

## CORPORATE GOVERNANCE REPORT 2018 - BANCO DE OCCIDENTE

During 2018 Banco de Occidente promoted additional changes that shall document the practices of good corporate governance within the organization, with the aim of increasing the standards of the Country Code Survey of the Financial Superintendence, and to continue improving our Corporate Governance indexes. These activities were supported by the Senior Management, the Board of Directors and the shareholders.

### I) GENERAL SHAREHOLDER'S MEETING

Banco de Occidente held one (1) Shareholders' Meeting on the fifteenth (15) of March 2018, which had an active participation of 146,649,275 shares, corresponding to 94.06% of the outstanding shares.

The adoption of the following decisions is highlighted during the Meeting:

1. The reform of the by-laws regarding Articles 21, 28, 42 and 52, which allow us to reconcile international standards of corporate governance with our good practices within Banco de Occidente and increase the affirmative responses in the Survey of the Country Code carried out by the Financial Superintendence of Colombia, through which the following changes are made:
  - Article 21: Shareholders are allowed to propose, within five (5) calendar days following the publication of the summoning of the General Shareholders' Meeting, one or more items to be discussed in the Agenda of the Meeting.
  - Article 28: The approval of the acquisition, sale or encumbrance of assets and segregation (spin-off) operations, whose amount exceeds twenty-five per cent (25%) of the total assets of the financial institution, calculated against its separate financial statements of the immediately preceding financial year is included in as a function of the Shareholders' Meeting. A segregation (spin-off) of operations is understood as the allocation of a part of the entity's equity for incorporating another corporation or for increasing the capital of existing corporations, obtaining as consideration shares, quotas or parts of interest.
  - Article 42: The possibility that the appointment of the Secretary of the Board of Directors may be made through a proposal of the President of the Corporation is included.
  - Article 52: The possibility, at the time of voting the reform of the By-laws of the Entity, is included so that the voting of articles or group of articles which are substantially independent is carried out separately.
2. The appointment of the members of the Board of Directors and their remuneration for the year 2018.
3. The authorization granted to the managers of Banco de Occidente to enter into intra-



group operations, under the modality of contracts for rendering of services, directly with the company Grupo Aval Acciones y Valores S.A and its subordinate companies, tending to support the operation of the Entity, always provided that the amounts determined for the services contracted are within the ordinary course of the business of the corporations participating and that the charge for such services is made under market conditions of Market.

4. The submittal of the report with the improvements in the Code Country Survey of the Financial Superintendence of Colombia which was sent to the Regulatory Entity in January 2018.

## II) STRUCTURE OF THE CORPORATION'S PROPERTY

The shareholding structure of Banco de Occidente is presented according to the information reported to the Financial Superintendence of Colombia and that to which the public has access and published on our website. Thus, the two (2) most representative shareholders of Banco de Occidente as of the date of the herein report and the percentage of minority shareholders is as follows:

Tax Id Number	CORPORATE NAME	NO. OF COMMON SHARES.	% PARTICIPATION
800.216.181-5	Grupo Aval Acciones y Valores S,A	112,671,465	72.27175%
860.503.617-3	Seguros de Vida Alfa S, A	11,348,346	7.27926%
	Shareholders with participation of less than 5%	31,879,908	20.44898%
<b>TOTAL</b>		<b>155,899,719</b>	<b>100%</b>

## III) MANAGING STRUCTURE OF THE CORPORATION

### a) BOARD OF DIRECTORS

The Board of Directors of Occidente is comprised by five (5) principal members with their respective alternates. The quorum for deliberating is comprised with the majority of its Directors pursuant to the Corporate By-laws.

The Board of Directors' structure is as follows, including principal Directors, alternates, date of first appointment, and attendance (principal and alternate) to the meetings during 2018:

Name	Director	Alternate Director	Attendance (%)
Hector Vesga Perdomo (2004)	Principal	Mauricio Gutierrez Vergara (2008)	70 - 80
Ricardo Villaveces Pardo (1991)	Principal	Adolfo Varela Gonzalez (2012)	90 - 100
Ivan Felipe Mejia Cabal (1996)	Principal	Eduardo Herrera Botta (2015)	80 - 90



<b>Felipe Ayerbe Muñoz (1993)</b>	<b>Principal</b>	<b>Gilberto Saa Navia (1999)</b>	<b>90 – 100</b>
<b>Liliana Bonilla Otoya (1999)</b>	<b>Principal</b>	<b>Mauricio Irragori Rizo (2014)</b>	<b>90 – 100</b>

An abstract of the Director's Resumes is published on the web page of the Bank with a brief reference of the professional experience of the Board of Directors' members.

