Banco de Occidente

Banco de Occidente S.A.
and Subsidiaries
Consolidated Financial Statements
at 31-December-2019

Fiduciaria de Occidente S.A.

Banco de Occidente Panamá S.A.

Occidental Bank Barbados Ltd.

Ventas y Servicios S.A. Nexa BPO

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REPORT BY STATUTORY AUDITOR

Shareholders
Banco de Occidente S.A.:

Opinion

I have audited the consolidated financial statements of Banco de Occidente S.A., and the Subsidiaries (the Group), comprising the consolidated statement of financial situation at December 31, 2019 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 the significant accounting policies and other explanatory information.

In my opinion, the consolidated financial statements mentioned, attached to this Report, contain reasonably, in all the aspects of material significance, the financial consolidated situation of the Group on December 31-2019, the consolidated results of its operations and the consolidated cash flows for the year ended in that date, according to Accounting and Financial information standards accepted in Colombia, applied in an uniform manner with the previous year, excepting for the application of IFRS 16-Leasing.

Bases for the opinion

I made the audit in compliance with the International Audit Standards accepted in Colombia (IAS). My responsibilities according to such standards are described in the Section “Responsibilities of Tax Inspector in connection with the Audit of the Consolidated Financial Statements” of my report. I am independent with regards to the Group, according to the Ethics Code for Accounting professionals issued by the Council of International Ethics Standards Boards for Accountants (Code IESBA) included in the Assurance Standards of the Information Accepted in Colombia, together with the ethical requirements relevant for my audit of the Consolidated Financial Statements established in Colombia, and I have accomplished with the other ethical responsibilities according to these requirements and the aforementioned IESBA Code. I consider for the audit evidence obtained is sufficient and appropriate to support my opinion.

Key Audit Issues

Key Audit Issues are those that, according to my professional judgement, were of the most important in my audit of the consolidated financial statements of the current operation period. Such matters were addressed in the context of my audit of the consolidated financial statements as a whole and when forming my opinion thereon, and I do not express a separate opinion about these matters.

Evaluation of Credit Portfolio Impairment under IFRS-9 Financial Instruments (See Notes 2 and 10 of the Consolidated Financial Statements)	
Audit Key Issue	How was addressed in the audit
The Group periodically reviews the exposure to credit risk of its loan portfolio. Such determination is one of the most significant and complex estimations in the preparation of the consolidated financial statements attached, due to the high grade of judgment involved in the development of the models in order to determine the impairment based on an approach of expected loss required in the IFRS-9. The amount of the credit portfolio and its relevant provision at 31-December-2019 adds up to \$30,911,466 million and \$1,537,345 million, respectively. I considered the evaluation of impairment of the credit portfolio as a key audit issue because involves an uncertainty of insignificant measurement issue that required a complex judgment, y knowledge and experience in the industry, especially in connection to (1) the evaluation of the methodologies used, including the methodology for the estimation the loss given the default; (2) the loss probability given the default and its factors key assumptions; (3) the qualification of the loans and qualitative factors incorporated in the variables of the internal models established by the Group; and (4) the calculations of the estimated impairment for credit risk of the total credit portfolio.	My audit procedures to assess the adequacy of impairment due to the credit risk, included, among other, the following: • Involvement of experienced and knowledgeable professionals in the credit risk evaluation, in order to assess some internal controls related to the process of the Group to determining the credits portfolio deterioration. This included controls related to: (1) Validation of models determining the probability of the expected loss, the severity and exposure at the time of default. (2) The monitoring of Group about the determination of impairment of portfolio. (3) Manual controls about the entry of data to the models determine the deterioration of the credits, as well as the related calculations; (4) the evaluation to identify if any significant change occurred in the credit risk; (5) the revision of the macroeconomic variables and the weighted scenarios used in the models for determining the Impairment of the credit portfolio; and (6) the revision of commercial credits individually analyzed and penalties. • Professionals with knowledge of credit risk assessment, assisted me about (1) evaluation of methodologies and key data used to determine the probability of loss, the severity and exposure at the time of default, and the parameters produced by the models; (2) Evaluation of macroeconomic variables and the scenarios of weighted probabilities used in the internal models, including the consideration of alternative data for some variables; (3) Recalculation of the expected loss model and its related data; and (4) Evaluation of the qualitative adjustments applied to the model.

<table>
<tr><th colspan="2">Evaluation of the transaction recognition of the assets and liabilities assignment contract between Leasing Corficolombiana S.A. Compañía de Financiamiento en Liquidación, (formerly Leasing Corficolombiana S.A. Compañia de Financiamiento) and Banco de Occidente S.A. (see the notes 1, 10, 17 and 18 to 16 to financial statements).</th></tr>
<tr><td>On 28-December-2018 the Bank subscribed an assignment contract of assets and liabilities with the related to company Leasing Corficolombiana S.A. Compañía de Financiamiento under winding up (formerly Leasing Corficolombiana Compañía de Financiamiento S.A.), whereby the latter assigns assets and liabilities of its portfolio to the Bank.

The Assignment was made on February-1-2019 and created the incorporation to Bank's credit portfolio and financial leasing for the amount $506,717 million and time deposit for $311,497 million.

I considered this transaction as a key matter of audit considering that this is an unusual material operation involving significant judgment of the top management to determine the reasonable value of the divested transaction operations which required a significant effort of audit to assess the related evidence.</td><td>My audit procedures for the evaluation the proper recognition of the assets and liabilities incorporated to the Bank's portfolio as the result of the assignment contract, included, among other, the following:

• Validation of the operations integrity assigned, according to the conditions provided in the contract.

• Obtainment of the external confirmation of the total divested liability operations and on a sample selected for the divested active operations

• Involvement of professionals with experience and knowledge in the valuation of financial instruments for the purpose to assess whether the methodology used to determine the reasonable values of the operations assigned was adequate, checking specially the underlying assumptions and mathematical accuracy of the calculations made, as well as the evaluation of the adequate accounting recognition of this transaction.</td></tr>
</table>

Other Matters

The Consolidated Financial Statements on and for the operation year ended on 31-December-2018 are made exclusively for comparison purposes, were audited by me, and in my report dated 22-February-2019, I expressed an unqualified opinion about them.

Responsibility of the management and those in charge of the Group's corporate governance related to the Consolidated Financial Statements.

The administration is responsible for the preparation and reasonable submission of these consolidated financial statements pursuant to the Accounting Financial Report Standards accepted in Colombia. This responsibility includes: Design, implement and maintain the internal control deemed necessary by the management to allow the preparation of consolidated financial statements free of material significant errors, either for fraud or error; to select and apply the proper accounting policies, as well as to establish de accounting estimates in the circumstances.

In the preparation of the consolidated financial statements, the management is responsible for the evaluation of the expertise of the Group to go ahead as an ongoing business, to disclose, as applicable, matter related to the continuation thereof, and to use the accounting base of ongoing business, unless management intends to liquidate the Group, or otherwise to stop the operations, or there is no more realistic alternative than to proceed in one of these ways.

Corporate governance officers are responsible for overseeing the Group's financial reporting process information.

Responsibilities of the External Auditor in connection with the audit of the consolidated financial statements

My targets are to obtain a reasonable security whether the consolidated financial statements considered as a whole are free from error of material significance, either by fraud or by error, and issue an audit report including my opinion. Reasonable security means a high assurance level, but it is not a guarantee that an audit made according to NIAs always will detect any material error, when this error exists. The error may occur due to fraud or error and are considered material if, individually or in concert, may reasonably expect to influence on the users' economic decisions, taken based on these consolidated financial statements.

As part of an audit conducted in accordance with IAS, I exercise professional judgment and maintain professional discretion during the audit, I also:

- Identify and assess the risks of material error in the consolidated financial statements, resulting either by fraud or error, I design and perform audit procedures in response to those risks and I obtain sufficient evidence of the audit and appropriate to support my opinion. The risk of not detecting a material error resulting from fraud is greater than that arising from an error, because the fraud may involve conclusion, falsification, international omissions, misrepresentation, or the overriding or over-weighting of internal control.

- .I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude that management's use of the going concern assumption is appropriate and, based on the audit evidence obtained, whether or not there is any material uncertainty regarding events or conditions that may indicate significant doubt about the Group's ability to continue as a going concern. If I conclude that there is material uncertainty, I must draw attention in my report to the disclosure describing this situation in the consolidated financial statements or, if this disclosure is inadequate, I must modify my opinion. My conclusions are based on the audit evidence obtained up to date of my report. However, future events or conditions may cause the Group to cease operating as a going concern.

- I evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events to achieve a fair presentation.

- I obtain sufficient appropriate audit evidence in respect of the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I remain solely responsible for my audit opinion.

I communicate to those charged ´of the governance of the Group, among other matters, the planned scope and the opportunity of the audit, as well as significant audit findings, including any significant deficiencies in internal control that I identified during my audit

I also provide corporate governance practitioners with confirmation that I have met the relevant ethical requirements for independence, and that I have disclosed to them all relationships and other matters that might reasonably be considered to influence my independence and, where appropriate, related safeguards.

From the matters communicated with those in charge of corporate governance, I determine the issues that were of greatest significance in the audit of the consolidated financial statements for the current period and, therefore, are the key audit issues.

From the matters communicated with those in charge of corporate governance, I determine the issues that were of greatest significance in the audit of the consolidated financial statements for the current period and, therefore, are the key audit issues. I describe these matters in my Auditor's report unless the law or regulation prevents public disclosure of the matter or when, in extraordinary circumstances, I determine that a matter should not be included in my report because the adverse consequences of doing so would reasonably outweigh the public interest benefits of such reporting.

Signed:
Hugo Alonso Magaña Salazar
Tax Inspector of Banco de Occidente S.A.
P.C 86619-T
Member of KPMG S.A.S

28-February-2020

Consolidated Status of Financial Situation

(Given in Col. Pesos million)

Assets	Notes	31 December 2019		31 December 2018
Cash	**6**	**$**	**2,773,364**	**2,660,714**
Financial assets at fair value with changes in results				
Investments in debt securities	**7**		2,186,410	1,255,435
Investments in equity instruments	**7 and 31**		32,826	29,852
Derivative negotiation instrument	**7 and 29**		511,130	385,647
Total financial assets at fair value with changes in results			**2,730,366**	**1,670,934**
financial assets at fair value with changes in ORI				
Investments in debt securities	**7**		3,724.113	4,310,946
Investments in equity instruments at fair value	**7**		88,954	72,751
Total Financial assets at fair value with changes in ORI			**3,813,067**	**4,383,697**
Financial assets in debt securities at amortized cost	**8**		674,640	687,267
Total investments in debt securities at amortized cost and fair value			**4,487,707**	**5,070,964**
Credit portfolio at amortized cost	**4 and 10**			
Commercial Portfolio and commercial leasing			**22,061,977**	**20,385,918**
Commercial and leasing commercial			21,523,280	19,776,605
Repos and interbank and others			538,697	609,313
Consumption portfolio and leasing consumption			7,208,175	6,800,229
Mortgage portfolio and mortgage leasing			1,641,314	1,387,446
Total credit portfolio at amortized cost			**30,911,466**	**28,573,593**
Impairment of portfolio	**10**		**(1,537,345)**	**(1,576,939)**
Impairment commercial portfolio and commercial leasing			(1,032,051)	(1,009,339)
Commercial portfolio impairment and Leasing Commercial			(435,577)	(502,856)
Impairment mortgage portfolio and mortgage leasing			(69,717)	(64,744)
Total financial assets for credit portfolio at amortized cost, net			**29,374,121**	**26,996,654**
Other accounts receivable, net	**11**		**225,045**	**129,430**
Total financial assets at amortized cost			**30,273,806**	**27,813,351**
Investments in associate companies and joint business	**13**		**1,434,246**	**1,247,934**
Tangible assets, net	**14**			
Property and equipment of own use			464,586	511,415
Equipment under operative leasing contract			8,195	3,920
Property, equipment right of use			189,443	-
Investment properties			233,079	212,476
Total tangible assets, net			**895,303**	**721,811**
Intangible assets, net	**15**			
Capital gains			22,724	22,724
Other intangible assets			271,167	212,908
Total intangible assets, net			**293,891**	**235,632**
Current asset for profit tax	**16**		**292,184**	**142,115**
Other assets			**71,470**	39,422
Total assets		**$**	**42,577,697**	38,921,610

Liability and equity				
Liabilities				
Derivative Instruments of negotiation	**9 and 29**	$	525,527	346,665
Financial liabilities at fair value			**525,527**	**346,665**
Financial liabilities at amortized cost				
Clients deposits	**17**			
Current accounts			6,366,447	6,135,439
Saving accounts			12,574,563	11,045,313
Time deposit certificates			9,727,997	8,367,495
Other deposits			57,373	43,984
Total clients deposits			**28,726,380**	**25,592,231**
Financial obligations	**18 and 31**			
Interbank funds and overnight			729,114	931,537
Credits of banks and others			1,749,100	1,511,248
Bonds and investments securities			3,337,983	3,147,438
Obligations with entities of rediscount			1,379,033	1,291,493
Total financial obligations			**7,195,230**	**6,881,716**
Total financial liabilities at amortized cost			**35,921,610**	**32,473,947**
Provisions	**20**			

Provision for legal contingencies			4,243	4,295
Other provisions			41,382	53,452
Total provisions			**45,625**	**57,747**
Liabilities for income tax	**16**			
Current			7,358	6,095
Deferred			196,948	183,418
Total liabilities for income tax			**204,306**	**189,513**
Benefits to employees	**19**		**110,985**	**102,786**
Other liabilities	**21 and 31**		**900,567**	**1,244,797**
Total liabilities		**$**	**37,708,620**	**34,415,455**
Equity				
Subscribed and paid capital	**22**	**$**	**4,677**	**4,677**
Premium of placement shares			**720,445**	**720,445**
Retained profit			**4,015,627**	**3,732,803**
Other integral results			**102,338**	**29,097**
Equity of the controlling interests		**$**	**4,843,087**	**4,487,022**
Non-controlling interests	**23**		**25,990**	**19,133**
Total equity			**4,869,077**	**4,506,155**
Total liabilities and equity		**$**	**42,577,697**	**38,921,610**

The notes in pages 13 to 157 are integral part of the consolidated financial statements

ALFONSO MÉNDEZ FRANCO	**FABIÁN FERNANDO BARONA CAJIAO**	**HUGO ALONSO MAGAÑA SALAZAR**
Legal Representative (*)	Accountant	Tax Inspector
	T.P. 86629 – T	T.P. 86619 – T
		Member of KPMG S.A.S
		(See my report of 28-February-2020)

(*) The undersigned Legal Representative and Public accountant do hereby certified that we have previously verified the statements contained in these consolidated financial statements and the same have been prepared with faithful information from the accounting books of the Holding Company and its Subsidiaries.

Consolidated Status of Results

(Given in Col. Pesos million)

	Notes	31 December 2019	31 December 2018
Income for interests			
Interest on credit portfolio and leasing operations			
Financial, repos and repos and interbank:		**$ 2,931,304**	**2,878,602**
Interest on commercial portfolio		1,760,843	1,708,921
Interest on consumption portfolio		1,000,295	1,015,773
Interest on housing portfolio		142,409	123,713
Income for repos and interbank		27,757	30,195
Income for deposits		**9,785**	**5,003**
Income for interest other accounts receivable		**3,017**	**3,291**
Interest on investments in debt securities at amortized cost		**176,268**	**211,600**
Total income for interest		**$ 3,120,374**	**3,098,496**
Expenses for interest and similar			
Deposits			
Current accounts		10,654	10,744
Saving deposits		372,580	380,119
Time deposit certificates		446,188	403,558
Total expenses on deposits		**829,422**	**794,421**
Financial Obligations			
Interbank and overnight funds		63,656	9,936
Credits of banks and other		66,155	51,132
Bonus and investment securities		224,781	232,959
Obligations with rediscounts entities		44,370	46,741
Total financial obligations		**398,962**	**340,768**
Total expenses for interest and similar	**31**	**1,228,384**	**1,135,189**
Net income for interest		**1,891,990**	**1,963,307**
Loss for impairment of financial assets			
Impairment for credit portfolio and interest receivable		867,086	1,014,424
Provision for investments in debt securities		464	(1,777)
Recovery of penalties		(147,093)	(118,122)
Total loss for impairment of financial assets, net		**720,457**	**894,525**
Net income of interest after impairment		**1,171,533**	**1,068,782**
Income of contracts with clients, commissions and fees			
Income for commissions and fees	**25 and 31**	**431,899**	**409,180**
Expenses for commissions and fees	**25 and 31**	**85,539**	**71,993**
Net Income for commissions and fees		**346,360**	**337,187**
Income for sale of goods and services		**219,639**	**173,391**
Net Income of financial assets and liabilities maintained for negotiation		**117,047**	**104,790**
Net profit on negotiable investments		124,080	36,057
(Loss) net profit on financial interest derived from negotiation		(7,033)	68,733
Other income, net	**26**		
Return (loss) net for difference in exchange		56,443	(10,701)
Net profit in sale of investments and/or ORI realization		33,701	10,455
Profit sale non-current assets maintained for sale		1,863	433
Participation in profit of associate companies and joint business for equity participation		250,848	182,830
Return (loss) net, in valuation of properties of investment		2,358	2,700
Other income of operation		8,938	(2,668)
Other income of operation		53,759	71,352
Other income, net		**407,910**	**254,401**
Other outlays:			
Loss for non-current assets maintained for sale	**12 and 26**	**45**	**-**
Provision other assets		**6,209**	**121**
Personnel expenses	**26**	**726,843**	**695,443**
Indemnities		4,532	33,592
Payment of allowances		5,527	4,653
Salary and benefits to employees		716,784	657,198
Administration overseas	**26 and 27**	**766,889**	**744,860**
Expenses for depreciation and amortization	**26**	**125,662**	**85,009**

