balance December 31, 2017	**$**	**4.332**	**17.955**	**22.287**
Adjustment for adoption of IFRS 9 - IFRS 15		_	22.011	22.011
Balance December 31, 2018		**4.332**	**39.966**	**44.298**
Increase due to new provisions in the period		1.231	3.904	5.135
Increase in existing provisions in the period		107	15.919	16.026
Uses of provisions		(1.000)	(6)	(1.006)
Reversed amounts for unused provisions		(375)	(6.331)	(6.706)
Balance December 31, 2018	**$**	**4.295**	**53.452**	**57.747**

Other legal provisions

The eleven (11) civil lawsuits filed against the Holding Company derived from the development of the line of business and representing a risk, mainly making reference to claims of clients considering: (i) that checks of their accounts were unduly cashed, or (ii) without authorization withdrawals were made through electronic means, as well three (3) investigation of administrative nature of control and vigilance Nacional Bodies representing a risk, are duly provisioned for $2,749 at December 31, 2018.

The lawsuits against the affiliated companies, of civil nature, representing potential loss, are provisioned for the amount $639 at December 31. 2018, and it is considered that no any of them will imply any loss equal to higher than $3.013, in the event that any adverse sentence will occur.

Labor Provisions

From the lawsuits filed against the Holding Company derived from the development of its line of business, and representing a risk of non-conformity in the labor agreement termination or the conditions of agreement development, 3 are duly provided for $296 and $137 for the affiliates, corresponding to 3 lawsuits at December 31, 2018, according to the analysis of the event and the rating of risk and probability by the external labor advisor.

Fiscal Provisions

The four (4) fiscal lawsuits filed against the Holding Company derived from the development of its line of business and representing a risk, are mainly: (i) Fiscal proceeding related to the penalty by West Customs that was reconciled with DIAN, but after being submitted was not accepted: (ii) Sanction for collection of taxes of DIAN and SHD, of which penalties were paid for collection by the amount $11; and (iii and iv) penalty for list of charges, due to untimely presentation in magnetic media report (exogenous information) of ICA self-retention of the taxable years 2015 – 2016 of Manizales Municipality. These proceedings are duly provisioned for $474 at 31-December-2018.

Other Provisions

The other provisions for the years ended on December 31, 201 and 2017 include the following:

Disassembling of Assets

The Holding Company and subsidiary Ventas y Servicios S.A. established a provision for disassembling of assets corresponding to the improvements made in the infrastructure of Branch Offices leased with closing December 31, 2017 and 2018. The disassembling originates for the dismantle of enhancements to leave the facilities leased in their original state or according to contractual provisions. At December 31. 2018 the Holding Company accounted for a provision for $1,763 and Ventas y Servicios S.A. for $464; and at December 31, 2017 the Holding Company accounted for a provision for $1,769, and Ventas y Servicios S.A. for $412.

Portfolio with effect in ORI

At December 31, 2018 provisions for contingencies were included by the Holding Company for $50,250, out of which 55.5% correspond to credit cards, 41.2% corresponding Bank Guarantees, 3.02% to overdrafts, and 0.2% to rotating. In the same way, at December 31, 2017 provisions for contingencies were included by the Holding Company for $15,394 out of which 47.9% corresponding to Banking Guarantees, 37.4% to Credit Cards, 12.4%, overdrafts, and 2.3% rotating.

Other provisions

Fiduciaria de Occidente S.A. for December 31, 2018, made a provision for lawsuit in Consorcio Fidufosyga for joint operations for $975; at December 31, 2017 the balance is $380.

Note 22. - Other Liabilities

The other current liabilities at December 31, 2018 and 2017, include the following:

Concepts		31-December 2018	31-December 2017
Suppliers and accounts payable	$	300.748	234.506
Cashier's check		205.837	209.789
Dividends and surplus		68.546	80.879
Non-financial liabilities		267	446
Commissions and fees		4.120	2.375
Taxes, withholdings and labor contributions		69.003	67.191
Others		78.393	77.781
Deferred credits		808	860
Collections made		475.937	99.997
Collection services		169	34
Indmnities to clients		_	41
Taxes on sales payable		15.265	14.392
Uncashed checks		2.482	1.101
Insurance and insurance premium		279	104
Promising buyers		5.547	19.706
Contributions on transactions		12.896	10.282
Accounts cancelled		3.422	3.213
Surplus cash and exchange		78	85
Leases		1.000	857
	$	**1.244.797**	**823.639**

Note 23. – Equity

The number shares authorized, issued and outstanding at December 31, 2018 and 2017 is as follows:

		31-December 2018	31-December 2017
Number of authorized actions		200.000.000	200.000.000
Number of subscribed and paid shares		155.899.719	155.899.719
Total outstanding shares		**155.899.719**	**155.899.719**
The total outstanding shares are the following:			
Common actions		155.899.719	155.899.719
Capital subscribed and paid, common shares	**$**	**4.677**	**4.677**

Retained profit appropriated in reserves

Below the detail of composition at December 31, 2018 and 2017:

		31-December 2018	31-December 2017
Legal reserve	$	2.802.241	2.729.569
Mandatory and voluntary reservations		156.988	156.446
Total		**2.959.229**	**2.886.015**

Legal Reserve

According to the legal standards in force, the Holding Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. must create a legal reserve by the approval of ten percent (10%) from the net profit of every year until reaching an amount equal to fifty percent (50%) of the subscribed social capital. This reserve may be decreased under fifty percent (50%) of subscribed social capital to compensate excess of loss of retained profit. The legal reserve may not*// be less than the percent aforementioned, excepting to hedge loss in excess of the retained profit.