Currently Banco de Occidente has eight (8) independent Directors, including Principal and Alternates, representing a number greater than that required by the regulations in force. Such difference can be consulted in the Bank's web page, wherein the capacities of each of the Directors is established.

**b) INFORMACIÓN REGARDING THE SHARES OF THE DIRECTORS**

The information of the Directors who are shareholders of Banco de Occidente as of December first (1st), 2018 is as follows:

NAME	SHAREHOLDER	
	Yes	No
IVAN FELIPE MEJIA CABAL*	X	
FELIPE AYERBE MUÑOZ	X	
LILIANA BONILLA OTOYA	X	
RICARDO VILLAVECES PARDO	X	
HECTOR VESGA PERDOMO		X
GILBERTO SAA NAVIA	X	
MAURICIO GUTIERREZ VERGARA	X	
ADOLFO VARELA GONZALEZ		X
MAURICIO IRRAGORI RIZO		X
EDUARDO HERRERA BOTTA		X

\*Iván Felipe Mejia has a participation greater than 3% of the shares of Banco de Occidente as of the time of submitting herein report.

**c) SCHEDULE OF MEETINGS**

Pursuant to the By-laws and the Regulations of the Board of Directors, the Schedule for the minimum number of Board of Director's meetings was met. As of the date of the herein report, thirty four (34) meetings have been held during 2018, without taking into account the sessions of December seven (7) and fourteen (14) of December.

d) **REMUNERATION OF THE BOARD OF DIRECTORS**

Pursuant to what was approved during the General Shareholders' Meeting, a remuneration sum was established for the Directors regarding their attendance to the meetings and committees of one million six hundred eighty thousand pesos (\$1,680,000.00).

e) **SUPPORT COMMITTEES TO THE BOARD OF DIRECTORS**

Banco de Occidente has three support committees for the different functions vested upon the Board of Directors according to the regulations approved; such committees are as follows: i) Audit Committee, ii) Good Corporate Governance Committee and iii) Appointments and Retributions Committee.

1. **AUDIT COMMITTEE:** a separate report shall be submitted to the General Shareholders' Meeting..
2. **GOOD CORPORATE GOVERNANCE COMMITTEE:** Wherein the approval of including a member of the Board of Directors and its Alternate is Highlighted.
3. **APPOINTMENTS AND RETRIBUTIONS COMMITTEE:** Which met in order to provide support to the Board of Directors regarding the decisions made relating to changes in the Senior Management.

f) **CHANGES IN THE BOARD OF DIRECTORS DURING THE PERIOD**

There were no changes in the structure or members of the Board of Directors during 2018..

g) **RESIGNATIONS AND APPOINTMENTS OF SENIOR MANAGEMENT MEMBERS**

During 2018, the resignation of Mr. Efrain Otero Alvarez to the position as President of Banco de Occidente was submitted to the Board of Directors, position that had been held for twenty three (23) years, as well as the appointment of the new President, Mr. Cesar Prado Villegas.

The resignation submitted by the Bank's Vice-Presidents of Individuals, Operations and Technology, and the appointment of the replacement of the first of the aforementioned positions, was also submitted to review by the Board.

**IV) TRANSACTIONS WITH RELATED PARTIES**

The detailed report of such transactions is disclosed directly to the General Shareholders' Meeting, in Note 30. - Related Parties "According to IAS 24 a related party is a person or entity related to the entity preparing its financial statements where control or joint control over the reporting entity could be exercised; or exercise significant influence over the reporting entity; or be considered a member of the key management personnel of the reporting entity or of a controller of the



*reporting entity. The definition of related party includes: a) persons and/or family members related to the entity, entities members of the same group (controller and subsidiary), associates or joint ventures of the entity or entities of the group, post-employment benefit plans for the benefit of the employees of the reporting entity or of a related entity"*

**V) COUNTRY CODE SURVEY – FINANCIAL SUPERINTENDENCE**

The Country Code survey was transmitted in January 2019, corresponding to the progress made during 2018.