Depreciation of tangible assets			59,903	68,817
Amortization of intangible assets			21,162	16,192
Depreciation of property and equipment for rights of use			44,597	-
Other operation expenses	**26**		**7,683**	**32,279**
Expenses for grants			529	166
Other outlays			7,154	32,113
Total other outlays			**1,633,331**	**1,557,712**
Profit before income tax			**629,158**	**380,839**
Expense (income) of profit tax			**61,098**	**(35,454)**
Profit of the operation period		**$**	**568,060**	**416,293**
Profit attributable to:				
Controlling interest		**$**	**563,356**	**413,390**
Non-controlling interest	**23**	**$**	**4,704**	**2,903**

The notes in pages 13 to 157 are integral part of the consolidated financial statements

ALFONSO MÉNDEZ FRANCO
Legal Representative (*)

FABIÁN FERNANDO BARONA CAJIAO
Accountant
T.P. 86629 – T

HUGO ALONSO MAGAÑA SALAZAR
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(See my report of 28-February-2020)

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Consolidated Statement of other Integral Results

(Given in million Colombian pesos)

	Notes		31 December 2019	31 December 2018
Profit of the operation period		$	**568,060**	**416,293**
Items that may be subsequently reclassified to results				
Net difference in exchange in conversion of foreign operations			289	3,113
Difference in exchange for investments in subsidiaries abroad	9		2,942	11,464
Net un-realized profit in operation of foreign hedges	9		(2,942)	(11,464)
Adjusts for difference in exchange of subsidiaries abroad			(1,670)	96
Profit (loss) net unrealized in financial instruments measured at fair value in debt securities			37,622	(32,658)
Impairment in financial instruments measured at fair value with change in ORI – Titles of debt			281	(1,545)
Net Profit (loss) unrealized in accounting investments by the method of patrimonial participation	13		20,345	(3,578)
Deferred tax, item that may be subsequently reclassified to results	16		5,067	4,647
Total items that may be subsequently reclassified to results			**61,934**	**(29,926)**
Items that will be not reclassified to results				
Net unrealized profit in financial instrument of equity measured at fair value			16,400	5,057
Actuarial loss in plans of deferred benefits			(1,801)	(311)
Deferred tax items that will be not classified to results	16		(1,135)	(491)
Total items that will not be reclassified to results			**13,464**	**4,255**
Total other integral results during the operation period, net of tax.			**75,398**	**(25,671)**
Total integral result of operation period		**$**	**643,458**	**390,623**
Integral results attributable to:				
Controlling interests		**$**	**636,597**	**390,515**
Non-controlling interest		**$**	**6,861**	**108**

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Consolidated Statement of Changes in the Equity

(Given in million Colombian pesos)

		Capital suscrito y pagado (nota 22)						
Balance at 31-December-2017	**$**	**4,677**	**720,445**	**3,897,656**	**(117,480)**	**4,505,298**	**18,752**	**4,524,050**
Change in accounting policy to IFRS 9		-	-	(314,424)	169,452	(114,972)	(20)	(144,992)
Distribution of dividends in cash		-	-	(261,912)	-	(261,912)	294	(261,618)
Effects in retained by realization ORI and/or adoption for the first time (Note 7)		-	-	15	-	15	-	15
Indirect participation method in Porvenir (Note 13)		-	-	(1,922)	-	(1,922)	-	(1,922)
Net movement of other integral results		-	-	-	(22,875)	(22,875)	(2,796)	(25,671)
Profits of the operation period		-	-	413,390	-	413,390	2,903	416,293
Balance at 31-December-2018	**$**	**4,677**	**720,445**	**3,732,803**	**29,097**	**4,487,022**	**19,133**	**4,506,155**
Amount tax recognized for profit in sale of investment Master-Card		-	-	(1,137)	-	(1,137)	-	(1,137)
Transfer to results (Note 8)		-	-	29	-	29	-	29
Distribution of dividends in cash		-	-	(289,973)	-	(289,973)	-	(289,973)
Effect in retained profits for realization of ORI (Note 7)		-	-	11,329	(11,329)	-	-	-
Withholding at source for not-taxed dividends		-	-	(780)	-	(780)	(4)	(784)
Net movement of other integral results		-	-	-	84,570	84,570	2,157	86,727
Profits of the operation period		-	-	563,356	-	563,356	4,704	568,060
Balance at 31-December-2019	**$**	**4,677**	**720,445**	**4,015,627**	**102,338**	**4,843,087**	**25,990**	**4,869,077**

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Consolidated Statement of Cash Flows

(Given in million Colombian pesos)

		31-December-2019	31-December-2018
Cash flows of the operation period:			
Profit of the operation period	$	**563,356**	**413,390**
Non-controlling interest		4,704	2,903
Conciliation of net profit with the net cash (used in) provided by the operation activities:			
Depreciation of tangible assets		104,500	68,818
Amortization intangible asset		21,162	16,193
Expenses (income) income tax		61,098	(35,454)
Impairment for credit portfolio and accounts receivable, Net		867,086	1,014,424
Diminution of provisions		(11,146)	(9,320)
Income for interest caused on credit portfolio and operations of financial leasing		(1,891,990)	(1,963,307)
Dividends caused		(2,358)	(2,700)
Expenses (refund) impairment of investment, net		184	(172)
Items reclassified from other integral results, to Results		(32,442)	(1,558)
Profit in sale of non-current assets maintained for sale Net		(1,818)	(433)
Profit of sale of investments, net		(45,061)	(9,991)
Profit in sale of properties and equipment for own use		(4,157)	-
Profit in sale of property of own use and equipment operative leasing		(52)	-
Loss in sale properties of investment		10,529	-
Net Loss (profit) in valuation of financial derivative instruments		7,033	(68,733)
Refund impairment of tangible assets, net		(1,489)	(1,190)
Adjusts in exchange		3,681	45,725
Profit in equity participation in inversion in associates and joint business		(250,848)	(182,829)
Adjustment at fair value of investments properties		(8,938)	2,668
Net variation in operational assets and liabilities:			
Diminution of financial instruments derivative of negotiation		46,346	39,378
Increasing in investments at fair value with changes in results		(924,911)	(793,610)
Increase of credit portfolio and operations of financial leasing		(3,178,765)	(409,187)
Increase in accounts receivable		(111,046)	(26,006)
(increase) diminution net in other assets		(493)	10,268
Increase (diminution) of clients' deposits		3,142,440	(912,132)
(Diminution) increase use of provisions		(1,502)	22,767
(Diminution) net increase in other liabilities		(524,061)	348,760
Increase (diminutions) of benefits to employees		6,361	(97)
(Diminution) increase of interbank loans and overnight funds		(192,572)	943,433
Interest received from credit portfolio and financial leasing operations		2,851,216	2,798,594
Interest paid of clients' deposits and financial obligations		(1,238,034)	(1,152,287)
Payment interest financial leasing		(11,731)	-
(Payment) recovery of income tax		(21,060)	68,432
Net cash (used in) provided for the operation activities		**(764,778)**	**226,747**
Cash flow of the investment activities:			
Acquisition of properties y own use equipment		(48,707)	(49,501)
Acquisition of assets delivered in operative leasing		(7,468)	(1,300)
Acquisition of financial assets at amortized cost		(744,881)	(757,976)
Acquisition of participation in associate companies		(1,596)	(2,660)
Capitalization of investments in associates		(2,863)	(14,748)
Acquisition of other intangible assets		(79,421)	(59,754)
Product of the redemption of financial assets of interest at amortized cost		765,066	772,108
Product of the sale of properties and own use equipment		15,883	16,855
Product of the sale of assets delivered in operative leasing		-	159
Product of the sale of investment properties		38,923	50,388
Sale of investment with changes in ORI at Fair Value		3,815,591	2,503,894

Acquisition of investments with changes in ORI at Fair Value		(2,927,984)	(2,259,310)
Product of the sale of non-current asset maintained for sale		5,590	17,472
Dividends received		106,398	53,478
Net cash provided for the investment activities		**934,531**	**269,075**
Cash flow of financing activities			
Acquisition of financial obligations		4,556,888	3,526,789
Payments of financial obligations		(4,361,462)	(3,407,241)
Issuance of investment securities in circulation		416,465	-
Payments of investment securities in circulation		(225,758)	(129,953)
Payment rental fees		(38,789)	-
Dividends paid		(282,816)	(273,950)
Net cash provided for (used in) the financing activities:		**64,528**	**(284,355)**
Effect of the profits or loss in exchange in the cash and equivalent to cash		(121,631)	26,300
Increase of cash and equivalent to cash		112,650	203,684
Cash and equivalent to cash at the beginning the year		2,660,714	2,457,030
Cash and equivalent to cash at the end year	$	**2,773,364**	**2,660,714**

The notes in pages 13 to 157 are integral part of the consolidated financial statements.

ALFONSO MÉNDEZ FRANCO
Legal Representative (*)

FABIÁN FERNANDO BARONA CAJIAO
Accountant
T.P. 86629 – T

HUGO ALONSO MAGAÑA SALAZAR
Tax Inspector
T.P. 86619 – T
Member of KPMG S.A.S
(See my report of 28-February-2020)

(*) The undersigned Legal Representative and Public accountant do hereby certified that we have previously verified the statements contained in these consolidated financial statements and the same have been prepared with faithful information from the accounting books of the Holding Company and its Subsidiaries.

Note 1- Reporting Entity

Banco de Occidente S.A. hereinafter the Holding Company, is a corporate body private in nature, legally incorporated as a bank establishment, authorized to operate according to Resolution No. 3140 dated 24-September-1993 of Colombia Financial Superintendence. Duly incorporated as documented in public deed No. 659 dated 30-April-1965 of the Notary Fourth in Cali.

The Holding Company's principal domicile is located in Santiago de Cali. The term stablished in the articles of incorporation is 99 years as from the date of incorporation. In compliance with the corporate purpose, the company may enter or execute all the operations and contracts legally accepted to bank establishments of commercial nature, subject to the requirements and limitations of Colombia laws.

In developing of its corporate purpose the Holding Company makes loans to its clients in the modality of credit portfolio, commercial, consumption, mortgage for housing and financial and operative leasing, and also performs treasury operations in debt securities, mainly in Colombian market. All those operations are financed with deposits received from the clients in the modality of current accounts, saving accounts, time deposit certificates, investment securities in circulation of general guarantee, in Col. pesos and with financial obligations obtained from correspondent banks in local and foreign currency and of rediscount entities created by Colombian government in order to promote several sectors of Colombian economics.

At 31-December-2019, the Holding Company has in place a 9.909 total employees distributed in 797 with fixed term labor agreement, 6.713 with indefinite term labor agreement, 368 with apprenticeship labor agreement, 1.156 with civil labor agreement by services supply and 875 outsourcing and specialized companies; through 241 attention centers in Colombian territory, distributed in 211 branch offices, 5 payments and collection centers, 16 credit-centers of vehicles and motorcycles, 5 leasing offices and 4 housing credit-centers.

The Holding Company has control situation performed by the corporate body Grupo Aval, Acciones y Valores S.A. that is the last controller and this in turn, record control situation of foreign entities of 95.00% in Banco de Occidente Panamá 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. – NEXA BPO.

The Holding Company has a non-banking correspondent agreement with Almacenes Exito, entity with national coverage.

Assignment of assets, liabilities by Leasing Corficolombiana S.A. C.F. to Banco de Occidente S.A.

On 1-February-2019, the partial section of assets was effective by Leasing Corficolombiana S.A. C.F.to Banco de Occidente S.A., authorized according to Resolution 01871 dated 27-December-2018 of Colombia Financial Superintendence, whereby authorizes Leasing Corficolombiana S.A. CF. to assign to Banco de Occidente, a portion of its gross productive asset, represented in financial leasing contracts, operative leasing and credit contacts, as well as the underlying assets of such operations, (See Note 10) and a portion of its total liability, represented in rediscount operations and term deposits contracts (TDC) with expiry terms of 90 to 360 days (See Notes 17 and 18): For estimation of the fair value of the assets and liabilities the firm Incorbank was contracted, the values were updated at 31-January-2019.

Subsidiaries Corporate Information

The corporate purpose of Fiduciaria de Occidente S.A. – Fiduoccidente is to enter in to commercial trust agreements and fiduciary mandates non-translational domain contracts, according to the legal provisions. Its basic purpose is to acquire, transfer, encumber, manage real property and fixture, and intervene as debtor or creditor in all type of credit operations. At 31-December-2019, Fiduciaria de Occidente S.A. has in place 598 employees distributed in 27 with fixed term labor agreement, 478 with indefinite labor agreement, 40 with apprenticeship labor agreement, and 53 outsourcing and specialized companies, through 10 agencies located in the cities Bogotá, Medellin, Cali, Barranquilla, Manizales, Bucaramanga, Cartagena, Pereira, Santa Marta and Monteria.

Banco de Occidente (Panamá) S.A. is an entity incorporated according the laws of República de Panamá and started Banking Operations in that country on 30-June-1982 based on an international license issued by the Comisión Bancaria Nacional of Republica de Panamá. Al 31-December-2019, Banco de Occidente (Panamá) S.A. has in place total 70 employees distributed 1 with fixed labor agreement, 60 with indefinite term labor agreement (15 perform especial activities for Occidental Bank Barbados), and 9 Outsourcing and specialized companies operating in a branch office.

Occidental Bank (Barbados) Ltd. was incorporated under Barbados Laws on 16-May-1991 with international license allowing supplying financial services to natural persons and companies non-residing in Barbados. At 31-December-2019, Occidental Bank (Barbados) Ltd. has in place total 15 employees with indefinite term labor agreement, out of which 2 develop the activities directly in Barbados and 13 are located in the Office of Representation in Colombia of Occidental Bank (Barbados) Ltd.

The corporate purpose of Ventas y Servicios S.A. – NEXA BPO is to supply technical or administrative services, as provided in Article Fifth of Act 45 – 1990, such as: programming of computers, marketing, creation and organization of consultation files and statistic calculations and reports in general. The company Ventas y Servicios S.A. – NEXA BPO is consolidated by virtue of the pervasive influence at administrative level made by the Holding Company on such company.

At 31-December-2019, Ventas y Servicios S.A. – NEXA BPO has in place total 8.452 employees distributed in 231 with fixed term labor agreement, 7.117 with indefinite term labor agreement, 940 with construction agreement of labor, and 164 with apprenticeship agreement in 68 cities grouped in 4 regions in Colombian territory.

Note 2. – Basis of preparation of the consolidated financial statements and summary of significant accounting policies

2.1. Declaration of compliance and technical regulatory framework

The consolidate financial statements were prepared in accordance with the Accounting Financial Report Standards (AFRS) accepted in Colombia, stablished in Act 1314 dated 2009, regulated by the Regulatory Decree 2420 – 2015 amended by the decrees 2496 of 2015, 2131 of 2016, 2170 of 2017, 2483 of 2018 and 2270 of 2019, issued by the National Government, the AFRS applicable on 2019 based in the international Financial Report Standards of Financial Information (IFRS), together with its interpretations issued by the Consejo de Normas Internacionales de Contabilidad (International Accounting Standard Board – IASB) The basic standards correspond to the officially translated to Spanish and issued by the IASB in the second semester 2017.

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

This is the first annual group of the consolidated financial statements where the IFRS 16 has been applied – leasing. The changes related to the significant accounting policies are described in Note 2.22.

2.2 Consolidated Financial Statement Presentation

The consolidated financial statements hereto included, are given taking into account the issues below:

- The consolidated statement of financial situation is given showing the different accounts of assets and liabilities arranged taking into account their liquidity in the event or realization or enforceability, considering that for any financial entity this presentation form provides a reliable and more relevant information. For the reason above, in the development of every one of Notes of the financial assets and liabilities the expected amounts to be disclosed to be recovered or paid within the following twelve months and after twelve months, according to the IAS 1 “Presentment of Financial Statements”.
- The consolidated statements of results and of other integral results, are given in separated in two statements as provided in IAS 1 “Presentment of Financial Statements”. In the same way, the consolidated statement of results is given discriminated according to the nature of the expenses, such model mainly used in the financial entities because provides more suitable and relevant information.
- The consolidated statement of cash flow is given by the indirect method, where the net flow for operation activities is determined adjusting the net profit before tax to profit, for the effects of the items that do not involve cash flows, the net changes in the assets and liabilities derived from the operation activities, and for any other item whose monetary effects are considered flows of cash of investment or financing. The income and expenses for interest are given as components of the operation activities.

2.3. Basis of consolidation

a. Subsidiaries

According to the International Financial Report Standard IFRS 10, the Holding Company must prepare the consolidated financial statements with the entities where the Company has control. The Holding Company has control in other entity, if and only has all the following elements:

- Power over the investee that gives it the present ability to direct its relevant activities that significantly affect its performance.
- Exposure or right, to variable returns from its involvement in the investee.
- Ability to use its power over the investee to influence the amount of the investor's return.

In the consolidation process, the Holding Company combines the assets, liabilities and results of the entities in which it determines control, after homogenizing their accounting policies and converting to Colombian pesos of the controlled entities abroad. In this process proceeds to the elimination of reciprocal and unrealized transactions between them. The share of non-controlling interests in the equity of controlled entities is shown separately from the equity of the Holding Company shareholders.

The financial statements of companies controlled abroad in the consolidation process, their financial statements are converted as indicated below: assets and liabilities are converted in Colombian pesos at the closing exchange rate, the statement of income at the average exchange rate for the period and the equity accounts at historical exchange rates, with the exception of the ORI accounts for adjustments at fair value. The net adjustment resulting from the translation process is included in the equity as "adjustment for translation of foreign currency financial statements" in the account "Other integral Results".

The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the end of control.

The financial statements of the subsidiaries used in the consolidation process correspond to the same period and date of presentation as those of the Holding Company.