Compulsory and voluntary reserves

Compulsory and voluntary reserves are approved to be made, by Stockholders General Meeting in ordinary session annually held.

Based on the article 10 in Act 1739/2014, by the National Government providing that “The taxpayers of the wealth tax may charge this tax against patrimonial reserves without affecting the profit of the operational period both in the separated or individual balances sheet, as well as in the consolidated balances sheet”, the Holding Company under minutes 120 of general meeting held on January 26, 2015 and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. in the year 2018 the wealth tax will not be not paid, as provided in Art. 297-2 in Act 1739 – 2014 where it is indicated that “the legal obligation of the wealth tax is caused for the taxpayers legal persons, on 01-January-2015, 01-January-2016 and 01-January-2017”.

Dividends Decreed

The dividends are decreed and paid to stockholders based on the net profit of the precedent year. The dividends decreed by the Holding Company were the following:

		31-December 2018	31-December 2017
Profits of the previous year determined in the separate financial statements of the Parent Company (*)	$	334.970	242.309
Dividends paid in cash		261.912	308.681
Ordinary shares in circulation		155.899.719	155.899.719
Total outstanding shares		**155.899.719**	**155.899.719**
Total Decreed Dividends	$	**261.912**	**308.681**

(*) The profits now reported correspond to closings of December 2017 and 2016

The Holding Company and its subsidiaries have a simple capital structure and hence, there is no difference between the basic profit per stock and the diluted profit.

Note 24. - Non-controlling Interest

The following table shows the information about each subsidiary with significant non-controlling interests at 31-December-2018 and 2017:

31- December - 2018

Entity	Country	Participation		Value of equity participation	Value of participation in profits (loss)	Dividends paid during the period
Fiduciaria de Occidente S.A	Colombia	4.44%	$	8.858	880	18.077
Ventas y Servicios S.A	Colombia	19.99%		6.277	1.204	286
Banco de Occidente Panama S.A	Panamá	5.00%		3.998	819	_
			$	**19.133**	**2.903**	**18.363**

31- December - 2017

Entity	Country	Participation		Value of equity participation	Value of participation in profits (loss)	Dividends paid during the period
Fiduciaria de Occidente S.A	Colombia	4.44%	$	9.736	846	25.984
Ventas y Servicios S.A	Colombia	19.99%		5.136	205	_
Banco de Occidente Panama S.A	Panamá	5.00%		3.880	756	_
			$	**18.752**	**1.807**	**25.984**

The following Table shows information about each one of the directly controlled companies where there is a significant uncontrolled participation at 41-December-2018 and 2017:

31- December- 2018

Entity		Assets	Liabilities	Total income	Net profit	Other Comprehensive Income	Cash flow from the operation
Fiduciaria de Occidente S.A	$	265.484	15.853	86.053	19.811	65.777	7.877
Ventas y Servicios S.A		74.017	42.617	255.704	6.023	_	18.786
Banco de Occidente Panama S.A		2.745.097	2.665.135	118.086	16.374	14.124	(47)
	$	**3.084.598**	**2.723.605**	**459.843**	**42.208**	**79.901**	**26.616**

31- December- 2017

Entity		Assets	Liabilities	Total income	Net profit	Other Comprehensive Income	Cash flow from the operation
Fiduciaria de Occidente S.A	$	234.733	14.795	80.146	19.048	45.184	17.926
Ventas y Servicios S.A		59.601	33.906	213.618	1.025	_	6.569
Banco de Occidente Panama S.A		2.491.583	2.413.992	114.071	15.116	(2,341)	88.459
	$	**2.785.917**	**2.462.693**	**407.835**	**35.189**	**42.843**	**112.954**

At December 31, 2018, there are not significant transactions made with non-controlled participations of the Holding Company, as well as protective rights or restrictions in the access to the use of the assets or cancelation of liabilities thereof.

Note 25. – Commitments and Contingencies

a. Commitments

Credit commitments

In developing its normal operations the Holding Company award guarantees or letters of credit to its clients whereby the Holding Company undertakes to make payments to third parties in the event that the clients fail to accomplish with the obligations to such third parties, with the same credit risk for credit portfolio. The awarding of guarantees and letter of credit are subject to the same policy to approval the disbursement of loans concerning to credit quality of the clients and the guarantees are obtained, considered appropriate according to the circumstance.