The consolidated financial statements include the following subsidiaries:

Subsidiaries	Origin	% of participation	No. of stocks at 31-December 2019
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 value of assets, liabilities, equity, operating income and results as of December 31, 2019 and 2018 of each of the subsidiaries included in the consolidation is as follows:

31-December-2019		Asset	% Part	Liability	% Part	Equity	% Part	Operational Income	% Part	Results	% Part
Banco De occidente S.A (Holding)	$	39,091,168	88,7%	34,249,685	88,7%	4,841,482	89,1%	10,565,986	94,4%	559,929	88,8%
Fiduciaria de Occidente S.A.		329,191	07%	15,218	0,0%	4,841,482	5,8%	109,485	1,0%	35,936	5,7%
Banco De occidente Panamá S.A.		3,076,811	7,0%	2,942,736	7,6%	313,075	2,5%	141,906	1,3%	19,597	3,1%
Occidental Bank (Barbados) Ltda.		1,447,167	3,3%	1,341,341	3,5%	105,826	1,9%	47,401	0,4%	7,300	1,2%
Ventas y Servicios S.A.		112,288	0,3%	72,824	0,2%	39,464	0,7%	322,257	2,9%	8,064	1,3%
Total	**$**	**44,056,625**	**100%**	**38,621,804**	**100%**	**5,434,820**	**100%**	**11,187,035**	**100%**	**630,826**	**100%**
Consolidated Financial Statement Banco de Occidente S.A.	**$**	**42,577,698**		**37,708,620**		**4,869,078**		**11,001,035**		**568,060**	

31-December- 2018		Asset	% Part	Liability	% Part	Equity	% Part	Operational Income	% Part	Results	% Part
Banco De occidente S.A (Holding)	$	36,097,504	89,8%	31,603,022	89,6%	4,494,483	91,0%	9,075,140	94,8%	425,858	90,3%
Fiduciaria de Occidente S.A.		265,484	0,7%	15,853	0,0%	249,631	5,1%	86,053	0,9%	19,811	4,2%
Banco De occidente Panamá S.A.		2,745,097	6,8%	2,665,135	7,6%	79,962	1,6%	118,086	1,2%	16,374	3,5%
Occidental Bank (Barbados) Ltda.		1,026,393	2,6%	945,125	2,7%	81,268	1,6%	37,524	0,4%	3,795	0,8%
Ventas y Servicios S.A.		74,017	0,2%	42,617	0,1%	31,400	0,6%	255,704	2,7%	6,023	1,3%
Total	**$**	**40,208,495**	**100%**	**35,271,752**	**100%**	**4,936,744**	**100%**	**9,572,507**	**100%**	**471,861**	**100%**
Consolidated Financial Statement Banco de Occidente S.A.	**$**	**38,921,610**		**34,415,455**		**4,506,155**		**9,410,154**		**416,293**	

Effect of Consolidation

The effect of the consolidation on the structure of the Holding Company's financial statements at the closing period December 31, 2019 and 2018 was as follows:

		31-December-2019					31-December-2018		
		Total Holding	Total consolidate	Increase (Diminution)			Total Holding	Total consolidate	Increase (Diminution)
Assets	$	39,091,168	42,577,698	3,486,530	**Assets**	$	36,097,504	38,921,610	2,824,106
Liabilities		34,249,685	37,708,620	3,458,935	**Liabilities**		31,603,022	34,415,455	2,812,433
Equity		4,841,482	4,869,078	27,596	**Equity**		4,494,483	4,506,155	11,672
Results	**$**	559,929	568,060	8,131	**Results**	**$**	425,858	416,293	(9,565)

b. Investments in associated companies

Investments of the Holding company in entities in which it does not have control but has significant influence are called "Investments in associated companies" and are accounted for using the equity participation method. It is presumed that it exercises significant influence over the other entity if it holds, directly or indirectly, between 20% and 50% of the voting power of the investee, unless it can be clearly demonstrated that such influence does not exist. The equity method is a method of accounting under which the investment is initially recorded at cost and subsequently adjusted periodically for changes in the investor's share of the investee's net assets. Comprehensive income for the period includes its share in the results of the period of the investee and in the "Other comprehensive income of the investor" account, and in the equity includes its share in the "Other integral income" account of the investee. (See Note 13).

c. Joint agreements

The joint arrangements are classified into joint operations and joint businesses, depending on the contractual rights and obligations of each investor. In joint operations, the parties making the joint control of the agreement are entitled to the net assets and obligations, with respect to the assets related to the agreement. In joint businesses, the parties in control of the agreement are entitled to the net assets of the agreement (See note 13)

Joint operations are included in the consolidated financial statements based on their pro rata and contractual participation of each of the assets, liabilities and results of the contract or entity where the agreement is held.

Joint businesses are accounted for using the equity method as indicated above for accounting record of the investments in associated companies.

d. Transactions removed from consolidation

Intercompany balances and transactions and any unrealized income or expense arising from transactions between Group companies are eliminated in the preparation of the consolidated financial statements. Unrealized gains arising from transactions with companies whose investment is recognized under the equity method are eliminated from the investment in proportion to the Group's interest in the investment. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

e. Non-consolidated structured entities

The Subsidiary Fiduciaria de Occidente S.A. carries out operations in the normal trend of business whereby it transfers financial assets to third parties. Depending on the circumstances, these transfers may result in these financial assets to be being discarded or continuing to be recognized.

2.4 Functional and presentation currency

The principal activity of the Holding Company is the granting of credit to customers in Colombia and the investment in securities issued by the Republic of Colombia or by national entities, registered or not in the National Registry of Securities and Issuers - RNVE - in Colombian pesos; and to a lesser extent in the granting of credits also to Colombian residents in foreign currency and investment in securities issued by banking entities abroad, securities issued by foreign companies in the real sector whose shares are registered in one or several internationally recognized stocks exchanges, bonds issued by multilateral credit organizations, foreign governments or public entities. These credits and investments are financed mainly by deposits of clients and obligations in Colombia, also in Colombian pesos. The performance of the Holding company is measured and reported to its shareholders and the general public in Colombian pesos. Due to the above, the management of the Holding company considers that the Colombian pesos is the currency that most faithfully represents the economic effects of the transactions, events and underlying conditions of the Holding company and for this reason the consolidated financial statements are presented in Colombian pesos as its functional currency.

The amounts reported in the Holding Company's individual financial statements are expressed in the currency of the primary economic environment (functional currency) in which each entity operates:

Countries	**Functional Currency**
Colombia	Colombian pesos
Panamá	American Dollars
Barbados	American Dollars

The consolidated financial statements are given in millions of Colombian pesos, which is the presentation and functional currency of the Holding Company, except where otherwise indicated; consequently, all balances and transactions given in currencies other than the Colombian peso are considered foreign currency translation.

The Holding Company and its subsidiaries carry out all the conversion effects of their financial statements under IFRS, in accordance with their accounting policies based on IFRS 21.

Translation from functional to presentation currency: The information reported in the consolidated financial statements of the Holding Company and its subsidiaries is translated from the functional currency to the presentation currency and is translated at the exchange rate in effect as of the date of the reporting period**.**

The information reported in the consolidated financial statements is translated from functional currency to presentation currency as follows:

a. The assets and liabilities in each of the statements of financial position presented (i.e., including the comparative figures), will be translated at the closing exchange rate on December 31, 2019 and 2018 corresponding to the periods of the statements of financial position**.**

b. Revenues and expenses for each statement that presents the result of operation period and other integral result (i.e. including the comparative figures), will be translated at the average exchange rates on December 31, 2019 and 2018; and

c. All resulting exchange differences will be recognized in other integral result.

As of December 31, 2019 and 2018, the exchange rates used for the conversion of the functional currency to the presentation currency are as follows in relation to Colombian pesos (amount in Colombian pesos):

Type of Currency		31-December 2019	31-December 2018
American Dollar (USD / COP)			
At closing period	**$**	3,277,14	3,249,75
Average of period		3,282,39	2,956,55
Euros (EURO/COP)			
At closing period		3,667,68	3,722,82
Average of period	**$**	3,672,82	3,489,21

Assets and liabilities of foreign businesses are translated into Colombian pesos at the exchange rate prevailing on the closing dates of the reporting period and their statements of results are translated at the average rates prevailing on the dates of transactions. The equity at its respective historical rate.

2.5 Transactions in foreign currency

Foreign currency transactions are converted into Colombian pesos using the exchange rate prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated to the functional currency using the exchange rate prevailing at the closing date of the financial situation statement and non-monetary assets in foreign currency are measured at the historical exchange rate. The gains or losses resulting from the translation process are included in the profit and loss account, unless the financial liabilities serve as a translation hedge instrument for investment in foreign operations, in which case they are recorded in equity in other integral results.

2.6 Financial Assets

i. Recognition and initial measurement

A financial asset according to the IFRS 9 is any asset that is:

- cash;
- an equity income security from other entity;
- a contractual right:
  - to receive cash or other financial asset from other entity; or
  - to exchange financial assets or financial liabilities with other entity under conditions potentially favorable for the entity; or
  - a contract that will be or may be liquidated using equity income securities own by the entity.

The regular investments purchase and sales are recognized in the negotiation date, when the Holding Company undertake to purchase or sell securities. The financial assets at fair value for results are initially recognized at fair value and the transaction costs are accounted as expenses, when incurred.

The financial assets classified at amortized cost are accounted in its acquisition or when awarded for its transaction value, in the event of investments, or for its nominal value in the event of credit portfolio that, excepting contrary evidence in contract, coincides with the fair value, plus the transaction costs directly attributable to its acquisition or grant, less the commissions received.

ii. Classification **and measurement**

The IFRS 9 (Version 2014) contains a new approach of classification and measurement for the financial assets reflecting the model of businesses that these assets are managed and their characteristics of cash flow.

This standard includes three principal categories of classification for financial assets: measured at the amortized cost (AC), at the fair value with changes in other integral results (FVCOIR), and at fair value with changes in results (FVCR).

This standard complements the two categories existing in the former IFRS 9 from AC and FVCR currently prevailing in Colombia for the consolidated financial statements, adding the category FVCOIR.

A financial asset is measured at amortized cost rather than at fair value with changes in results, if it accomplishes with both 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 the financial asset set specific dates for the cash flows derived only from payments of principal and interest over the outstanding balance.

A debt instrument is measured at VRCORI only if it accomplishes with both two of the following conditions and has not been designated as a VRCR:

- The asset is maintained within a model of business the purpose of which is obtained by collecting contractual flows of cash and to sell such financial assets; y
- The contractual terms of financial asset establish specific dates for the cash flows derived only from the principal payments and interests on the outstanding balance.

During the initial recognition of investments in equity income securities not maintained for negotiation, the Group may select, irrevocably, to record the subsequent changes in fair value as part of other integral results in the equity. This election must be made instrument by instrument.

All the unclassified financial assets as measured at amortized cost or at fair value with changes in ORI as indicated below, are measured at fair value with changes in results.

Additionally, in the initial recognition the Group may designate in an irrevocable manner, a financial asset complying with AC or VRCORI measurements required to be measured VRCR IF doing so eliminates or significantly reduces an accounting asymmetry that might may occur if not made. The Group, for the time being, will not make use of this option.

A financial asset is classified in one of the above categories at the initial recognition.

Under IFRS 9, derivative contracts embedded in other contracts, where the principal contract is a financial asset and under the scope of IFRS 9, are not separated and instead the financial instrument is measured and recorded together as a fair value instrument with changes through the results statement.

Evaluation of the business model

The Group carried out an evaluation of the objectives of the business models in which the different financial instruments are maintained at the portfolio level in order to reflect in the best manner, the Parent Company manages the business, each subsidiary and how the information is provided to management. The information considered included:

- The policies and the objective indicated for each portfolio of financial instruments and the operation of those policies in the practice. These includes whether the management strategy is focused in the collection of income for contractual interests, maintain a specific interest or coordinating the duration of financial assets with those of the liabilities that are financing them to the expected cash outflows or realizing cash flows through the sale of the assets;
- How key management personnel of each Group subsidiary are assessed and reported on portfolio performance;
- The risks that affect the performance of the business models (and the financial assets held in the business model) and how those risks are managed;
- How return the managers of the business (for example, whether compensation is based on the fair value of the assets managed or on the contractual cash flows obtained); and
- The frequency, value and schedule of sales in prior periods, the reasons for those sales and expectations about future sales activity. However, the information about the sales activity is not considered in an isolation manner, but rather as part of an evaluation about how the objectives established by the Group for managing financial assets are achieved and how cash flows are realized.

Financial assets that are held, or managed for trading and whose return is evaluated on a fair value basis, are measured at fair value with changes in results considering that they are not held within the business models for collecting contractual cash flows or for obtaining contractual cash flows and selling financial assets.

Evaluation whether the contractual cash flows are only payments of principal and interests (OPPI)

For the purpose of this assessment, "principal" is defined as the fair value of the financial asset at the time of initial recognition. "Interest" is defined as consideration for the time value of money and for the credit risk associated with the amount of principal outstanding om a particular time period and for other basic risks of a loan agreement and other associated costs (e.g., liquidity risk and administrative costs), as well as the margin of return.

In assessing whether the contractual cash flows are only principal and interest payments, the Group considered the contractual terms of the income security. This included the evaluation in order to determine whether the financial asset contains a contractual term that would change the period or amount of contractual cash flows so that it does not meet this condition. In making this assessment the Group considered:

- Contingent events that changed the amount and periodicity of the cash flows;
- Leverage conditions;
- Advance prepayment terms and extension;
- Terms limiting the Group to obtain specific cash flows (e.g. agreements of assets without resources); and
- Features changing the considerations for the value of money through the time.

The interest rates on certain consumer and commercial loans are based on variable interest rates that are set at the Group's discretion. Variable interest rates are generally established in Colombia based on the DTF and IBR (published by Banco de la República), and in other countries in accordance with local practice, plus certain additional discretionary points. In these cases, the Group will assess whether the discretionary feature is consistent with the criterion of only payment of principal and interest by considering a number of factors that include if:

- Debtors are able to pre-pay loans without significant penalties. In Colombia it is prohibited by law to make collections for pre-payments of the credits.
- Competitive market factors ensure for interest rates to be consistent across the banks;
- Any regulatory protection standard put in place in favor of clients in the country that require for the amount the banks to treat clients in a fairly manner.

All consumer and commercial loans at fixed rate contain prepayment conditions.

A prepayment feature is consistent with the criterion of only payment the principal and interest if the prepaid amounts substantially represent unpaid amounts of principal and interest on the outstanding principal amount, which may include reasonable compensation for early termination of the contract.

In addition, a feature of advance payment is treated as consistent with this criterion, if a financial asset is acquired or originated with a premium or discount from its nominal contractual amount, and the prepayment amount substantially represents the contractual amount at the same time, plus the unpaid contractual accruals (which may include reasonable compensation for early termination), and the fair value of the prepayment feature is negligible in its initial recognition.

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

Financial assets at fair value with changes in results (FVCR)	These assets are subsequently measured at fair value. The net profit and loss, including the income for interest of dividends are recognized in results.
Financial assets at amortized cost (AC)	These assets are subsequently measured at the amortized cost using effective interest methods. The amortized cost is reduced due to loss for impairment. The income for interests, exchanges profit and loss are recognized in profit or loss. Any grain or loss in discharge accounts is recognized in profit or loss.
Investment of debt with changes in other integral results (VRCOIR)	These assets are measured at fair value. The income for interest calculated using the method of effective interest, profits in difference in exchange y the losses for impairment are recognized in results. Other profits and the loss for valuation are recognized in ORI. In the discharge in accounts, the accumulated profit and loss in ORI are reclassified in profit or loss for realization in ORI.
Equity investments in other integral results (VRCOIR)	These assets are subsequently measured at fair value. The dividends are recognized as income in profit or loss, unless the dividend represents clearly any recovery of investment cost. Other net profits and loss are recognized in ORI and never are reclassified to the result.

iii. Reclassifications

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

iv. Transfers and discharges of financial assets

The accounting treatment of the transfers of financial assets is conditioned by way they are transferred to third parties the risks and benefits associated to the transferred assets; so that the financial assets only are discharged from the consolidated balance sheet when the cash flows have been extinguished generated or when they have been transferred substantially to third parties the implicit risks and benefits. In this last event, the financial asset transferred is discharged from the consolidated balance sheet, recognizing at the same time any right or obligation retained or created as a result of the transfer.

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

- The financial asset transferred is not discharged from the consolidated balance sheet and it is continued valuating it with the same criteria used before the transference.
- An associated financial liability is recorded for an amount equal to the consideration received that is subsequently valued at its amortized cost.
- Both the income associated to financial asset transferred (but not discharged) and the expenses associated to the new financial liability.

v. Restructured financial assets with collection problems

The Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A. consider and identify as restructured financial asset with collection problems those assets where de Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A. grant to the debtor a concession that in another situation it would not have considered. Said concessions usually make reference to decreases in the interest rate, extension of the terms for payment or reductions in the outstanding balances.

vi. Compensation of financial income securities in the financial situation statement

Financial assets and liabilities are offset and the net amount reported in the statement of financial position, when legally there is the right to offset the recognized amounts and there is an intention of management to settle them on a net basis or to realize the asset and settle the liability simultaneously.

vii. Fair value estimation

In accordance with IFRS 13 "Measurement at fair value", the fair value is the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between the participants of the market on the measurement date.

In accordance with the foregoing, the valuations at fair value of the Holding Company's financial assets are made as indicated below:

- For high liquidity investments, the last price negotiated in the closing of financial statements is used where the last negotiated price falls within the supply and demand price differential.
- The fair 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 suppositions based on the existing market conditions at each reporting date. The valuation techniques used include the use of recent comparable and equal conditions, reference to other instruments that are substantially the same, discounted cash flow analysis, option price models and other valuation techniques commonly used by market participants. Making maximum use of market data and relying as little as possible on the specific data of the Holding Company.

Measuring the EWP

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

- The financial assets that do not present credit impairment at the reporting date: EWP are estimated for a 12-month period considering the Probability of Default (PD), the Loss Given the Default (LGD) and Exposure Given Default (EGD);
- Financial assets that are impaired as of the reporting date: in these cases, PCE are estimated using a PI of 100% given that it is impaired, as well as the LGD and the EGD;
- Financial assets with indications of credit impairment at the date of the report: in these events EWP are estimate for the remaining life of credit incorporating additionally the Survival Probability (SP);
- Outstanding loan commitments: the present value of the difference between the contractual cash flows that are due to the Group in the event that the commitment is executed and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amount that the Group expects to recover

2.7 Cash

Cash and cash equivalents include the cash on hand, bank deposits and other short-term investments in active markets with original maturities of three months or less as from the date of acquisition and bank overdrafts. The bank overdrafts are shown in current liabilities in the statement of financial position.

2.8 Operations with derivative financial securities

Under IFRS 9 a derivative is a financial security whose value changes over time based on a variable called underlying, does not require a net initial investment or requires a small investment relative to the underlying asset and is settled in a future date.

In carrying out its operations, the Holding Company generally transacts in financial markets in financial securities with forward contracts, futures contracts, swaps and options that meet the definition of a derivative.

All derivative transactions are recorded in the initial moment at their fair value. Subsequent changes in fair value are adjusted with a charge or credit to results as applicable, unless the derivative security is designated as hedging and if so, the nature of the hedged item.

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

The Parent Company a hedge on the investment of subsidiaries abroad as mentioned below:

- Hedging of a net investment in foreign currency which are recorded in a similar manner as previous cash flow speculations. The accumulated gains or losses in equity are included in the income statement when the net investment in a subsidiary abroad is sold in full or proportional when it is partially sold. The hedges of a net investment in a foreign business, including the hedging of a monetary item that is accounted for as part of a net investment, will be accounted for in a similar way to cash flow hedging, the part of profit or loss of the hedging instrument that is determined to be effective hedging will be recognized in other Integral result; and the ineffective part will be recognized in the result. When partially or totally disposed of in the foreign business, the gain or loss of the hedging instrument related to the effective part of the hedge that has been recognized in other comprehensive integral income, must be reclassified from equity to results as an adjustment for reclassification.
- For hedging purposes, the Holding Company makes the decision to assign hedging of its investments in foreign subsidiaries as of January 1, 2014 with obligations in foreign currency as provided in paragraphs 72 and 78 of IFRS 9.
- The Holding Company documents at the beginning of transaction the relationship between the speculative security and the hedged item, as well as the risk objective and strategy for undertaking the speculative relationship. The Holding Company also documents its assessment, both at the beginning of transaction and on a recurring basis, that the speculative relationship is highly effective in offsetting changes in the fair value or in cash flows of the hedged items, see Note 9 for details of the hedge.
- Financial assets and liabilities from transactions in derivatives are not offset in the statement of financial position; however, when there is a legal and enforceable right to set off the recognized values and there

is an intention to settle on a net basis or to realize the asset and settle the liability at the same time, they are presented net in the statement of financial position.

- The Foreign investments have a hedge to offset exchange rate fluctuations, represented by a foreign currency obligation for an equal value in dollars of the investments at each closing period, the effect on result and in the ORI arising from these operations as a whole is neutral.

2.9 Investment Securities

Subsequent recognition

After the initial recognition all the financial assets classified “at fair value with changes in results” are measured at fair value. The profits and loss resulting from the changes in the fair value are given net in the statement of results in the accounts of “net changes of fair value in the financial assets of debt”. The equity investments classified at fair value with changes in ORI are accounted at the fair value.

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

The effective interest method is a method for calculation of the amortized cost of an asset and of allocating the interest income or cost during the relevant period. The effective interest rate is the rate that exactly matches the estimated future cash payments received over the expected life of the financial security, or, where appropriate, for a shorter period than the initial carrying value of the asset at the initial time. To calculate the effective interest rate, the Holding Company estimates cash flows considering all contractual terms of the financial security but does not consider future credit losses and considering the initial balance of the transaction or granting, the transaction costs, and the premiums granted less the commissions and discounts received that make integral part of the effective rate.

Dividend income from financial assets in equity instruments in equity securities is recognized in results in the account of other income for dividends when the right to receive payment is established, regardless of the decision taken for the of record if in fair value in the results or in ORI.

2.10. Financial Liabilities

A financial liability is any contractual obligation of the Holding Company and all of its subsidiaries to deliver cash or another financial asset to another entity or person or to exchange financial assets or financial liabilities under conditions that are potentially unfavorable to the Holding Company or a contract that will or may be liquidate using the entity's own equity instruments. Financial liabilities are initially recorded at their transaction value on the date when they arise, which, unless otherwise determined, is similar to their fair value less transaction costs that are directly attributable to their issuance. Subsequently such financial liabilities are measured at its amortized according to the effective interest method determined on the initial time charged to results as financial expenses.

Financial liabilities only are discharged from the consolidated statement of financial position when the obligations they generate have been extinguished or when they are acquired (either with the intention of cancelling them or with the intention of placing them again).

2.11. Non-current assets maintained for sale

Goods received in payment of credits and non-current assets held for sale in which the Holding Company intends to sell them within a period not exceeding one year and their sale is considered highly probable, are recorded as "non-current assets held for sale". Such goods are recorded at the lower of their carrying value at the time of transfer to this account or their fair value less the estimated costs to sell. The goods received in payment that fail to accomplish with the conditions to be held for sale, are recorded in other balance sheet accounts according to their nature, as investments, other assets or investment property at cost or fair value according to the classification to which the good applies.

2.12 Financial guarantees

“Financial guarantees" are contracts requiring for the issuer to make specific payments to reimburse the creditor for the loss if incurs, when a specific debtor defaults on its payment obligation under the original or modified terms of a debt security; regardless of their legal form. Financial guarantees can take the form of a bail or financial guarantee, inter alia,

Upon initial recognition, the financial guarantees provided are accounted for by recognizing a liability at fair value, which usually is the present value of the commissions and yields to be received by said contracts during their lifetime, having as an asset counterpart the amount of the commissions and returns, collected at the start of operations and accounts receivable for the present value of the future cash flows pending of receipt**.**

Financial guarantees, whatever their holder, instrumentation or other circumstances, are periodically analyzed in order to determine the credit risk to which they are exposed and, where appropriate, to estimate the need to establish a provision for them, which are determined by application of criteria similar to those established to quantify the impairment losses experienced for financial assets.

Provisions made on financial guarantee contracts that are considered impaired are recorded in the liability as "Implicit Obligations" charged to results. The income obtained from the guarantee instruments is recorded in the income account from commissions of the results accounts and is calculated applying the rate established in the relevant contract on the nominal amount of the guarantee.

2.13 Properties and own equipment for own use

Properties and equipment for own use include assets, owned or under a financial lease regime, that the Holding Company and its subsidiaries maintain for their current or future use and that it expects to use for more than one operation period. Likewise, they include the material assets received by its subsidiaries for the liquidation, total or partial, of financial assets that represent collection rights vis-à-vis third parties and which are expected to be continued used.

Property and equipment for own use are recorded in the consolidated statement of financial position at their acquisition cost, less their corresponding accumulated depreciation and, if applicable, the estimated losses resulting from comparing the net accounting value of each item with the relevant recoverable value. The cost includes expenses that are directly attributable to the acquisition of the asset.

Depreciation is calculated, applying the straight-line method, on the acquisition cost of the assets, less their residual value; it being understood that the land on which buildings and other constructions are built have an indefinite useful life and, therefore, are not subject to depreciation.

In accordance with the definitions in IFRS 16, useful life is defined for the purposes of calculating depreciation:

a. The period within which the entity is expected to use the asset by the entity; or
b. The number of production units or the like expected to be obtained from it by an entity.

The residual value of an asset is defined as the estimated amount that the entity could currently obtain for the disposal of the item, after deducting the estimated costs for such disposal, if the asset had already reached the age and the other conditions expected at the end of its useful life.

In accordance with IAS 16, paragraph 50, the depreciable amount of an asset will be distributed systematically throughout its useful life.

According to IAS 16 paragraph 43, each part of an item of property, plant and equipment that has a significant amount in relation to the total cost of the item will be separately depreciated.

Said depreciation that is recorded with a charge to results is calculated based on the following useful lives defined for the Holding Company and its subsidiaries:

Asset	Years
Buildings	
Foundations – structure and roof	50 to 70
Walls and divisions	20 to 30
Finishes	10 to 20
Equipment, furniture and fixture of office	**10 to 25**
Furniture and fixture	**3 to 10**
Fleet and equipment of transport and traction	**5 to 10**
Computing equipment	**3 to 5**
Equipment of network and communications	**3 to 5**
Mobilization equipment and machinery	**10 to 25**

For the real estate the Matrix establishes 3 building components that are: foundation - covered structure, walls and divisions and finishes which have the following ranges of residual values**:**

Component	Residual Value
Foundations – structure and roof	0 – 20%
Walls and divisions	0 – 10%
Finishes	0 – 10%

Improvements made to real estate leased may be subject to capitalization if they are expected to be used for more than one period and depreciated in the period of the leasing agreement.

The criterion of the Holding Company and its subsidiaries to determine the useful life and residual value of these assets and, specifically, of the buildings for own use, was based on independent appraisals, so that they do not have more than 3 years old, unless there are signs of deterioration.

In each accounting closing, the Holding Company and Ventas and Services S.A. - NEXA BPO analyze if there are indications, both external and internal, that a material asset may be impaired. If there is evidence of impairment, the entity analyzes whether such impairment does indeed exist by comparing the net carrying value of the asset with its recoverable value (as the higher of its fair value less disposal costs and its value in use). When the carrying value exceeds the recoverable value, the varying value is adjusted up to its recoverable value, modifying future charges for amortization, according to its new remaining useful life.

In the same way, when there are indications that the value of a tangible asset has been recovered, the Holding Company and the Fiduciaria de Occidente estimate the recoverable value of the asset and recognize it in the income of results, recording the reversal of the impairment loss accounted for in previous periods, and adjust future charges for amortization accordingly. In no case, the reversal of the impairment loss of an asset may imply an increase in its carrying value above that which it would have if no impairment losses had been recognized in previous operation periods.

The costs of conservation and maintenance of property and equipment are recognized as an expense in the operation period in which it is incurred and are recorded under the item "Administration Expenses”.

Gains and loss from the sale of an item of property and equipment are recognized in results.

2.14. Properties of Investment

In accordance with the accounting standard IAS 40 "Investment Properties" investment properties are defined as those lands or buildings considered in their entirety, in part or both, that are held by the Holding Company and the Fiduciaria de Occidente to obtain income, valuation of the asset or both instead of its use for the own purposes of the Parent Company and the Fiduciaria de Occidente. Investment properties are recorded in the balance sheet at fair value with changes in results. Said fair value is determined based on valuations carried out periodically by independent experts using valuation techniques described in IFRS 13 "Fair Value Measurement".

2.15. Goods delivered in leasing

The goods delivered for lease by the Holding Company are classified at the time of signing the contract as financial or operating lease. Any lease is classified as financial when it transfers substantially all the risks and advantages inherent in the property. A lease is classified as operational if it does not transfer substantially all the risks and benefits inherent in ownership. Lease contracts that are classified as financial are included in the balance sheet in the item "Portfolio of Loans and Financial Leasing Operations" and are accounted for in the same way as the other loans granted (See Note 4). Leases classified as operating are included in the property and equipment account and are accounted for and depreciated in the shortest time between the useful life of the good and the lease term. (See Note 14).

2.16. Goods received in lease

The goods received under lease upon initial receipt are also classified as financial or operating leases in the same way as assets delivered under leases described in section 2.15 above. Lease contracts that are classified as financial are included in the balance sheet as property and equipment by right of use according to their purpose and are initially accounted for in assets and liabilities simultaneously for a value equal to the fair value of the property received under lease or for the present value of the minimum lease payments, if this is less. The present value of the minimum lease payments is determined using the interest rate implicit in the lease contract, or if it is inexistent, an average interest rate of the bonds that the Holding Company places on the market is used. Any initial direct cost of the lessee is added to the amount recognized as an asset. The value recorded as a liability is included in the financial liabilities account and is recorded in the same way as these. Lease contracts that are classified as operating are recorded at expense.

2.17. Intangible Assets

The Holding Company, Fiduciaria de Occidente and Ventas y Servicios S.A. - NEXA BPO recognize an intangible asset when it is identifiable, non-monetary and without physical appearance, its cost can be measured reliably and it is probable that future economic benefits will be obtained that are attributable to the asset.

a. Capital gains

The capital gain recorded by the Holding Company in its financial statements corresponds to a merger carried out by the Holding Company in previous years with Banco Unión, which in accordance with the transition standard established in IFRS 1, the Holding Company availed itself of the exemption from recording under IFRS for its carrying value at 1 January 2014. Pursuant to IFRS 38, goodwill is considered to be of indefinite life and does not amortize, but is annually subject to evaluation for impairment, for which the Holding Company makes an assessment by an independent expert of the value of the business lines related to the capital gain (Banco Unión business line) and based on said valuation it is determined if there is any impairment, which if exists any is recorded with charge to results; subsequent recoveries in the valuation, the Holding Company, the previously recorded impairments are not reversed.

b. Other Intangible

The other intangible assets held by the Holding Company, Fiduciaria de Occidente and Ventas y Servicios S.A. - NEXA BPO correspond mainly to computer programs and licenses, which are initially measured by their cost incurred in the acquisition or in its internal development phase. The costs incurred in the investigation phase are taken directly to results. After initial recognition, such assets are amortized by the straight-line method over their estimated useful life, which, in the case of computer programs, ranges from 1 to 20 years.

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

a) The project is technically possible to complete for its production so that it can be used in the operations of the Holding Company.
b) Holding Company’s intention is to complete it for use in the development of its business, not to sell it.

c) The Holding Company has the capacity to use the asset.
d) The asset will generate economic benefits for the Holding Company that result in the execution of a greater number of transactions with less costs.
e) The Holding Company has the necessary resources, both technical and financial, to complete the development of the intangible asset for its use.
f) Disbursements incurred during the development of the project and which are eligible for capitalization make part of the greater value of this asset.

g) Disbursements incurred after the asset is left in the condition required by management for its use, will be recorded as an expense affecting the statement of results.

2.18 Benefits to employees

According to the International Accounting Standard IAS 19 "Employee Benefits" for its accounting recognition, all ways of consideration received by the Holding Company and its subsidiaries in consideration for the services supplied by the employees are divided into four classes:

a. Short term benefits

In accordance with Colombian labor standards, said benefits correspond to wages, legal and extralegal bonuses, vacations, severances and para-fiscal contributions to State entities cancelled before 12 months after the end of period. These benefits are accrued by the causation system with a charge to results.

b. Postemployment benefits

These are benefits that the Holding Company and its subsidiaries pay to their employees upon retirement or after completing their employment period, different from indemnities. Said benefits in accordance with Colombian labor standards correspond to retirement pensions that are directly assumed by the Holding Company, severance payments to be paid to the employees who continue in the labor regime prior to Act 50, and some extra-legal benefits or covenants in collective bargaining.

The post-employment benefit liability is determined based on the present value of the estimated future payments to be made to employees, calculated based on actuarial studies prepared by the unit of credit method, projected, using the actuarial assumptions of mortality rates, salary increases, staff turnover and interest rates determined with reference to the current market yields of bonds at the end of the National Government issuance period or high-quality corporate obligations.

Under the credit unit method projected, the future benefits to be paid to employees are assigned to every accounting period where the employee supplies the service. Therefore, the expense for these benefits recorded in the statements of results of the Holding Company and its subsidiaries, include the cost of the present services assigned in the actuarial calculation plus the financial cost of the liability calculated. Variations in liability for changes in the actuarial assumptions are accounted in the equity account “other integral result”.

The variations in the actuarial liability for changes of labor benefits granted to the employees with retroactive effect, are accounted for as an expense in the first of the following dates:

- When the modification is made of the labor benefits granted.
- When provisions for restructuration cost by any subsidiary or business of the Holding Company and its subsidiaries are recognized.

The death table issued by Financial Superintendence was adjusted RVO8 in such a way that the longevity effect to be included for the pension calculation.

The adjustment will be progressively made, so that in 4 years an increase in 2 years is obtained of the life expectation of men females at the retirement age.

c. Other benefits to employees at long term

They are all the benefits to employees different from the benefits to employees at short term y and subsequent of employment period and indemnities for termination of employ. According to the collective bargains y rules of the Holding Company and its subsidiaries, said benefits basically correspond to senior premiums.

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

d. Benefits of labor agreement termination with employees

These benefits correspond to payment to be paid by the Holding Company and its subsidiaries resulting from a unilateral decision for labor contract termination or due any 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 dismiss and to other benefits that the Holding Company and its subsidiaries unilaterally decide to grant to their employees in these events.
The benefits for termination are recognized as liabilities with a charge to results in the first of the following dates:

- When the Holding Company and its subsidiaries communicate to the employee the decision to dismiss from the employment.
- When provisions for restructuring costs are recognized, by any subsidiary of businesses of the Holding Company involving the payment of benefits for termination.

2.19 Income tax

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

The current income tax is calculated based on the taxing law prevailing in Colombia or in the country where some of the Holding Company's subsidiaries operate at the time of report. The management of each entity of the Group, periodically evaluates positions taken in the tax returns with regard to situations there the applicable fiscal regulation is subject to interpretation and provides provisions when deemed suitable based on expected accounts to be paid to tax entities.

The deferred taxes are recognized on temporal differences occurring between the taxing bases of the assets and liabilities and the amounts recognized in the consolidated financial statements, raising of deductible or taxable amounts when determining the fiscal profit or loss corresponding to future periods when the total amount in books of the asset to be recovered or the liability liquidated. Nevertheless, the deferred liability deferred are not recognized if they result from the initial capital gain recognition; The deferred tax also is not, accounted if it arises from the initial recognition of an asset or liability in a different transaction from any business combination that at the time of transaction does not influence the accounting or taxing profit or loss.

The deferred tax is determined using tax rates prevailing at the date of report and that is expected to apply when the asset for deferred tax is made, or when the liability of deferred tax to be offset.

The liability tax deferred are provided on taxable temporary differences arising, excepting for the deferred liability tax over the subsidiaries investments, associates and joint businesses when the reversion opportunity of temporary difference is controlled by the Holding Company and it is probable for the transient difference will not reverse in a near future, as indicated the IAS 12 paragraph 39.