The commitments for granting credits represent unused portions of authorizations to grant credits by way of loans, use of credit cards or letter of credit. Concerning the credit risk about commitments to award credit lines, the Holding Company is potentially subject to loss in an amount equal to the total amount of the unused commitments if the unused amount would be totally notwithstanding, the amount of loss is less than the total amount of unused commitments, inasmuch as most of commitments to grant the credits are contingent once the client maintains the credit risk specific standards. The Holding Company monitors the maturity terms of the commitments related to quotas of credit because the long-term commitments have a higher credit risk than the short-term commitments.

Below the detail of guarantees, letters of credit and commitments of credits in unused credit-lines at December 31, 2018 and 2017:

	31- December- 2018		31- December - 2017	
	Notional amount	Reasonable Value	Notional amount	Reasonable Value
Guarantees	$ 1.147.658	26.792	896.910	19.010
Unused credit cards	228.048	384	90.857	456
Unused credit card shares	2.435.808	2.435.808	2.127.874	2.127.874
Approved credits not disbursed	21.203	21.203	724.748	724.748
Others	226.545	226.545	33.925	33.925
Total	**$ 4.059.262**	**2.710.732**	**3.874.314**	**2.906.013**

The balances pending on the unused credit-lines and the guarantees do not necessary represent future requirements of cash because such quotas may expire and not to be totally or partially used.

Below the detail of commitments of credit by type of currency:

		31- December 2018	31- December 2017
Colombian pesos	$	3.272.881	3.294.558
Dollars		728.741	517.470
Euros		56.481	60.518
Others		1.159	1.768
Total	**$**	**4.059.262**	**3.874.314**

Commitments of disbursement of capital expenses

At December 31, 2018 and 31-December-2017 the Holding Company and subsidiaries had contractual commitments for disbursement of capital expenses (intangible and other) for $104,225 and $74,502, respectively. The Holding Company and subsidiaries have already allocated the resources necessary to accomplish with those commitments and considers that the net profit and the funds will be enough to cover these and other similar commitments.

Commitments of Operative Leasing

The Holding Company receives real property by way of operative leasing for its own use for a term agreed on in exchange of a lease fee. In most of the contracts the fee is reckoned taking as reference the Consumer Price Index (CPI); usually these contracts are for 5 and 10 years terms.

Below, the detail of commitments to pay operative lease fees in the next years:

	31- December 2018	31- December 2017
No more than one year	2.163	1.997
More than one year and less than five years	58.762	45.693
More than five years	44.266	39.153
Total	**105.191**	**86.843**

b. Contingencies

Legal contingencies

At 31-December-2018 the result of valuation of claims of legal proceedings for civil lawsuits, without including those of remote probability amounted to $151,103.

From time to time in the normal operations development arise claims against the Holding Company or against any of the subsidiaries based on their own estimates and with the help of external advisors the top management of the Holding Company considers that it is unlikely the occurrence of loss in connection with the proceedings below detailed, and hence, no any provision has been recognized in the consolidated financial statements.

For December 31, 2018, there are the following proceedings against the Holding Company resulting material (equal to or higher than $3,013):

Holding Company:

(i) A popular action filed by Julio Aguilar against the Holding Company and other financial entities with the Eleven Circuit administrative Court in Cali, with the filing 2004-1924. The proceeding originates against financial entities taking part in the Performance Plan of Valle Department in 1998, considering the interest over interest's collection was agreed. The proceeding is found in the evidences stage and no any first instance decision has been made as yet, and there is no evidence supporting the facts of the lawsuit, for such reason at the closing 31-December, 2018 it is not required as yet to estimate provisions for this proceeding. The claims were estimated for $15.900.

(ii) Proceeding of demarcation and buffering promoted by Mis. Carmen Capela de Escolar against Mosel SAS and other, before the Second Civil Judge of Circuit, Specialized in land return of Cartagena, with the filing 0205, 2014. The Holding Company appears to this proceeding by complain in lawsuit made by the company Mosel SAS, by reason for the entity was owner of the real property subject matter of the proceeding, and in such capacity established the limits of the property, which subsequently was sold. The lawsuit was timely answered and it is believed that exceptions proposed by the Holding Company will be recognized by the judge at the time when decision will be made, in addition that the indemnity of damages requested by the applicant for $4,000 is not duly supported.

(iii) Incident of solidary responsibility started against the Holding Company and other banking entities by MEDICAL DUARTE ZF and other entities, within the executive proceeding promoted by them against a client of the bank in the Fifth Labor Court of Barranquilla. The incident is based on the Holding company supposedly failed to accomplished with action of attachment requested by the Court on the client's deposits, such situation contrary to the real condition, inasmuch as the client's banking accounts do not showed appeals and were already attached by other judicial authority. The incident was timely answered by the Holding Company with the relevant factual and legal arguments, notwithstanding the court resolved to declare the client solidary responsible together with other two financial entities for the amount $70,980 based on a provision clearly does not apply to the event. The appeal for reversal and remedy of appeal against this decision even unresolved, and it is firmly believed for the same must to be rejected due absence of factual support, in addition that in the legislation there is no any provision allowing to declare solidary a bank due to the failure to accomplish with an attachment order resulting from an executive labor proceeding.