Usually the Holding Company has ability to control the reversion of transient difference of investments in subsidiaries and associates, because, in the event of susceptible profits to be taxed and that is possible to be distributed in a foreseeable future, deferred liability tax will be recognized.

The deferred asset taxes are recognized over deducible temporary differences of investments in subsidiaries, in associates and joint businesses only in the extension that is probable for the temporal difference to be reversed in the future and there is enough fiscal profit against which the temporary difference may be used.

The asset and liability taxes are offset as provided in IAS 12.

On the other hand, the assets and liability current taxes only are offset when there exists a legal right and if related to liable taxed by the same tax authority.

2.20 Provisions

Provisions for dismantling and legal suits are recognized when the Holding Company and subsidiaries hold a present legal or assumed obligation as a result of past actions, it is provable the outflow of resources is likely to set the obligation and the amount has been estimated in a reliable manner.

When there exist several similar obligations, the provability that an outflow of cash to be required is determined considering the type of obligations as a whole. A provision is recognized even if the provability exit of a flow of cash with regard to any item included in the same type of obligations may be small.

When result important the financial effect produced by discount of provisions they are valued by the present value of the disbursements expected to be necessary to liquidate the obligation using a discount rate before tax reflecting the actual market evaluations of the money value in time and of the specific risk of the obligation. The increase in the provision due to the passage of time and the specific risks of obligation. The increase in provision due to the passage of time is recognized as a financial expense.

2.21 Changes in accounting policies

Excepting for the indicated below, accounting policies applied in these financial statements are the same applied by the Bank in the financial statements for the year ended on 31 December 2018.

It is expected as well for the changes in accounting policies to be reflected in the financial statements for the year ended on 31 December 2019.

IFRS 16 Leasing

The Bank adopted the IFRS 16 Leasing as from 1 January 2019.

The IFRS 16 introduces a unique accounting model of leasing in the balance sheet for the tenants. A tenant recognizes an asset by right of use representing its right to use the underlying asset and a liability for leasing representing its obligation to make the payments of the lease. There are exemptions of recognition for leases at short term and lease of items of low value. The accounting of the leaser continues to be similar to the current standard which means for the leaser continue to classify the leasing as financial or operative.

The IFRS 16 replaces the guide of existent leases, including the IAS 17 Leasing, the IFRIC 4 determining if an agreement contains a Leasing, SIC-15 operative leasing, - stimulus and SIC-27 Evaluation of the transactions substance involving the legal form of a lease.

The Bank will recognize new assets and liabilities by its operative leases. The nature of the expenses related to these leases now will change because the IFRS 16 replaces the expense of operative leasing of right line with a charge for a depreciation charge for the assets of right of use and the expenses for interests on leasing liabilities. Previously, the Bank recognized the expenses of operative leasing in straight line during the leasing term.

The Bank applied the practical dossier of the IFRS 16 to define a leasing contract in the transition. This means that applied the IFRS 16 to all the contracts entered before January 1-2019 and identifies as leases according to IAS 17 and the IFRIC 17.

2.22 New accounting pronouncements issued by the IASB at international level

i. Standards and amendments applicable as from January-1-2020

According to indicated in Decree 2270 dated 2019, below the amendments and interpretations issued by IASB during 2018, applicable as from 1-January-2020. The impact of these amendments and interpretations is in in evaluation process by the Holding Company management; notwithstanding, it is not expected to have a significant impact on consolidated financial statements of the Holding Company.

Financial Report Standard	Topic of the standard or Amendment	Details
Conceptual framework for financial report – Amendments to references to conceptual framework in IFRS standards	Complete amendment to the previous conceptual framework	A new conceptual framework is established for the entities applying completely the IFRS (Group 1) for the drafting of financial information of general purpose. The new conceptual framework is found much more in line with the IFRS prevailing in include concepts that are not in the previous framework, such as the purposes and principles of the information to be reported, the unit of account, the removal in accounts, the contracts pending of execution, inter alia. In the amendments to references to the conceptual framework in the IFRS standards some of such references and quotes are updated making reference to the concept framework of 2018 and other amendments are made in order to make clear to what version of the conceptual framework make reference.
IFRS 19 – benefits to employees	Amendments related to the post-employment benefits are made, for definite plans benefits – Amendment, Reduction or Liquidation of Plan.,	The modification requires for an entity to use actuarial assumptions updated in order to determine the cost of services of the current operation period and the net interest for the remaining of the annual period about which it is reported after the amendment, reduction or liquidation of plan when the entity measures again its liability (asset) for net benefits defined.
IFRS 3 – business combinations	Definition of business.	Amends the definition of business given in IFRS 3, fundamental concept to determine if the purchase method shall be applied or acquisition in a business combination.

Financial Report Standard	Topic of the standard or Amendment	Detail
IAS 1 Presentation of financial statements IAS 8 – Accounting policies, changes in the accounting estimation and errors.	The definition Materiality definition and relative significance is amended.	The amendment consist in the supply guides to help entities to make judgments about materiality or relative importance, instead of making substantive changes in the definition of material or with relative importance. Therefore, on September 2017 IASB issued the document of practice No. 2 “making judgments about materiality or relative significance”
IFRS 23 – the uncertainty regarding income tax treatments of grains tax.	Making clear about the application of recognition and measurement requirements of the IAS 12 requirements when there is uncertainty about the fiscal treatments.	These requirements of recognition and measurement apply to the determination of the fiscal gain or loss, taxing basis, unused fiscal loss, unused fiscal credits and tax rates, when there exists uncertainty about the treatments of the taxes according to IAS 12.

A. IFRS 16.

Change in Accounting Policies

The Group adopted IFRS 16 since January 1 – 2019, without the need to express again the comparative figures for operation period 2018, which is allowed according to the transient provisions of the new standard. The re-classifications and adjustments derived from the new provisions about leasing were recognized in the statement of consolidated financial situation on January-1-2019.

The Group leases properties, equipment and autos. The rental contracts usually are entered for fixed period of 1 to 10 years, but may have extension options. The terms of the leases are negotiated in an individual manner which contains an ample number of conditions and terms. The leasing contracts do not require covenants, however these assets leased cannot be assigned as guarantee for loans.

The leases are recognized as an asset by right of use and an asset on the date when the asset is leased and is available for use by the Group. Every payment of leasing is assigned between the liability and the financial cost. The financial cost is recognized in the consolidate statement of results during the lease period, in order to produce a periodical constant interest rate on the balance of the liability for every period. The assets for right of use are depreciated during the shorter period in the useful life of the asset or up to the final of the lease term, on a straight line base.

The assets and liabilities resulting from a lease are initially measured based on the present value. The liabilities for leasing include the net present value of the following payments of lease:

- Fixed payments (including the fixed payments), less the incentives for leases receivable
- Variable lease payment based on an index or a rate
- Amounts expected to pay the lessee under guarantees of residual value
- The price for the exercise a purchase option if the lessee is reasonably certain of exercise that option
- The payments of fines for rescission of lease contract, if the term thereof reflects the lessee exercising such option.

The payments of lease are discounted using the interest rate implicit in the lease, if that rate may be determined, or the incremental debt rate of group.

The assets for right of use are measured at the cost including the following:

- Amount of the initial measurement or the liability for leasing
- Any payment of lease made on or before the date of beginning less any incentive of lease received.
- Any initial direct cost
- Restoration costs

The payments associated to leases at short term and leases of assets of low-value are recognized in straight line as an expense in results. The leases at short term are leases for 12 months term or less. The low-value assets include informatics equipment and small office furniture items.

The extension and termination options are included in a series of leases of properties and equipment in all the Group. Such terms are used to maximizing the operative flexibility in the event of management contracts.

Recognized adjustments in IFRS 16 adoption

After the adoption of IFRS 16, the Group recognized liabilities for leasing related to leases previously classified as “operative leasing” under the principles of IAS 17 of Leases. These liabilities were measured at present value of the remaining lease payments, discounted using the incremental debt rate of each entity as from January 1 – 2019.

		1-January 2019
Commitments of operative leasing disclosed on 1-January-2019	$	105.191
Discounted using the indebtedness incremental rate between 5.347% and 7.013%		98.330
(Less: leases at short term recognized as expenses under linear method		(2.163)
(Less) low value leases recognized as expenses under the linear method		(6.567)
More: adjustments are result of a treatment different from the extension and termination options		132.043
Liability for lease recognized at 1-January-2019	$	**221.643**

For some rights of use associated to assets for property and equipment leasing were measured in a retrospective manner as if the new regulations have been always applied for other assets with right to use were measured at the amount equal to liability for leasing, adjusted by the amount of any prepaid or accumulate payment related to leasing recognized in the balance sheet at 31-December-2018. There were not onerous leases contracts that would require an adjustment to the assets of right of use in the initial recognition.

		Right of use
Buildings	$	187,270
Equipment, furniture and fixture office		73
Informative equipment		34.300
Balance at 1-January-2019	$	221,643

In the initial impact for the implementation of IFRS 16, there was no any effects neither in accounts of results nor in equity accounts and did not involve deferred tax, only at the closing period 2019, a diminution in the leasing expense is observed, for those contracts that remained subject to such standard, See Note No. 27 General Management Expenses.

By applying IFRS 16 for the first time, the Group used the following practices options allowed by the standard:

- The use of only one discount rate to a leasing portfolio with reasonably similar characteristics.
- The accounting of operative leasing with a remaining lease term of less than 12 month at 1-January-2019 as leases at short term.
- The exclusion of initial direct costs for the measurement of right use leases on the date of the initial application, and
- The use of prospective in determining the lease term where the contract includes options extension or termination of lease.

The Group has also elected not to reassess whether a contract is, or contains a lease agreement at the date of initial application. Instead, for the contracts entered before the transition date, the Holding Company based on its evaluation made applying the IFRS 17 and the IFRIC 4 determining whether an agreement contains a lease.

Note 3. Critical accounting judgments and estimates in the application of accounting policies

The Group management 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 fiscal year. The judgments and estimates are continuously evaluated and are based on the experience of the management and other factors, are reviewed in a continued manner and under the assumption of ongoing business, including the expectation of future events considered to be reasonable in the circumstances. The management makes also some judgments in addition of those involving estimations in the process of application of the accounting policies. The judgments with the most significant effects on the amounts recognized in the consolidated financial statements and the estimates that may cause a significant adjustment in the carrying value of the assets and liabilities in the following year include the following:

Fair value of financial instruments: The estimation of fair value of financial securities is made in accordance the hierarchy of fair value, classified in three levels, reflecting the significance of the inputs used in the measurement thereof.

Information about the fair value of financial securities classified by levels, using observable data for the levels 1 and 2 and not observable for the level 3, is disclosed in Note 5.

The determination of what constitute “observable” requires significant judgment by the Holding Company.

The Holding Company considers observable data, those data of the market already available and are regularly distributed or updated, that are reliable and verifiable and reflecting the assumptions that the market participants would use when they fix the price of the asset or liability.

Model of business: When doing an evaluation about whether the objective of a business model is to hold the assets to collect the contractual cash flows, the Holding Company considers at what level of its commercial activities the assessment should be made. In general, a business model is a matter that may be evidenced by the manner that the business is managed and the information provided to management. However, in some circumstances it may not be clear if a particular activity involves a business model with some infrequent asset sales or if anticipated sales indicate that there are two different business models.

In determining whether its business model to manage the financial assets is to hold assets to collect contractual cash flows, the Holding Company considers:

- The policies and procedures indicated from the management for the portfolio and the operation of said policies in the practice;
- How the management evaluates the performance of portfolio;
- If the management strategy is focused in obtaining contractual income;
- The frequency of any expected sale of assets;
- The reason for any sale of assets; and
- If the assets sold are maintained for a long-time period in connection with its contractual expiry date or otherwise, are quickly sold after acquisition for a long-time before the expiry date.

Specifically, the Holding Company exercises judgment to determine the purpose of the business model for the portfolios maintained for liquidity purposes. The Holding Company's Central Treasury maintains certain debt securities in a separate portfolio in order to obtain long-time performance and as liquidity reserve. The securities can be sold to accomplish with unexpected liquidity deficit but it is not foreseen for such sales to be more frequent.

The Holding Company considers for these securities to be maintained within a business model which purpose is to obtain assets to collect the contractual cash flows. The Central Treasury of the Holding Company maintains other debt securities in portfolios separated to manage the liquidity at short term. Frequently sales of this portfolio are made in order to accomplish the continuous commercial needs. The Holding Company determines that these securities are not held within a business model which purpose is to maintain the assets to collect contractual cash flows.

When any business model includes the transference contractual rights to the cash flows resulting from financial assets of to third parties and the transferred assets are not removed from the accounts, the Holding Company reviews the agreements to determine the impact by the evaluation of the purpose of the business model. In this evaluation the Holding Company considers, if under the agreements the Holding Company continues receiving cash flows of the assets, either directly from the issuer of directly from the receiver, including if re-purchase the assets of the receiver.

The Holding Company exercises judgment when determining whether the contractual terms of the financial assets generated or acquired give rise in specific dates to cash flows that are only payments of principal and interest over the outstanding principal and my qualify for measurement at the amortized cost. In this evaluation, the Holding Company considers all the contractual terms, including any term or prepayment provisions in order to extend the expiry date of the assets, terms that change the amount and the opportunity of the cash flows and if the contractual contain leverage.

For financial assets with regards to Holding Company rights are limited to specific assets of the debtor (stranded assets), the Holding Company evaluates if the contractual terms of such financial assets limit the cash flows in an inconsistent manner with payments representing principal and interests.

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

Other classification aspects

The accounting policies of the Holding Company provide the scope for the assets and liabilities by designing at beginning in certain accounting different categories in some circumstances:

- By classification the or financial assets or liabilities as fair value with changes in results the Group has determined that complies with description of assets and liabilities for negotiation indicated in the accounting policy.
- By designing the financial assets or liabilities at the fair value with changes in equity, the Holding Company has determined that it has accomplished one of the criteria for this designation given in the accounting policy.
- By classifying the financial assets at amortized cost (maintained up to the maturity), the Holding Company has determined that it has in place the positive intention and the capacity to maintain the assets up to the expiry date, as provided in the accounting policy.

Tax to deferred profit: The Holding Company evaluates the realization in the time of the income tax deferred asset. The deferred asset tax represents tax on recoverable income tax through future deductions of taxable profits and are accounted in the financial consolidated situation. The deferred asset taxes are recoverable in the extension that the realization of the tax relative benefits is probable. The future tax incomes and amount of the tax benefits that are probable in the future are based in planes at medium term prepared by the management. The business plan is based on the expectations of the management considered to be reasonable according the circumstances. As prudent measure in order to determine the realization of the deferred tax, the financial and tax projections of Holding Company have been accomplished.

At 31-December-2019 and 2018, the management of Holding Company considers that the items of income tax deferred asset would be recoverable in function to the estimates of future taxable profits.

Capital gain: Annually the management of the Holding Company performs an evaluation of impairment of capital gain recorded in its financial statements; such evaluation is made with closing on 30-September every year based on a study made for such purpose by independent experts contracted for such purpose. Such study is made based on the valuation of the business lines that are related to the Capital gain (business lines of Banco Unión), by the discounted cash flow method, taking into account factors such as, the economic condition of the country and the sector where the Holding Company operates, historical financial information, and projected growths of the income and costs of the Holding Company in the next 5 years and subsequently perpetual growths taking into account its capitalization indexes of profits, discounted at interest rate free from risks that are adjusted by risk premiums that are 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 statement of financial situation at the fair value determined in reports prepared by independent experts at end of every reporting period. Due to the current condition of the country the frequency of property transactions is low; notwithstanding, the management considers that there exist enough activities of market to provide comparable prices for the transactions ordered of similar properties when the fair 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 the factors, such as: Inflation, interest rate, etc. have been properly determined considering the market conditions at the end of reported period; notwithstanding the above, the management considers that the valuation of the investment properties is currently subject to a high degree of judgment and to an incremented probability that the actual incomes for the sale of such assets may differ from their carrying value.

Estimation for contingencies: The Holding Company and its subsidiaries estimate are record a provision for contingencies, for the purpose to hedge the potential losses for the labor events, civil and commercial trials and fiscal concerns or others, according circumstances that, based on the opinion of the external advisors and/or internal lawyers, are considered provable of loss and may reasonably quantified. Given the nature of many of claims, events and/or proceedings, it is not possible in some events to do an accurate prognosis or quantify an amount of loss in reasonable manner, for such reason, the real amount of the disbursements effectively mad by the claims, events and/or proceedings, is always different from the estimate amounts and initially provisioned, and such differences are recognized in the year when they are identified.

Benefits to employees: The measurement of pension obligations, cost and liabilities depend from a great variety of premises at long term determined on actuarial bases, including estimations of the present value of the future payments, projected of pensions for the participants in the plan, considering the probability of future potential events, such as increments of minimal urban salary, and demographic experience. These premises may have an effect on the amount and the future contributions, if any variation exists.
The discount rate allows to establish future cash flows at present value of measurement date. The Holding Company determines one rate at long term representing the market rate of investments of fixed income of high quality or for bonds of government given in Colombian pesos, the currency used to pay the benefit, and considers the opportunity and amounts of the payments of future benefits, to which the Holding Company has selected the government bonds.

The Holding Company uses other key premises to value the actuarial liabilities, which are calculated based on the specific experience la Holding Company, combined with statistics published and market indicators (See Note 19, where the most important assumptions are described used in the actuarial calculations and the relevant sensitivity analysis).

Note 4. 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.

General objectives and guidelines of the risk management

The objective is maximizing the performance for the investors through a prudent risk management, for such purpose the principles guiding the Holding Company in the risk management are the following:

a) Provide safety and continuity of the service to the clients.
b) The integration of risk management in the institutional processes.
c) Collegiate decisions at level of each one of the Board of directors of the Holding Company to make commercial loans.
d) In-depth and extent market knowledge as a result of our leadership and of our stable and experienced management of banks.
e) Application of clear policies of risk in the top-down approach with regards to:
   - Compliance with the clients knowledge policies and
   - Structures of granting commercial credits based on a clear identification of re-payment sources and the capacity of flow generation of the debtors.
f) Use of analytical common tools and determination of the interest rates of credits.
g) Diversification of commercial portfolio of loans with regards to industries and economic groups
h) Specialization in consumptions products niches.
i) Extensive use of scoring models and rating of credits continuously updated in order to ensure the growth of consumption loans of high credit rating.
j) Conservative policies in connection with:
   - The composition of negotiation portfolio with bias towards less volatile instruments
   - Operations of negotiation by once own account, and
   - Variable remuneration of the negotiating staff.

Culture of risk

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

a) In all the entities of the Holding Company the risk function is independent from the business units.
b) The delegation structure of power at the level of banks requires for a great number of transactions to be forwarded to decision centers, such as the risk committees. The great number and frequency of meetings of such committees ensure a high degree of speed in the proposals solution and ensures the continue participation of the top management and the key areas in 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 business groups and of risks of banks maintain regular orientation meetings with approaches of risk in line with the risk culture of the Holding Company.
d) Boundary plan: the banks have implemented a system of limits of risk which are updated from time to time attending new markets conditions and of the risks they are exposed to.
e) Suitable information systems allowing to monitor the exposures to risk in daily manner in order to check for the approval limits to be properly accomplished and to adopt, if deemed necessary, appropriate corrective actions.
f) The principal risks are analyzed, not only when they occur or when the problems appear in the ordinary course of business, but rather, on a permanent base for all the clients.

g) The Holding Company has in place adequate and permanent training courses at all levels of the organization concerning the risk culture and compensation plans for certain employees according to their adherence to the risk culture.

Corporate structure of risk function

According to the guidelines established by Colombia Financial Superintendence, the corporate structure at the level of Banks applied to the Holding Company and the subsidiary Fiduciaria de Occidente for the management of the several risks, contains the following levels:

- Board of Directors
- Risk Committee
- Vice-Presidency of Risks
- Administrative processes of risks management
- Internal Audit

Board of Directors

The Board of Directors of the Holding Company and its subsidiaries are responsible to adopt, among others, the following decisions relative to the proper organization of risk management risk system of each entity:

- Definition and approval the general strategies and policies related to the internal control system for the risk management.
- Approval the policies of the entity in connection with the management of the several different risks.
- Approval the operation quotes and counterparty, according to the attributions defined.
- Approval exposures and limits for the different types or risks.
- Approval of the different procedures and methodologies of risk management.
- Approval the assignment of physical and technical human resources for risk management.
- To point out the responsibilities and attributions assigned to the positions and areas in charge of risk management.
- Creation of the necessary committees in order to ensure the proper organization, control and monitoring of operations generating exposures, and definition of functions.
- Approval of internal control for risks management.
- Require the Holding Company management and its subsidiaries different periodical reports about the exposure levels to the different risks.
- Evaluation of the proposals of recommendations and corrections about the risk administration processes.
- Require from the management different periodical reports about the exposure levels to the different risks.
- Perform follow-up in the regular meets through periodical reports submitted by the Audit Committee about the risk management and the actions implemented for the control or mitigation of the more relevant risks.
- Approval of the nature, scope, strategic business and markets where the entity will take part.

Risk Committees

The Holding Company has in place, inter alia, risk of credit and treasury committees (financial committee) make up by the members of the Board Directors, or with analysis made by the Board of Director in plenum, that periodically discuss, measure, control and analyze the credit risk management (SARC) and treasury of Bank (SARM). In the same way, there exists the technical committee of assets and liabilities or the analysis by the Board of Directors, in order to make decisions related to management of assets and liabilities y liquidity through the Risk Management System (RMS); concerning the analysis and follow-up of Operative Risk Management and Continuance of the Business (SARO-PSN) is developed in the Audit Committee.

The compliance with the legal risks are monitored by the legal Vice-Presidency

The duties of said committees include, inter alia, the following:

1. Propose to the Board of Directors of relevant entity the policies considered appropriate for the management of risks corresponding to every committee and of the proceedings and methodologies to manage them.
2. Performing systematics revisions of the exposures to risk of the entity and taking the corrective actions deemed necessary.
3. Ensure for the Holding Company's and its subsidiaries actions related to the risk management to be consistent with the previous levels defined of appetite of risk
4. Approve decisions corresponding to the attributions established for each committee by the Board of Directors.

Below, the risk committees are detailed:

- **Financial Risk Committee, SARO Committee and Compliance Committee**

  The purpose of these committees is to issue the policies, procedures and strategies for the integral management of the credit risks, market, liquidity, operative, risks, asset laundry and financing of terrorism. Among the principal functions, the following:

  - To measure the profile of integral risk of the entity
  - Design monitoring and following up schemes to the exposure levels to the different risks faced by the entity.
  - Reviewing and proposing to the Board of Directors the tolerance level and the grade of exposure to risk that the entity is in condition to assume in the development of the business. This implies the evaluation of alternatives for aligning the risk appetite of the several different risk management systems.
  - Evaluation of risks involved in the entry in new markets, products, segments, countries, inter alia**.**

ii. Financial Risks Committee (Credit and Treasury Risk)

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

- To monitor the credits and treasury credit risk profile, for the purpose to ensure that the risk level is maintained within the parameters established, according to the risk limits and policies of the entity.
- To assess the entry to new markets and products.
- To assess the policies, strategies and actuation rules in the commercial activities, both of treasury and credit.
- Ensure for the measurement and management methodologies to be suitable, given the features and activities of the entity.

iii. Assets and Liabilities Committee

The objective is to support the top management in the definition of policies and limits, follow-up, control and measuring systems together with the assets and liabilities management, and liquidity risk management through the different Risk Liquidity Management Systems (RLMS).

Among the principal functions, the following:

- To establish the adequate procedures and mechanisms for the management and administration of the liquidity risks.
- To monitor the reports about exposure to liquidity risk
- Identify the origin of exposures and by sensitivity analysis to determine the probability of lower returns or the needs of resources due to movements of cash flow.

iv. Audit Committee

Its purpose is to evaluate and monitor the Internal Control System. Among the main functions of the committee, the following:

- To propose, for approval by the Board of Directors, the structure, procedures and methodologies necessary for the operation Internal Control System.
- Evaluate the structure of internal control of the entity, in such way that it is possible to establish whether the procedures designed reasonably protect its assets as well and those ones of third parties managed and guarded, and if there exist controls to verify for the transactions to be properly authorized and recorded. For that purpose, the areas responsible for the management of the several different risk systems, the Fiscal Auditor and the internal Audit submit to the Committee the periodical reports established and the other one required by Internal Auditor.
- To follow up the risk exposure levels, the consequences for the entity and the actions implemented for its control or mitigation.

Vice-Presidency of Risks

The Vice-Presidencies of risks appearing within the organizational structure, perform the following functions:

a) To ensure the proper compliance at level of the Holding Company and its subsidiaries of the policies and procedures established by the Board of Directors and different risk committees for the management of risks.
b) To design methodologies and procedures to be accomplished by the administration for the risk management.
c) To establish permanent monitoring procedures allowing to identify in a timely manner any type of deviation of policies established for the risk management.
d) Preparing periodical reports both to the different risk committees, Board of Directors and its subsidiaries of statement of control and vigilance in connection with the compliance of the risks policies.

Administrative procedures of risks management

According with its business models, every subsidiary of the Holding Company, has structures and procedures properly defined and documented in manual, about the administrative procedures to be used for the management of the different risks; in turn, have in place different technological tools itemized below, where every risk is analyzed to monitor and control the risks.

Internal Audit

The internal auditory of the Holding Company and its subsidiaries are independent from the administration, they directly depend of the audit committees and in the development of their functions, make periodical evaluations about the compliance with the policies and procedures adopted by the Holding Company for the risk management; its reports are directly submitted to the audit committees, who are responsible to follow up the Holding Company management about the corrective actions taken.

Individual analysis of the different risks

The Holding company is basically integrated by entities of the financial sector and therefore such entities in the ordinary development of their business are exposed to different financial, operative, and legal financial risks.

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

The entities of the Holding Company operating their business in economic sectors different from the financial sector, in common named as the "real sector" face a lower exposure to financial risks, but they are exposed basically operative and legal risks.

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

4.1. Credit Risk

Consolidated exposure to credit risk

The Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A. and its subsidiaries have exposures to the credit risk, which means that the debtor causes a financial loss due to fail to accomplish with its obligations in an opportune manner and for the total debt. The exposure to credit risk of the Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Bando de Occidente Panamá S.A. emerges as result of its credits activities and transactions with counterparts giving rise to financial assets. The highest exposure to credit risk of the Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd and Banco de Occidente Panamá S.A. according to IFRS 7, at consolidated level is reflected in the carrying value of the financial assets in the consolidated of financial situation of the Holding Company as of 31-December-2019 and 2018 as indicated below:

Account		31-December-2019	31-December-2018
Deposits in banks different from Banco de la República	$	643,304	464,310
Financial instrument at fair value			
Issued or guaranteed by Colombian Government		4,657,011	4,439,273
Issued or guaranteed by other entities of Colombia Government		40,094	-
Issued or guaranteed by other financial Colombian institutions		538,552	251,378
Issued or guaranteed by entities of Colombian real sector		10,125	27,644
Issued or guaranteed by foreign governments		21,074	97,894
Issued or guaranteed for other financial foreign institutions		610,447	679,020
Other		24,113	54,818
Derivative instruments		511,130	385,647
Investments in equity instruments		121,779	102,603
Commercial portfolio		16,981,893	15,880,604
Consumption portfolio		7,196,219	6,790,015
Mortgage portfolio		702,626	591,507
Leasing Portfolio		6,030,728	5,311,467
Other accounts receivable		225,045	129,430
Total Financial assets with credit risk		**38,323,247**	**35,221,964**
Credit risk outside the balance at the nominal value			
Financial guarantees and endorsements		849,575	1,147,658
Credit commitments		2,993,279	2,911,604
Total exposure to credit risk outside the balance		**3,842,854**	**4,059,262**
Total maximal exposure to credit risk		**42,166,101**	**39,281,226**

The possible impact of the net assets and liabilities to potentially reduce the exposure to 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 commitment. The credit risk is reduced by guarantees and collaterals as indicated below:

Mitigation of credit risks, guarantees and other improvements of credit risk

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

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

- Analysis of financial risk: for the credits granting there is in place different models for the credit risk evaluation: Scoring models for the evaluation of credit risk of the consumption portfolio. In the initial evaluation of client's logistic regression are applied, which assign a scoring to client, based on socio-demographic variables and some ones of behaviors with the sector, and allow to establish if the applicant is subject of credibility according to the policy of the Holding Company concerning the minimum scored required. Also there are in place following up models using mainly customer payments behavior variables and some socio-demographic variables, and allow to qualify the clients and establish the provability of default in the next year.

For commercial portfolio, has in place the rating models, specifically logistic models, whose variables are basically financial indicators. With such variables the entry models are obtained and for the following-up models, variables of payment behavior are added as the maximum height of delay in the last year, inter alia. Accordingly, there is in place entry and following models for the Industry, Commerce, Services Constructors Segments, Territorial Entities and Financial Entities.

- The constitution of guarantees with adequate rates to hedge the debt and that are accepted according to the credit policies from each bank, according with the risk assumed in any of the forms, such as personal guarantees, monetary deposits, securities and mortgage guarantees, enter alia.
- Evaluation of liquidity risk of the guarantees received.

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

All guarantees shall be legally evaluated and made following the parameters or their constitution according to the legal standards applicable.

The following is the detail of the credit portfolio by type of guarantee received to support of the credits granted by the Holding Company and its subsidiaries at consolidate level on 31-December-2019 and 2018:

31-December-2019

		commercial	consumption	Housing	Financial leasing	total
Unguaranteed credits	$	8,798,233	5,455,565	5,935	54,216	**14,313,949**
Credits guaranteed by other banks		321,672	6,082	-	-	**327,754**
Collateralized credits:						
Housing		94,687	24,930	696,691	-	**816,308**
Other real property		1,554,297	15,470	-	-	**1,569,767**
Investments in Equity instruments		256,301	1,180	-	-	**257,481**
Cash deposits of equivalent to cash		476,922	2,597	-	-	**479,519**
Goods in leasing		-	-	-	3,585,635	**3,585,635**
Non-real properties		-	-	-	1,899,970	**1,899,970**
Fiduciary contracts, stand by and guarantees funds		2,480,929	540	-	1,523	**2,482,992**
Income pledge		1,236,026	139	-	9	**1,236,174**
Collaterals		499,499	1,646,658	-	114	**2,146,271**
Other assets		1,263,327	43,058	-	489,261	**1,795,646**
Total	**$**	**16,981,893**	**7,196,219**	**702,626**	**6,030,728**	**30,911,466**

31-December-2018

		commercial	consumption	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 of equivalent to cash		341,194	5,332	-	-	**346,526**
Goods in leasing		-	-	-	3,161,167	**3,161,167**
Non-real properties		-	-	-	1,692,822	**1,692,822**
Fiduciary contracts, stand by and guarantees funds		2,603,865	948	-	143,675	**2,748,488**
Income pledge		939,701	303	-	4,456	**944,460**
Collaterals		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**

Mortgage portfolio

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

		31 December 2019	31 December 2018
LTV ratio			
Less than 50%	4	762,161	21,629
51 – 70 %		500,432	34,432
71 – 90%		187,650	41,756
91 – 100%		36,985	26,479
More than 100%		154,086	1,263,149
Total	**$**	**1,641,314**	**1,387,445**

Credit-impaired loans (impaired)		31 December 2019
LTV ratio		
Less than 50%	$	31,895
51 – 70 %		19,733
More than 70%		12,785
Total	**$**	**64,413**

Significant Increment in the Credit Risk

Under IFRS 9, when it is determined whether the credit of a financial asset has been significantly increased since its initial recognition, the Group considers reasonable and sustainable information that is relevant and to be available without cost and disproportionate effort including both information and quantitative and 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 if a significant 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 PD during the remaining life to this point in the time which was esteemed at time of the initial moment of the exposure.
- Qualitative aspects are considered as well and the refutable presumption of the standard (30 days).

The evaluation about if the risk of credit has significantly increased since the initial recognition of a financial asset, requires to identify the initial date of recognition of the security and the thresholds of increment.

Ranking by categories of Credit Risk

The Group assigns each exposure to a credit risk rating based in a variety of data allowing to predict the PD. The Group uses these qualifications in order to identify significant increments in the credit risk under the IFES 9. The credit risk ranking are defined using quantitative factors that are indicative of risk of loss. These factors can vary depending on the nature of exposure and the type of borrower.

Each exposure is distributed to a ranking of credit risk at the time of initial recognition based on information available about the debtor. The exposures are subject to continuous monitoring that may result in the displacement of any exposure to a ranking of different credit risk.

PD term modeling

The estimations default probabilities is the principal input to determine the ranges of rankings determining the level of risk.

The Group uses statistic models to analyze de data collected and generate estimations of impairment probability in the remaining life of the exposures, and how those probabilities change as a result of the time elapsed.

This analysis includes the identification and calibration of relations between changes in the impairment rates and in the key macro-economic factors, as well as an in deep analysis of some factors in the impairment risk (e.g. portfolio penalties). For most of the credit the key economic factors probably include increase of the gross domestic product, changes in the market interest rates, variation of the employment rate, and IPC, inter alia. The approach of the Holding Company to prepare economic prospective information within its evaluation is indicated below:

> The group has established a general framework incorporating quantitative and qualitative information in order to determine whether the credit risk of a financial asset has significantly increased since its initial recognition.
>
> The initial framework is aligned with the internal process of the Group to manage the credit risk.
>
> The criterion to determine whether the credit risk has significantly incremented will vary by portfolio or segment as well as for ranking of risk.
>
> 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 remaining life will significantly increase. In the determination of the increment of the credit risk the expected loss for impairment in the remaining life is adjusted by changes in the expiry dates.
>
> In some circumstances, using judgment of experts in credit and based on relevant historical information the Group can determining that an exposure has experienced a significant increment in credit risk, if particular quantitative can indicate such condition, and these factors cannot be completely captured by its quantitative analysis periodically conducted. As a limit, as it is required by IFRS 9 the Group supposes that a significant increase of credit risk occurs no later than when the asset is in delay for 30 days.

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

- The criteria are able to identify significant increments in the credit risk before an exposure to be in impairment.
- The average of time in the identification of a significant increment in the credit risk and the default seem reasonable.
- The exposures usually are not directly transferred of the Group of impairment probability expected in the twelve months following the group of impaired loans.
- There is no unjustified volatility in provision by impairment of transferences between the groups with probability of loss expected in the following 12 months and the probability of expected loss in the remaining life of the credits.

Financial Assets Amended

The contractual terms of the credits may be modified for a number of reasons, including changes of market conditions, retention of clients and other factors unrelated to an actual or potential impairment of credit of the client.

When the terms of a financial asset are modified under IFRS 9 and the modification does not result in a withdrawal of the asset of balance sheet, the determination whether the credit risk has significantly increased reflects comparisons of:

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

The Group restructures loans to clients under financial difficulties in order to maximize the collection opportunities and minimize the risk of default. Under the Group restructuration policies to the clients with financial difficulties concessions are given usually corresponding to diminutions in the interest rates, extension of terms of payment, reduction in the outstanding balances or a combination of the above.

For modified financial assets as a part of the policies of restructuration of Group, the estimation of the ID will reflect if the changes have improved or restored the ability to collect the interests and the principal and the previous experiences of similar actions. As a portion of this process, the Group will evaluate the compliance with the payments by de borrower against the modified terms of the debt and will consider several indicators of behavior of such group of modified borrowers.

Usually, the indicators of restructuration are a relevant factor of increment in the credit risk. Therefore, a restructured borrower needs to prove a consistent behavior of payments during a time period before not to be considered more as an impaired credit or that the ID has been reduced in such a way that the provision may be reversed and the credit measured for impairment in a twelve-month period, after the closing date of the financial statements.