Fiduciaria de Occidente:

(i) A civil proceeding filed by Megaproyectos S.A. against Fiduciaria de Occidente, in the 30 Civil Court, District of Bogotá, file No. 2015-00637-0. The Plaintiffs state that Fiduciaria de Occidente incurred in several different contractual defaults as speaker of the Trust 3-4-2012, and as a result Megaproyectos supposedly needs to assume the payments in favor of INVERSUMA and CREDIFACTOR for $25,782 within the framework of the contest process (reorganization) of Megaproyectos. The affiliate has in place the due factual and legal supports documenting the compliance with its contractual legal obligations and specially that accomplished the instructions of the persons acting as trustees pursuant to provisions set forth in the trust agreement. The lawsuit was timely answered and the allegations were estimated by Metroproyectos S.A. in the amount of $25.782

In connection with proceedings above described, upon the relevant evaluation it was concluded that such proceedings did not require provision.

Fiscal Contingencies

At the closing December 31, 2018, the Holding Company and Subsidiaries had no any pretention for existence of proceedings of taxation nature related to national and local taxations providing sanctions in the exercise of the activity as taxpaying entity and implying the constitution of contingent liabilities due to the remote possibility of the outflow of resources for such concepts.

Labor Contingencies

During the labor relationship between the Holding Company and its affiliates with their employees, as a result of the reasons for labor agreement termination or the development of labor agreement, arise several different claims against the companies and in such respect there is no probability to occur significant loss in connection with those claims according to the opinion of the lawyers at the closing December 31, 2018. On the other hand, the provisions required have been recognized in the financial statements for the relevant events.

Note 26 –Revenues, costs and expenses of contracts with clients

Below the detail of the revenues and expenses for commissions for the years ended 31-Decenber-2018 and 2017:

Income		31- December 2018	31- December 2017
Commissions on banking services	$	227.606	230.587
Credit card payments		99.520	91.155
Trust		63.889	61.278
Commissions for drafts, checks and checkbooks		15.396	15.868
Office network services		2.769	2.941
Total		**409.180**	**401.829**

Expenses		31- December 2018	31- December 2017
Banking services	$	24.052	36.703
Operations information processing services		701	571
Collection service for contributions to financial institutions		6.612	5.070
Administration and intermediation services		(8)	1.283
Banking expenses		2	1
Commissions for sales and services		3.867	38.871
Bank guarantees		16	17
Fiduciary business		6	7
Placements		16.052	15.210
Master Card operating costs		3.695	3.729
Others		16.998	(7.278)
Total		**71.993**	**94.184**
Net income for commissions	**$**	**337.187**	**307.645**

Income		31- December 2018	31- December 2017
Revenue from contracts with customers	$	409.180	401.829
Moment of revenue recognition			
At the point of time		409.180	401.829

Note 27. – Other Income, net and other expenses (restated)

Bellow the detail of the other income, for the years ended on December 31, 2018 and 2017:

Other income		31- December 2018	31- December 2017
(Lost) net gains due to differences in foreign currency exchanges	$	(10.701)	52.063
Net profit in investment sales		10.455	13.588
Profit on sales of non-current assets held for sale		433	410
Participation in net profits of associated companies and joint business restated		182.830	152.041
Dividends restated		2.700	
Income from the sale of goods and services of companies in the real sector		173.391	138.566
Other operating income		71.352	46.597
(Lost) net gain in investment property valuation		(2,668)	32.612
Total other income, net	**$**	**427.792**	**437.507**

Other expenses		31- December 2018	31- December 2017
Lost sale of non-current assets held for sale	$	_	947
Indemnities		33.592	2.848
Bonus payments		4.653	4.537
Salaries and benefits to employees		657.198	623.927
Administrative overheads		744.860	731.965
Depreciation of tangible assets		68.817	63.837
Amortization of intangible assets		16.192	13.310
Expenses for donations		166	507
Other expenses		32.113	7.969
Total other expenses	$	**1.557.591**	**1.449.847**

Note 28. – Administrative overheads

Below the detail of the administrative overheads, for the years ended at December 31, 2018 and 2017:

		31- December 2018	31- December 2017
Tax and rates	$	155.616	152.652
Other		46.524	42.136
Leases		87.373	78.337
Contributions affiliations and transfers		85.017	88.937
Insurance		67.754	65.767
Utilities		31.203	30.577
Fees for consulting, auditing and other		124.224	103.497
Advertising services		41.041	56.416
Maintenance and repairs		21.652	23.896
Transport services		17.394	13.793
Toilet and surveillance services		13.145	13.962
Temporary services		9	13
Electronic data processing		15.366	15.322
Adaptation and intallation		4.442	5.837
Travel expenses		10.152	10.647
Tools and stationery		4.526	5.652
Building administration costs		10.576	10.178
Cardholders Marketing		8.846	14.346
Total		**744.860**	**731.965**

Note 29. - Analysis of operation segments

The operation segments are components of the Holding Company responsible for developing commercial activities potentially generating income or incur in expenses and which operative results are usually revised by the Board of Directors and the specific financial information thereof is available:

a. **Description of products and services from which each reportable segment derives its income:** The Holding Company is organized in four business segments made up by the following companies; Fiduciaria de Occidente S.A., Banco de Occidente Panamá S.A., Occidental Bank Barbados Ltd. and Ventas y Servicios S.A. All these entities supply services related to banking and financial activity in Colombia in corporate or commercial, consumption banking or mortgage banking.

b. **Factors used by management to identify the reportable segments:** The operation segments identified above based on the strategic organization of the Holding Company to service the different economic sectors in Colombia, Panamá and Barbados taking into account that under the laws of those countries each one of such companies are operating since several years ago.