Definition of default

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

- It is unlikely for the borrower to pay completely to the Group its credit obligations, without resources to take actions, such as to realize the guarantee (in the event) if any); or
- Due to Delay in Portfolio:
  - Commercial Credits: When 90 days or more of maturity have elapsed
  - Consumption Credits: When 90 days or more of maturity have elapsed
  - Housing Credits: when 120 days or more of maturity have elapsed
- The financial securities of fixed income the objective impairment evidence includes the following concepts, among others:
  - External qualification of the issuer or of security in qualification D.
  - The contractual payments are not made in the expiry date or in term or period of grace stated.
  - There exists a virtual certainty of payment suspension.
  - It is probable to be in bankruptcy or an application of bankruptcy is made, or a similar action.
  - The financial asset does not have an active market given its financial difficulties.
- For other concepts (in portfolio):
  - Client in Act 617 – 2000
  - Restructuration agreements Act 550-1999 and Act 1116 – 2006
  - Clients in legal collection (excepting the clients admitted in Act 1116 dated 27-December-2006 and Clients admitted in the Act 1380 January-25-2010 - Insolvency Regime for Natural Personal not Merchant) Clients in Liquidation
  - Extraordinary restructuration's Circular 039
  - Ordinary agreements restructuration's
  - Dation in payment

When evaluating if a debtor is in default the Group considers the following indicators:

- Qualitative - e.g. default of contractual clauses
- Quantitative - e.g. status of slowness and default of payment over the obligation of the same issuer to the Group; and
- Based on data internally developed and obtained from external sources

The inputs used in the evaluation whether the financial securities are in default and its significance can vary through the time to reflect changes in circumstances.

Forecast of future economic conditions

Under IFRS 9, the Holding Company incorporates information with projection of future conditions, both in its evaluation whether the credit risk of a security has significantly increased since its initial recognition, and in its measurement of PCE. Based on the recommendations of the Risk of Market Committee of the Group, use of economic experts and consideration of a variety of external actual and projected information, the Group formulates a "base scenario" of the projection of the 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.

External information can include economic data and publication of projections by government committees and monetary authorities in the countries where the Group operates, Supranational Organizations such as Organization for Cooperation and Economic Development (OCED) and the International Monetary Fund, among others, and academic projections and of the private sector.

The base scenario is expected to represent the most probable result and aligned with the information used by the Group for other purposes, such as the strategic planning and budge. The other scenarios would represent a more optimistic and pessimistic result. The Group also plans to perform periodically stress tests in order to calibrate the determination of the other representative scenarios,

Measurement of PCE

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

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

The above parameters will be derived from internal statistic models. These models will be adjusted to reflect prospective information, as indicated below:

The PDs are estimated in a given date, which will be calculated based on classification statistic models and evaluated using qualification stools adjusted to the different counterpart's categories and exposures. These statistic models are based on data internally compiled, both of which including both qualitative and quantitative factors. If a counterpart or exposure migrates between the different qualifications then this will originate a change of estimate PD. The PDs will be estimated considering contractual terms of maturity of the exposures and the estimated rates of prepayment.

The LGD is the magnitude of probable loss if there is a default. This mainly depends of the characteristic of the counterparty and of the valuation of guarantees or collateral associate to the operation.

In order to calculate the LGD on each date of balance sheet, it is required to observe the behavior of clients failed to accomplish in a specific time. For every event the information of the movements of credit after the default is construed taking into account: the payment flows, the goods received in dation, in payment, the recoveries of punishment, and the legal and administrative costs. The estimation of PD determines the percent (0%-100%) lost in those events where the impairment is incurred by the client. In the commercial portfolio, is in function of the guarantee and the consumption of product. This variable measures the risk of the operation. For loans guaranteed with real properties and pledges on vehicles the variations in the price of those assets are used.

The EDI represents the expected exposure in the event of default. The Group will derive the EDI of the current exposure of the counterpart and the potential changes in the current amount allowed under the contract terms, amortization and prepayments included. The EDI of a financial asset will be the gross value at the time of default. For loans commitments and financial guarantees, the EDI 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 EDI modeling a range of possible results of the exposures to several points in the time. The Group will measure the EDI considering the default risk during the maximal contractual period, (including options of debt extension to client) on which there is an exposure to credit risk, including if, for risk management purposes a long time period is considered. The max. contractual period is extended to the date when the Group is entitled to require the payment of a loan, or termination of the loan commitment of a guarantee granted.

For consumer overdrafts, balances of credit card and certain revolving corporate loans including both a loan and a component of loan commitment not received by the client, the Group will measure the EDI over a higher period than the max. contractual period, if the contractual possibility the Group to require the payment and cancel the undrawn commitment does not limit the exposure of Group to loss of credits to the contractual period. Those facilities have not a fixed term or a collection structure and are managed on a collective base. The Group can cancel them with immediate effect, but this contractual right is not forced in the normal management of Group day to day, only when the Holding Company is informed about an increment of the credit risk at the level of every loan. This longer time period will be estimated taking into account the management actions of credit risk that the Group expects take and that are used to reduce the EDI. These measures include a reduction of limits and cancelation of the credit contracts.

The modeling of parameters is carried out on collective bases, the financial instruments are grouped based on the characteristics of risk that may include:

- Type of security instrument
- Ranking of credit risk
- Guarantee
- Date of initial recognition
- Remaining term for the maturity
- Industry
- Geographic location of borrower

The above groups are subject to regular revisions in order to ensure that the exposures of one specific group remains properly homogenous.

Policies to prevent excess of concentrations of the credit risk

To prevent the excess concentrations of credit risk at individual level, of country and economic sectors, the Holding Company and its subsidiaries maintain indexes of maximal levels of risk concentration updated at individual level and by portfolio of sectors. The limit of exposure of the Holding Company in a credit commitment for a specific client is dependent on the rating of risk of the client, the nature of risk involved and the presence of every bank in a specific market.

In order to prevent credit risk concentrations at consolidate level, the Holding Company has in place a Risk Vice-Presidency that consolidates and monitors the credit risk exposures from all banks and the Board of Directors stablishes policies and max. limits of consolidated exposure.

Under the credit risk management, continuous follow-up of concentration risk is made by the exposure limit or concentration of the commercial portfolio, which establishes that in no any economic activity (CIIU at 4 digits) debts greater than 9% of the commercial portfolio may be held without exceeding 40% of the equity of the Holding Company and its subsidiaries

The following is the detail of the credit risk at consolidated level in the different geographic areas determined according to the debtor's country of residence irrespective of the provisions made by impairment of debtor's credit risk:

31 December 2019

		commercial	consumption	Housing	Financial leasing	total
Colombia	$	16,126,202	7,195,866	702,626	6,030,728	**30,055,422**
Panamá		82,597	-	-	-	82,597
United States		34,046	13	-	-	34,059
Costa Rica		74,811	-	-	-	74,811
Honduras		8,949	-	-	-	8,949
El Salvador		43,642	-	-	-	43,642
Guatemala		40,219	-	-	-	40,219
Other Countries		571,427	340	-	-	571,767
Total	**$**	**16,981,893**	**7,196,219**	**702,626**	**6,030,728**	**30,911,466**

31 December 2018

		commercial	consumption	Housing	Financial 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		39,102	-	-	-	39,102
Guatemala		29,165	-	-	-	29,165
Other Countries		288,117	107	-	-	288,224
Total	**$**	**15,880,604**	**6,789,749**	**591,507**	**5,311,467**	**28,573,593**

Bellow the distribution of credit portfolio of the Holding Company is shown by economic destination on 31-December-2019 and 2018:

		31 December 2019		31 December 2018	
		Total	**% Part**	**Total**	**% Part**
Sector					
Agriculture	$	860,756	2,8%	843,275	3,0%
Mining and oil products		264,060	0,9%	206,044	0,7%
Foods, drinks and tobacco		739,726	2,4%	655,190	2,3%
Chemical products		1,033,866	3,3%	997,950	3,5%
Other industrial and manufacture. products		1,381,878	4,5%	1,180,982	4,1%
Government		1,429,829	4,6%	1,191,469	4,2%
Construction		3,483,340	11,3%	3,501,814	12,3%
Commerce and tourism		308,363	1,0%	595,465	2,1%
Transport and communications		1,533,318	5,0%	1,466,423	5,1%
Utilities		864,431	2,8%	669,717	2,3%
Consumptions services		10,906,806	35,3%	9,971,598	34,9%
Commercial services		7,319,078	23,7%	6,458,036	22,6%
Other		786,015	2,5%	835,630	2,9%
Total for economic destination		**30,911,466**	**100%**	**28,573,593**	**100%**

Sovereign debt

On 31-December-2019 and 2018, the financial asset investments portfolio in debt securities is made mainly by securities issued or endorsed by Colombia government institutions representing 99.55% and 94.94%, respectively of total portfolio. Below the exposure to sovereign debt is detailed by country:

		31 December 2019		**31 December 2018**	
		Amount	**Participation %**	**Amount**	**Participation %**
Grade of investment (1)					
Colombia	$	4,650,293	99,55%	4,435,214	97,84%
USA		13,174	0,28%	91,315	2,01%
Chile		3,376	0,07%	6,579	0,15%
Barbados		4,524	0,10%	-	-
Total sovereign risk	**$**	**4,671,367**	**100%**	**4,533,108**	**100%**

(1) The degree of investment includes the risk ranking of Fitch Ratings Colombia S.A. from F1+ to F3, BRC of Colombia from BRC 1 + a BRC 3 and Standard & Poor's from A1 to A3.

(2) The speculative includes risk ranking by Fitch Ratings Colombia S.A. from BB+ to C, Moody's Ba1 to C and Standard & Poor's from BB+ to C.

Credit granting process and counterpart quotes

The financial entities of the Holding Company assume the credit risks in two fronts: the activity of credit including commercial credit operations, consumption and mortgage and the treasury activity that includes interbank operations, investment portfolio administration, operations with derivatives and negotiation of currencies inter alia. In spite that they are independent businesses, the nature of insolvency risk of the counterpart is equivalent and, therefore, the criteria whereby are managed are the same.

The principles and standards for credit and credit risk management in each financial entity of the Holding Company are included in the Credit Risk Administration System (SARC by Spanish Initials) manual used both for traditional banking activity and for the treasury activity. The evaluation criteria to measuring the credit risk apply the principal instructions given by the Financial Risks Committees.

The highest authority in credit matter is the Board of Directors, that guide the general policy and has the authority to grant the highest credit levels allowed. In the bank operation, the faculty to grant quotes 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 statements and executives, who process the credit applications and are responsible for the analysis, following-up and results.

On the other hand, in the operations of activities of treasury is the Board of Directors that approve the operation and counterpart quotes. The risk control is made through three essential mechanisms: annual allocation of operation quotes and daily control, trimestral evaluation of solvency by issuers and report of concentration of investments by economic group.

Additionally, for the credit approval it is taking into account, among other considerations, the probability of default, the counterpart quotes, 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 Administration System (SARC) which is managed by the Division of Credit and Operative Risk and includes, among others, the design, the implementation and the evaluation of the policies and tools of risk defined by the Financial Risks Committee and the Board of Directors.

The advances made in the SARC have allowed to obtaining significant achievements and in the integration of the tools to measure the credit risk in the processes for granting credits by the Holding Company.

The Holding Company, for the consumer portfolio has in place scoring models for the credit risk evaluation. In the initial evaluation of the clients logistic regression models are applied, that assign a score to the client, based on socio-demographic variables and some ones of behavior with the sector, and allow to establish whether the applicant is subject of credit according to the policy of the Holding Company concerning the minimum score required. There are in place as well follow-up models mainly using variables of payment behavior of the client and some socio-demographic variables, and allow to qualify the clients and establish the probability of default in the next year.

For the commercial portfolio, there are in place rating models, specifically logistic regression models, whose variables are mainly financial indicators. With these variables the entry models are obtained, and for follow-up models, payment variables are added as the maximum height delay in the last year, counters of delay, inter alia. Accordingly, there is in place entry models and follow-up for the segments of Industry, Commerce, Services, Construction, Territorial and Financial Entities.

Monitoring process of credit risk

The monitoring and follow-up of the credit risk is made in several stages including a follow-up and daily collection management based on the analysis of overdue portfolio by ages, rating by risk levels, continue following up to clients of high risk, operation restructuration process and receipt of goods received in payment.

Daily the banks produce lists of the overdue portfolio and based on such analysis, some personnel of the Holding Company perform collection procedures by telephone calls, e-mails, or collection writing notices.

The following is the summary of the overdue portfolio by maturity ages at 31-December-2019 and 2018.

31 December 2019

	Credit current portfolio	1 to 30 30 days	1 to 60 days	61 to 90 days	Total delay 1-90 days	Delay > 90 Days	More 180 days	Total credit Portfolio
Commercial	15,778,101	335,935	29,670	27,805	393,410	242,479	567,903	16,981,893
Consumption	6,353,756	476,468	102,908	65,572	644,948	129,667	67,848	7,196,219
Mortgage housing	612,338	58,384	9,483	4,747	72,614	5,791	11,883	702,626
Leasing commercial	4,429,525	341,006	56,379	38,224	435,609	67,576	147,374	5,080,084
Leasing consumption	10,486	1,061	43	33	1,137	255	78	11,956
Leasing housing	802,105	86,538	18,492	8,018	113,048	6,790	16,745	938,688
Total	**27,986,311**	**1,299,392**	**216,975**	**144,399**	**1,660,766**	**452,558**	**811,831**	**30,911,466**

31 December 2018

	Credit current portfolio	1 to 30 30 days	1 to 60 days	61 to 90 days	Total delay 1-90 days	Delay > 90 Days	More 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
Leasing commercial	4,033,346	230,721	43,338	10,833	284,892	39,931	147,145	4,505,314
Leasing consumption	7,622	1,490	137	332	1,959	174	459	10,214
Leasing housing	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**

For the commercial portfolio the Holding Company and subsidiaries monthly assess the 20 most representative economic sectors considering the Gross and Overdue Portfolio, for the purpose to monitor the concentration by economic sector and the risk level in each one of them.

At individual level the Holding Company and subsidiaries biannually make an individual analysis of the credit risk with outstanding balances more than $ 2.000 based on the financial information updated of the client, compliance with the terms agreed, guarantees received and consultation of the risk centers; based on such information, proceeds to classify the clients by risk levels in category A- Normal, B- Subnormal, C- Deficient, D- Unlikely recovery and E- Unrecoverable. For the mortgage consumer credits the above ranking by risk levels is made monthly taking into account basically the maturity date and other factors of risk. For such purpose, the Holding Company makes as well a consolidation of indebtedness of each one of the 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, to determine their capacity of capital and interest payment. The exposure to credit risk is partially reduced as well, by obtaining collateral, corporate and personal guarantees.

The following is the summary of the portfolio by ranking of risk levels at 31-December-2019 and 2018:

				31 December 2019				
	Commercial	Consumption	Housing	Commercial Leasing	Leasing Consumption	Leasing Housing	Total Financial Leasing	Total
A	$ 15,095,063	6,680,648	669,866	4,272,425	11,200	890,827	5,174,452	27,620,029
B	501,504	108,185	6,545	268,161	44	10,640	278,845	895,079
C	517,324	123,534	273	187,422	274	385	188,081	829,212
D	397,217	186,312	18,154	208,552	315	34,105	242,972	844,655
E	470,785	97,540	7,788	143,524	123	2,731	146,378	722,491
Total	$ **16,981,893**	**7,196,219**	**702,626**	**5,080,084**	**11,956**	**938,688**	**6,030,728**	**30,911,466**

				31 December 2019				
	Commercial	Consumption	Housing	Commercial Leasing	Leasing Consumption	Leasing Housing	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**	**6,790,075**	**591,507**	**4,505,314**	**10,214**	**795,939**	**5,311,467**	**28,573,593**

Based on the previous rankings, each bank prepares a list of clients that potentially can have a significant impact of loss for the Holding Company and its subsidiaries and based on such list an assignment of persons is made that must perform an individual follow-up to each client, which include meetings with the client in order to determine the potential reasons of the risk and search joint solutions to obtain the compliance of debtor obligations.

Credit Operations restructuration for financial problems of borrower

The Holding Company and its subsidiaries perform periodically restructurations of debt of clients with problems to accomplish with their credit obligations with Holding Company and its subsidiaries requested by the borrower. Such restructurations usually consist in extension of the term, reduction of interest or partial write-off of debts or a combination of the above.

The base policy to grant such restructuration's at the Holding Company level is to provide the client with a financial feasibility allowing for the client to adapt the conditions of payment the debt to a new situation of generation of funds. The use of restructurations with the sole purpose to delay the constitution of provisions is forbidden at the Holding Company level.

When a credit is restructured due to financial problems of the borrower, such debt is checked in the files of every financial entity of the Holding Company as restructured credit according with the standards of Colombia Finance Superintendence. The risk ranking made at the time of restructuration only is improved when the client is successfully accomplishing during a prudent period with the terms of the agreement and its new financial situations is adequate.

The significant restructured credits are included for individual evaluation of loss for impairment; however, the marking of a credit as restructured not necessary implies its ranking as impaired credit because in most of the events new guarantees are obtained supporting the obligation.

The following is the detail of credits restructured with closing 31-December 2019 and 2018:

Restructured Credits		31 December 2019	31 December 2018
Local	$	**733,319**	**631,046**
Commercial		633,055	517,670
Consumption		100,264	113,376
Foreign		**11,567**	
Commercial		11,567	-
Total Restructured		**744,886**	**631,046**

Prospective Information

Banco de Occidente incorporates prospective information in its evaluation both of the significant increase of credit risk of a security since the initial recognition, as well the estimation of the PCE. Based on three scenarios of the macroeconomic variable applicable to each model, the probability of default is affected. Subsequently, the result of the PCE is the product of weighting of probability of occurrence of each scenario.

The expected scenario represents the most probable result. It is aligned with the information used by Grupo Aval for other purposes, such as the strategic planning and the budget. The other two scenarios, represent the more optimist and more pessimist result.