   The consolidate information of each entity is reviewed by the Board of Directors from the Holding Company, available to the stock market only for the Holding Company taking into account that the Holding Company owns stocks and securities recorded in the National Registry of Securities of Colombia.

c. **Measurement of net profit and the assets and liabilities of the operative segments:** The Board of Directors of the Holding Company reviews the consolidated financial information from each one of the operation segments according to IFRS.

   The Board of Directors evaluates the performance of each segment based on the net profit from each one of them and some credit risk indicators.

d. **Information of net profit, assets and liabilities of the reportable operative segments:** The following is the detail of the summarized reportable financial information for each segment for the periods ended on December 31, 2018 and 2017:

31- December - 2018		**Banco de occidente S.A (HC)**	**Fiduciaria de Occidente S.A**	**Ventas y Servicios S.A**	**Banco de Occidente Panamá**	**Occidental Bank (Barbados) Ltd.**	**Eliminations**	**Total**
Assets								
Assets at fair value with changes in results	$	1.627.362	42.880	_	692	_	_	1.670.934
Financial assets at fair value with changes in ORI		2.433.815	178.660	4	1.325.299	627.862	(181.943)	4.383.697
Financial assets in debt securities at amortized cost		703.590	_	_	_	_	(16.323)	687.267
investments in associated companies and joint venture		1.485.518	10.991	_	_	_	(248.575)	1.247.934
Financial assets by credit portfolio at amortized cost		27.628.115	(285)	36	1.403.984	321.980	(780.237)	28.573.593
Other assets		2.171.536	32.953	73.976	15.123	76.551	(11.954)	2.358.185
Total Assets	**$**	**36.049.936**	**265.199**	**74.016**	**2.745.098**	**1.026.393**	**(1.239.032)**	**38.921.610**
Deposits of clients		22.011.973	_	_	2.645.390	944.854	(9.986)	25.592.231
Financial obligations		7.653.386	_	8.568	16.252	_	(796.490)	6.881.716
Other liabilities		1.890.096	15.568	34.048	3.492	271	(1.967)	1.941.508
Total Liabilities		**31.555.455**	**15.568**	**42.616**	**2.665.134**	**945.125**	**(808.443)**	**34.415.455**
Equity		**4.494.481**	**249.631**	**31.400**	**79.964**	**81.268**	**(430.589)**	**4.506.155**

		Banco de occidente S.A (HC)	**Fiduciaria de Occidente S.A**	**Ventas y Servicios S.A**	**Banco de Occidente Panamá**	**Occidental Bank (Barbados) Ltd.**	**Eliminations**	**Total**
Income continuous controlling operations								
Financial income	$	3.013.049	26	_	46.502	31.773	(1.148)	3.090.202
Fees and commissions		339.144	63.889	_	3.986	2.311	(150)	409.180
Other operating income		5.722.948	22.138	255.704	67.598	3.440	(161.056)	5.910.772
Total income	$	**9.075.141**	**86.053**	**255.704**	**118.086**	**37.524**	**(162.354)**	**9.410.154**
Financial expenses								
Provision for impairment of financial assets		1.008.430	231	5	1.704	4.054	_	1.014.424
Depreciation and amortization		74.116	2.488	7.835	424	146	_	85.009
Commissions and fees paid up		107.958	287	441	1.045	547	(38.285)	71.993
Administrative expenses		709.888	20.149	46.759	6.919	3.400	(42.255)	744.860
Other operating expenses		6.791.391	40.071	190.611	91.620	25.580	(26.244)	7.113.029
Income taxes		(42.501)	3.016	4.031	_	_	_	(35.454)
Total spends	$	**8.649.282**	**66.242**	**249.682**	**101.712**	**33.727**	**(106.784)**	**8.993.861**
Period utility	$	**425.859**	**19.811**	**6.022**	**16.374**	**3.797**	**(55.570)**	**416.293**

31- December - 2017		Banco de occidente S.A (HC)	Fiduciaria de Occidente S.A	Ventas y Servicios S.A	Banco de Occidente Panamá	Occidental Bank (Barbados) Ltd.	Eliminations	Total
Assets								
Financial instruments at fair value	$	3.365.149	191.110	4	1.204.522	568.174	(161.999)	5.166.960
financial instruments at amortized cost		27.610.956	6.035	17.710	1.131.587	297.817	(673.150)	28.390.955
Investments in associated companies and joint ventures		884.309	8.994	_	_	_	(221.134)	672.169
Other assets		3.012.975	28.537	41.887	155.474	308.474	(12.379)	3.534.968
Total Assets		**34.873.389**	**234.676**	**59.601**	**2.491.583**	**1.174.465**	**(1.066.662)**	**37.765.052**
Deposits of clients		22.691.474	_	_	2.394.464	1.095.549	(12.379)	26.169.108
Other Liabilities		7.790.375	14.738	33.906	19.528	132	(673.114)	7.185.565
Total Liabilities	$	**30.481.849**	**14.738**	**33.906**	**2.413.992**	**1.095.681**	**(685.493)**	**33.354.673**
Equity	$	**4.391.540**	**219.938**	**25.695**	**77.591**	**78.784**	**(383.169)**	**4.410.379**

		Banco de occidente S.A (HC)	Fiduciaria de Occidente S.A	Ventas y Servicios S.A	Banco de Occidente Panamá	Occidental Bank (Barbados) Ltd.	Eliminations	Total
Income continuous controlling operations								
Financial income	$	3.249.503	122	40	63.872	37.587	(75,622)	3.275.502
Fees and commissions		334.054	61.278	_	4.523	2.153	(179)	401.829
Other operating income		3.069.393	18.746	213.579	45.676	(1.355)	(29.051)	3.316.988
Total income	$	**6.652.950**	**80.146**	**213.619**	**114.071**	**38.385**	**(104.852)**	**6.994.319**
Financial expenses								
Provision for impairment of financial assets	$	906.140	117	(24)	3.251	7.779	2.531	919.794
Depreciation and amortization		66.043	2.334	7.890	783	97	_	77.147
Commissions and fees paid up		105.530	22	110	1.214	546	(13.238)	94.184
Administrative expenses		717.433	18.799	45.782	8.339	3.222	(61.610)	731.965
Other operative expenses		4.358.197	34.933	156.813	85.368	24.236	(19.629)	4.639.918
Income taxes		161.877	4.893	2.022	_	_	_	168.792
Total expenses	$	**6.315.220**	**61.098**	**212.593**	**98.955**	**35.880**	**(91.946)**	**6.631.800**
Net profit	$	**337.730**	**19.048**	**1.026**	**15.116**	**2.505**	**(12.906)**	**362.519**

e. Reconciliation of the net profit, assets and liabilities of reportable operative segments

Below the detail of reconciliations of the income, expense, assets and liabilities of segments with the relevant consolidated consolidate items at the level of the Holding Company:

1. Income		31- December 2018	31- December 2017
Total reportable income by segment		9.572.508	7.099.171
a. Deposits yields at sight		(23.588)	(17.180)
b. Income real estate activities		(79.795	(72.962)
c. Dividends		(13.575)	(11.752)
d. Participation method		(43.575)	(1.140)
e. Other		(1.821)	(1.818)
Total Consolidated income	**$**	**9.410.154**	**6.994.319**

1. Income		**31- December 2018**	**31- December 2017**
Total reportable income by segment		9.572.508	7.099.171
a. Deposits yields at sight		(23.588)	(17.180)
b. Income real estate activities		(79.795	(72.962)
c. Dividends		(13.575)	(11.752)
d. Participation method		(43.575)	(1.140)
e. Other		(1.821)	(1.818)
Total Consolidated income	**$**	**9.410.154**	**6.994.319**

2. Expenses		**31- December 2018**	**31- December 2017**
Total reportable expenses by segment	$	9.100.645	6.723.746
a. Interest credit from banks		(15.273)	(14.048)
b. Real estate expenses		(79.795)	(72.962)
c. Participation method		(1.599)	(849)
d. Others		(10.117)	(4.087)
Total Consolidated income	**$**	**8.993.861**	**6.631.800**

3. Assets		**31- December 2018**	**31- December 2017**
Total reportable assets by segment	$	40.160.642	38.833.714
a. Banks and other correspondents		(9.987)	(12.378)
b.Interbank funds sold		(780.237)	(656.685)
c. Investments		(435.253)	(398.092)
d. Accounts receivable		(1.967)	(1.507)
e. Others		(11.588)	_
Total consolidated assets	**$**	**38.921.610**	**37.765.052**

4. Liabilities		**31- December 2018**	**31- December 2017**
Total reportable liabilities by segment	$	35.223.898	34.040.166
a. Current accounts		(8.116)	(10.431)
b. Interbank funds purchased		(391.057)	(254.191)
c. Bank Credits		(389.180)	(402.496)
d. Debts to pay		(1.967)	(1.507)
e. Bonuses		(16.252)	(14.923)
f. Others		(1.871)	(1.945)
Total consolidated liabilities	$	**34.415.455**	**33.354.673**

5. Equity		**31- December 2018**	**31- December 2017**
Total reportable equity by segment	$	4.936.744	4.793.548
a. Social capital		(54.364)	(54.216)
b. Premium in placement actions		(198.940)	(187.581)
c. ORI		(866.842)	(829.955)
d. Surplus Method of participation		(13.895)	(77.607)
e. Gain or loss		715.919	766.919
f. Other		(12.467)	(792)
Total Equity	**$**	**4.506.155**	**4.410.379**

Country		**31- December 2018**	**31- December 2017**
Colombia	$	4.348.330	4.255.266
Panamá		157.825	155.113
Total Equity	**$**	**4.506.155**	**4.410.379**

6. Income per country

Country		**31- December 2018**	**31- December 2017**
Colombia	$	9.389.326	6.976.390
Argentina		_	7
Bahamas		_	8
Barbados		274	406
Brasil		2.767	5.377
Chile		1.159	**1.351**
Costa Rica		**683**	**5**
Ecuador		**25**	**4**
France		_	131
Guatemala		731	854
Honduras		113	147
Mexico		1.016	2.538
Panama		1.179	850
Paraguay		173	_
Perú		2.766	1.470
United Kingdom (UK)		_	1.785
Rusia		4	_
Salvador		9	12
Swizerland		117	956
Usa		8.611	2.028
Venezuela		1.201	_
Total Consolidated income	**$**	**9.410.154**	**6.994.319**

f. Holding Company's Senior clients

There is no any client representing 10% of the total income of the Holding Company during the periods ended on December 31, 2018 and 2017.

Note 30. – Set-off financial assets with financial liabilities

Below the detail of financial instruments subject to set-off contractually required at December 31, 2018 and 2017:

31- December 2018		Gross amounts of recognized financial assets	Net amount of financial assets showed in the statement of financial position	Related amounts not compensated in the statement of financial situation		Net Amount
				Financial instruments	Collateral guarantee of cash received	
Assets						
Derivative financial instruments	$	385.647	385.647	_	_	385.647
Repo and simultaneous operations		235.951	235.951	167.338	_	68.613
Total	$	**621.598**	**621.598**	**167.338**	_	**454.260**
Liabilities						
Derivative financial instruments	$	346.665	346.665	_	_	346.665
Repo and simultaneous operations		707.703	707.703	541.798	_	165.905
Total	$	**1.054.368**	**1.054.368**	**541.798**	_	**512.570**

31- December 2017		Gross amounts of recognized financial assets	Net amount of financial assets showed in the statement of financial position	Related amounts not compensated in the statement of financial situation		Net Amount
				Financial instruments	Collateral guarantee of cash received	
Assets						
Derivative financial instruments	$	106.391	106.391	_	_	106.391
Repo and simultaneous operations		620.447	620.447	620.624	_	(177)
Total	**$**	**726.838**	**726.838**	**620.624**	_	**106.214**
Liabilities						
Derivative financial instruments	$	96.765	96.765	_	_	96.765
Repo and simultaneous operations		97.796	97.796	51.988	_	45.808
Total	**$**	**194.561**	**194.561**	**51.988**	_	**142.573**

The Holding Company and its subsidiary Fiduciaria de Occidente S.A., hold financial instruments derivatives which are legally enforceable according to Colombian legislation or the country where the counterparty operates. Additionally, Colombian legal regulations allow for the Holding Company to set-off instruments derived from its same liability obligations.

Note 31. –Non-consolidate structured entities

The “Non-consolidate structured entities” makes reference to all structured entities that are not controlled by Fiduciaria de Occidente S.A. This last conducts operations with non-consolidate structured entities within the normal line of business in order to make easier clients’ transactions and for specific investment opportunities.

The following table shows the total assets of the non-consolidated structured entities where Fiduciaria de Occidente S.A. held participation at the date of report and its maximal exposure to participation at the date of report, and its maximal exposure to loss, concerning of such participations:

Managed funds Grupo Aval		**31- December 2018**	**31- December 2017**
Total assets managed	$	33.037.336	31.572.972
Investments at fair value with changes in results		42.581	85.123
Other accounts receivable		13.945	14.116
The total assets in relation to the interests of the Aval Group in structured non-consolidated entities		**33.093.862**	**31.672.211**
Maximum exposure of the Aval Group	**$**	**33.093.862**	**31.672.211**

Note 32 – Related Parties

According to IFRS 24,any relate4d party is any person or entity related with entity preparing its financial statements, which may perform control, or joint control on the reporting entry, to exercise significant influence on the reporting entity, or otherwise to be considered member of the key staff of the top management of the reporting entity or from any controller of the reporting entity. Within the definition of related party include: persons and/or relatives related with the entity, key staff of the top management”, entities member of the same group (Controller and Subsidiary), associate or joint business of the entity or entities of the Grupo Aval.

According to above, the parties related to the Holding Company and its Subsidiaries, Fiduciaria de Occidente S.A., Occidental Bank Barbados Ltd., Banco de Occidente Panamá S.A: and Ventas y Servicios S.A. are classified in the following categories:

1.- Natural Persons controlling or joint control on the Holding Company, i.e. that they own more than 50% participation on the reporting entity; additionally, include the near relatives from which it may expected to influence to or were influenced by such person.

2.- Key personnel of the top management are included in this category the members of the Board of Directors and president of the board of Directors and president of Gruo Aval, the Holding Company, Fiduciaria de Occidente S.A., General Manager of Vents y Servicios S.A., Occidental Bank Barbados Ltd. an Banco de Occidente Panamá S.A: plus the key staff of the top management of those entities, that are the persons taking part in the planning, management and control of such entities.

3.- Companies belonging to the same group, including in this category, the controller, subsidiaries or other subsidiary of the same controller of Grupo Aval.

4.- Associated Companies and Joint Business: Companies where Grupo Aval holds significant influence, which usually is considered when holding any participation of 20% and 50% of its capital.

5.- In this category are included the entities controlled by natural persons included in the categories 1 and 2.

6.- In this item, are included the entities where the persons included in items 1 and 2 exercise significant influence.

All transactions with related parties are made at market conditions, the most representative balances at 31-December-2018 and 2017, with related parties, are included in the following Tables, which statement headings correspond to the definitions of the related parties, recorded in the three categories above:

December 31, 2018

	Categories					
	1	2	3	4	5	6
	Natural persons with control over Banco de Occidente	Key management personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by people included in category 1 and 2	Entities with significant influence by persons included in category 1 and 2
Asset						
Cash and its equivalents	_	_	16.413	_	_	_
Financial assets in investments	_	_	_	_	_	_
Financial assets in credit operations	63	19.079	135.938	205.122	157.901	1.014
Accounts receivable	_	135	12.241	485	2.422	17
liabilities						
Deposits	19.965	43.033	874.132	25.498	272.459	398
Debts to pay	20	3.398	50.170	528	5.226	_
Financial obligations $	_	770	10.906	_	_	_

31-December-2017

		Categories					
		1	2	3	4	5	6
		Natural persons with control over Banco de Occidente	Key management personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by people included in category 1 and 2	Entities with significant influence by persons included in category 1 and 2
Asset							
Cash and its equivalents	$	_	_	4.530	_	_	_
Financial assets in investments		_	_	_	_	_	_
Financial assets in credit operations		112	14.214	26.475	237.012	224.773	_
Accounts receivable		1	110	13.309	822	3.046	
liabilities							
Deposits		1.578	35.981	798.375	14.100	585.651	8
Debts to pay		24	3.916	61.036	_	11.888	_
Financial obligations		_	770	17.867	16.317	46.026	_
Other liabilities	$	_	_	142	_	_	_

The most representative's transactions for the years ended on 31-December-2018 and 2017 with related parties include:

a. Sales, services and transfers

December 31, 2018

		Categories					
		1	2	3	4	5	6
		Natural persons with control over Banco de Occidente	Key management personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by people included in category 1 and 2	Entities with significant influence by persons included in category 1 and 2
Interest income	$	20	1.091	121.333	1.122	29.940	80
Financial expenses		206	1.049	28.691	251	11.278	9
Income from fees and commissions		2	127	9.395	26	342	5
Expenses, fees and commissions		_	24	69.104	_	81	5
Other operating income		4	913	2.669	2.512	909	_
Other expenses	$	_	162	10.920	947	2	_

December 31, 2017

		Categories					
		1	2	3	4	5	6
		Natural persons with control over Banco de Occidente	Key management personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by people included in category 1 and 2	Entities with significant influence by persons included in category 1 and 2
Interest income	$	14	865	1.886	26.888	36.597	_
Financial expenses		232	1.485	38.179	848	21.219	_
Income from fees and commissions		2	99	5.171	35	190	_
Expenses, fees and commissions		_	82	56.119	2.069	363	_
Other operating income		4	150	80.703	369	335	_
Other expenses	$	_	4	22.339	219	308	_

The amounts pending are not ensured and will be liquidated in cash. Guarantees have neither given nor received. No any expense has been recognized neither in the current year nor in the previous years with regards to uncollectible amounts or doubtful debts related to the amounts owed by related parties.

b. Compensation of company's key staff

The compensation received by management key staff includes the following for the operational periods ended on December 31, 2018 and 2017:

Concepts		31- December 2018	31- December 2017
Salaries	$	22.683	21.922
Benefits for short-term employees		17.257	944
Post-employment benefits		10	_
Other long-term benefits		1.041	151
Termination benefits		205	_
Total	$	41.196	23017

Note 33 – Facts after the closing date of preparing the consolidated financial statements

On December 28, 2018, a contract with Leasing Corficolombiana was entered for grant the Holding Company t0 assign assets and liabilities of its portfolio, it was agreed, that on February 1, 2019 will be the date to assign, updating the value of the operations at 31-January-2019, within the assets assigned there is ordinary portfolio estimated for $206,000 and $ 228,000, leasing portfolio estimated for $269,000 and $297,000, the liabilities assigned contain term deposits certificates CDTs estimated for $295,000 and $ 327,000, financial obligations with rediscount entities estimated for $91,000 and $ 100,000 and financial obligations with other financial entities estimated for $ 31,000 and $ 34,000; for the estimation of fair value of assets and liabilities the firm Incorbank was hired. The operation of assignment of assets and liabilities was authorized by Colombia Finance Superintendence.

Note 34 – Approval of Financial Statements

The consolidate financial statements and the accompanying Notes were approved by the Board of Directors and the legal representative, according to Minutes No. 1516 date 22-February-2019, to be submitted to the General Stockholders Meeting for its approval or amendment if deemed necessary.