Banco de Occidente has identified and documented the key factors of the credit risk and the credit loss for every portfolio of financial securities, and, by an analysis of historical data, has estimated the relations between macroeconomic variables, the credit risk and the credit losses.

The principal macroeconomic variables and scenarios used at 31-December-2019 are the following:

	2019			2020		
	Unfavorable Scenery	Scenery Base	Favorable Scenery	Unfavorable Scenery	Scenery Base	Favorable Scenery
Annual variation IPC	3,72%	3,83%	3,95%	2,46%	3,38%	4,07%
Growth of PID	3,01%	3,20%	3,57%	2,17%	3,22%	4,19%
Unemployment Rate	10,72%	10,25%	10,01%	11,12%	10,22%	9,30%
DTF	4,48%	4,5%	4,52%	3,96%	4,53%	5,49%
Real interest rate	0,76%	0,66%	0,57%	0,66%	1,16%	1,42%

In the projection, the growth of GDP is used, late one year, i.e. the information of year 2019 is required, in such a way to project the risk of default, on 2020.

Receipt of goods received in payment

When processes of persuasive collections or restructuring credits have not satisfactory results during the prudential times, it is proceeded to make the legal collection or agreements are made with the client in order to receipt of goods received in payment. The Holding Company has in place clearly established policies 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 their subsequent sale.

The following is the detail of the goods received in payment and sold during the years ended at 31-December-2019 and 2018:

		31-December-2019	31- December-2018
Good received in payment	$	56,368	15,183
Good sold		(931)	(14,938)
	$	**55,437**	**245**

Financial assets different from credits portfolio for ranking of credit risk

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

- **Cash and equivalent to cash**

Below the detail of the quality credit determined by independent rating agents of independent risk, of the principal financial institutions where the Holding Company and its subsidiaries hold cash funds:

Credit quality		31 December 2019	31 December 2018
Grade of investment	**$**	**2,075,487**	**2,007,538**
Central Bank		1,433,040	1,545,566
Financial entities		642,447	461,972
Without qualification or no available		**857**	**2,338**
Central Bank		857	2,338
Total cash and equivalent to cash with third parties		**2,076,344**	**2,009,876**
Cash at hand (1)		**697,020**	**650,838**
		2,773,364	**2,660,714**

(1) Correspond to cash held by the Bank held in vaults, ATMs and cash

- **Financial assets in debt securities and equity security at fair value**

Below the detail of credit ranking determined by ranking agents of independent risk, of the principal counterparts in debt securities and investments in equity securities where the Holding Company and its subsidiaries have financial assets at fair value:

		31 December 2019	31 December 2018
Grade of investment			
Sovereign	$	4,666,842	4,533,108
Other Public Entities		-	27,644
Corporates		121,324	33,666
Financial entities		1,020,323	756,854
Multilateral		-	56,987
Other		19,998	-
Total Investments degree		**5,828,477**	**5,408,259**
Speculative			
Corporates		**-**	6,350
Financial Entities		117,694	151,772
Other		4,524	-
Total speculative		**122,218**	**158,122**
Without qualification or no available		**81,607**	**102,603**
Total	**$**	**6,032,302**	**5,668,984**

- **Financial investment assets at amortized cost**

Below the detail of the credit ranking determined by rating agents of independent risks, of the principal counterparts in debt securities where the Holding Company and its subsidiaries have financial assets at amortized cost:

Credit quality		31 December 2019	31 December 2018
Issued and guaranteed by Nation and/or by Central Bank	$	**674,842**	687,313
Investment impairment		(202)	(46)
Issued and guaranteed by Nation and/or by Central Bank	**$**	**674,640**	**687,267**

- **Derivative financial securities**

Below the detail of the credit ranking determined by ranking agents of independent risk, of the principal counterparts in derivative securities assets for the Holding Company and its subsidiaries at 31-December-2019 and 2018:

Credit quality		31 December 2019	31 December 2018
Grade of investment	$	490,404	377,256
Speculative		20,726	8,391
Total	**$**	**511,130**	**385,647**

4.2 Market risk

The Holding Company takes part in the monetary, exchange and equity markets seeking satisfy its needs and the needs of clients according to the policies and risks levels established. In this context, manages different portfolios of financial assets in compliance with the limits and levels of risk allowed.

The market risk occurs for open positions of the Holding Company in portfolio of investment in debt securities, derivative securities and equity securities recorded at fair value, for adverse changes in risk factors such as: Interest rates, inflation, type of exchange of the foreign currencies, price of stocks, margin of credit of the securities and the volatility thereof, as well as the liquidity of markets where the Holding Company operates.

For analysis purposes, the market risk have been segmented in price risk and/or interest rates and rates of exchange of fixed income securities and risk of price of the investments in equity securities.

4.2.1 Risks of financial securities

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

- To offer customized products to clients in compliance with, inter alia, the hedging function of the financial risks.
- Structuring portfolios to take advantage of the arbitrations between different curves, assets and markets and earn profits with suitable equity consumption.
- To conduct operations with derivatives, with intermediary purposes with clients or to capitalize on arbitrage opportunities, both of exchange rates and interest rates in the local end external markets.

In conduction of these operations, the Holding Company incurs in risks within defined limits or else reduce the risks by the use of operations from other financial derivative securities or not.

At 31-December-2019 and 2018 the Holding Company held the following financial assets and liabilities subject to market risk.

		31 December 2019	31 December 2018
Assets			
Financial asset at fair value with changes in results			
Investments in debt securities	$	2,186,410	1,255,435
Instruments derived from negotiation		511,130	385,647
Subtotal		**2,697,540**	**1,641,082**
Equity instruments at fair value with changes in ORI			
Investments in debt securities	$	3,724,113	4,310,946
Financial assets at amortized cost			
Investments in debt securities		6,74,640	687,267
Total assets		**7,096,293**	**6,639,295**
Liabilities			
Instruments derived of negotiation		(525,527)	(346,665)
Net position	$	**6,570,766**	**6,292,630**

Description of purposes. Policies and processes for risk negotiation management

The Holding Company takes part in the foreign currency and capital markets seeking to meet its needs and the needs of the clients according to the policies and levels of risk established. In this context, manages different portfolios of financial assets within the limits and levels allowed.

The risks assumed in the operations, both of the bank book and the treasury book, are consistent with the general business strategy of the Holding Company and its appetite of risk, based on the depth of the markets for every security, its impact on the asset weighted by risk and level of solvency, the budget of profits established for each business unit and the balance sheet structure.

The business strategies are established in accordance with limits approved, seeking a balance in the profitability/risk ratio. In addition, there is a congruent boundary structure with banks general philosophy, based on their capital levels, the entity's earnings performance and entity's tolerance of risk.

The market risk administration system (MRAS) allows for the entities to identify, measure, control and monitor the market risk they are exposed to, in function of the positions assumed in the conduction of operations.

There exist several scenarios under which the Holding Company is exposed to market risks:

- Interest rate: the Holding Company's portfolios are exposed to this risk when the market variation value of the active positions against a change of interest rates does not coincide with the market variation of passive positions and this difference is not compensated by the market variation value of other securities or when the future margin, due to pending operations depends on the interest.
- Exchange rate: the Holding Company's portfolio is exposed to the exchange risk when the actual value of the active positions in each foreign currency does coincide with the actual value if the passive exposures in the same foreign currency and the difference is not compensated, positions in derivative products are taken whose underlying is exposed to the exchange risk and the sensitiveness of the value has been completely immunized against the variations in the types of exchange, exposure to interest rate risk are taken in foreign different to its foreign currency, that may alter the equality between the value of the active positions and the value of the passive positions in said foreign currency and that generate losses or earnings, or when the margin directly depends from the types of exchange.

Risk management

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

In the same way, the analysis and following up of the different risks incurred by the Holding Company in its operations is basic to make decisions and for the evaluation of results. On the other hand, a permanent analysis of the macroeconomic conditions, is fundamental to obtain an optimal combination of risks, profitability and liquidity.

The risks assumed in the conduction of operations are translated to a structure of limits for the positions in different instruments according its specific strategy, the depth of markets where we operate, its impact on the weight of assets by risk and level of solvency, as well as balance sheet structure.

These limits are monitored on a daily basis and are fortnightly reported to the finance committee and monthly to the Board of Directors.

In addition, and in order to reduce the risks of the interest rate and exchange rate of some items of the balance sheet, the Holding Company implements hedging strategies through taking positions in derivative securities such as forward operations futures and swaps.

Methods used to measure the risk

The market risks are quantified through risk value models (internal and standard). In the same way, measurements by the methodology of historical simulation are made. The Boards of Directors approve a limits structure in function of the value in risk associated to the annual budget of profits and establishes additional limits by type of risk.

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

At present, the active and passive positions are mapped of the treasury book, within zones and bands according to the length of the portfolios, the investments in participative securities and the net position (asset less liability) in foreign currency, both of the banking book and the treasury book, in line with the standard model recommended by the Committees of Basle.

In the same way the Holding Company has in place parametric and not parametric models of internal management based on the methodology of Value in Risk (ViR) whereby it is possible to complement the market risk management based on the identification and analysis of variations in the risk factors (interest rates, exchange rates, and price indexes) over the value of the different instruments that make up the portfolios. Such models are Risk Metrics of JP Morgan and historical simulation.

The use of these methodologies allows the estimation of profits and the capital in risk, making easy the allocation of resources to the different business units, as well as to compare activities in different markets and identify the positions containing a greater contribution to the risk of business of treasury. In the same way, these tools are used to determine the limits to the positions of the negotiators and to quickly review positions and strategies, as market conditions change.

The methodologies used to measure ViR are periodically evaluated and subject to back testing allowing to determine its effectiveness. In addition, the Holding Company has in place tools to conduct stress tests and/or portfolios sensitization under simulation of extreme scenarios.

Additionally, there are established limits by “Type of Risk” associated to each one of the instruments making up the different portfolios (sensitiveness or effects in value of portfolio as a result of motions in interest rates or correspondent factors – impact of variations in factors of specific risks: interest rates (Rho), exchange rate (Delta), Volatility (vega), inter alia.

Similarly, the Hold Company has established counterparty and trading quotas per operator for each of negotiation platforms of the markets where it operates. These limits and quotas are daily controlled by the Division of Risk of Balance Sheet and Treasury of the Holding Company. The attributions of negotiation per operator are assigned to the different hierarchical levels of the treasury according to the experience of the official in the market, in the negotiation of this type of products and in portfolio management.

It is in place as well a monitoring process to the clean prices and inputs of valuation published by the official suppler of prices “Precia PPV S.A.” where every day tries to identify those prices with significant differences between the price given by the supplier of prices and the price observed in alternate suppliers of information such as Bloomberg, Brokers, inter alia.

This monitoring is made with the aim to provide the official price supplier with feedback about the more significant differences of prices and that they to review.

This process is complemented with the periodical revision of the evaluation methodologies of the portfolios of Fixed Interest and Derivatives.

In the same way, a qualitative analysis of liquidity of prices of fixed income bonds issued abroad is carried out in order to determine the depth of market for this type of securities.

Finally, within the work of monitoring operations, different aspects of negotiations are controlled, such as agreed conditions, unconventional operations or outside the market, operations with related parties, etc.

		31 December 2019		31 December 2018	
Entity		**Value**	**Basic points of technical equity**	**Value**	**Basic point of technical Equity**
Holding Company	$	122,907	51	152,176	72
Occidental Bank (Barbados) Ltd.		12,383	-	10,394	-
Banco de Occidente Panamá S.A.		23,914	-	22,302	-
Fiduciaria de Occidente S.A.		6,724	1	4,999	3

According to the standard model, the market risk value (MRV) at 31-December-2019 and 2018 was the following:

The MRV indicators given by the Holding Company and the subsidiaries during the year ended on 31-December-2019 and 2018 are summarized as follows:

		31 December 2019			
		Minimal	**Average**	**Maximal**	**Last**
Interest rate	**$**	125,615	144,188	162,628	158,200
Exchange rate		104	2,458	4,426	2,995
Collective portfolios		4,317	4,556	4,733	4,733
ViR Total	**$**	**130,036**	**151,202**	**171,787**	**165,928**

		31 December 2018			
		Minimal	Average	Maximal	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
ViR Total	$	**187,521**	**204,945**	**227,074**	**189,871**

As a result of the behavior in the MRV, the Holding Company's assets weighted by Market risk were remained at an average of about 4.07% of total risk-weighted assets during the period ended on 31-December-2019 and 6.31.% at 31-December-2018.

As management tool for administration of investment portfolio different sensitiveness analysis are made about such portfolios at different basic points.

Below the sensitivity results are shown at 31-December-2019 and 2018:

		31 December 2019				
		Portfolio Value	25 PB	50 PB	75 PB	100PB
Fair value Holing Company	$	3,810,279	(13,842)	(27,543)	(41,104)	(54,530)
Fair value Occidental Bank (Barbados		690,172	(4,133)	(8,212)	(12,237)	(16,210)
Fair value Banco de Occidente Panamá S.A.		1,369,994	(8,022)	(15,938)	(23,750)	(31,460)
Fair value Fiduciaria de Occidente S.A.		40,078	(195)	(390)	(585)	(780)
Total	$	**5,910,523**	**(26,192)**	**(52,083)**	**(77,676)**	**(102,980)**

		31 December 2018				
		Portfolio Value	25 PB	50 PB	75 PB	100PB
Fair value Holing Company	$	3,602,906	(16,919)	(33,637)	(50,164)	(66,521)
Fair value Occidental Bank (Barbados		624,457	(3,232)	(6,436)	(9,613)	(12,763)
Fair value Banco de Occidente Panamá S.A.		1,325,298	(7,036)	(14,007)	(20,915)	(27,759)
Fair value Fiduciaria de Occidente S.A.		13,720	(74)	(147)	(221)	(295)
Total	$	**5,566,381**	**(27,261)**	**(54,227)**	**(80,913)**	**(107,338)**

4.2.2 Price risk of investment in equity securities

Equity Investments

The Holding Company classifies its investments in equity securities where there is neither control nor significant influence, in the category financial assets at fair value with changes in ORI, when its basic purpose is not to obtain profits by fluctuations of the market price, unlisted or low marketability nor pending maturation of investment, and makes not part of the portfolio supporting its liquidity in the financial intermediation nor expect used it as guarantee in passive operations, because its raison d'etre is strategical, directly coordinated with Holding Company.

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

- The investment no longer meets the conditions of Holding Company's policy (e.g. the credit rating of the asset falls below than that required by the Holding Company's investment policy);
- When significant adjustments to the maturity of assets are required to address unexpected changes in the maturity structure of the Holding Company´s liabilities.
- When the Holding Company needs to make significant capital investments, e.g. acquisition of other financial institutions.
- When major expenditures are required for acquisition or construction of property and equipment and there is no liquidity for such purpose.
- In company's reorganization processes of Grupo Aval
- To meet requirements or unusual needs or requirements of disbursement of credits.

Risk of variation in type of exchange of foreign currency

The Holding Company operates internationally and is exposed to exchange rate changes arising from exposures in several currencies, primarily concerning to US dollars and Euros.

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

The Banks in Colombia are authorized by Banco de la República to negotiate foreign currency and maintain currency balances in accounts abroad. Legal regulations in Colombia oblige the Holding Company to maintain its own daily position in foreign currency, determined by the differences between the rights and obligations of in foreign currency, recorded within and outside the statement of financial position, which average is three working day, which may not exceed twenty percent (20%) of the technical equity, Likewise, such average of three working days in foreign currency may be negative without exceeding five percent (5%) of the technical equity expressed in U.S. dollars.

It must as well comply with its own cash position, which is determined by the difference between assets and liabilities denominated in foreign currency, excluding derivatives, and some investments. The average of three working days of this own cash position may not exceed fifty per (50%) of the entity's adequate equity; likewise, it can't be negative.

Additionally, it must accomplish with the limits of the gross position of leverage, which is defined as the sum of the rights and obligations in contracts with future performance denominated in foreign currency: the cash operations denominated in foreign currency with compliance between one banking day (t+1) and three banking days (t+3) and other exchange rate derivatives. The average of three working days of the gross leverage position may not exceed five hundred and fifty per cent (550%) of the amount of the adequate equity of the entity.

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

Substantially all of the Parent Company's foreign currency assets and liabilities are held in U.S.A. dollars.

The following is the detail of assets and liabilities in foreign currency given in pesos maintained by the Holding Company and its subsidiaries at 31-December-2019 and 2018:

31-December-2019

	Million		
	American Dollar	Other Currency in USD dollars	Total Colombian pesos
Assets			
Cash and equivalent to cash	195,70	1,00	644,638
Investment at fair value with changes in results	61,00	-	199,906
Investments at fair value with changes in ORI	642,42	-	2,105,312
Investments at amortized cost	0,01	-	24
Financial assets for credit portfolio at amortized cost	914,92	-	2,998,311
Instruments derived from negotiation	(4,252,46)	-	(13,935,909)
Other accounts receivable	1,91	-	6,260
Total asset	**(2,436,50)**	**1,00**	**(7,981,458)**
Liabilities			
Instruments derived from negotiation	(4,230,76)	-	(13,864,795)
Deposits of clients	1,311,85	0,90	4,302,042
Financial Obligations	540,00	-	1,769,640
Other accounts to be paid	8,86	-	29,034
Total Liabilities	**(2,370,06)**	**0,90**	**(7,764,079)**
Net active position (liability)	**(66,44)**	**0,11**	**(217,379)**

31-December-2018

	Million		
	American Dollar	Other Currency in USD dollars	Total Colombian pesos
Assets			
Cash and equivalent to cash	140,45	-	456,441
Investment at fair value with changes in results	76,24	-	247,754
Investments at fair value with changes in ORI	604,02	-	1,962,915
Investments at amortized cost	0,02	-	71
Financial assets for credit portfolio at amortized cost	925,94	-	3,009,065
Instruments derived from negotiation	1,772,45	-	5,760,035
Other accounts receivable	1,94	-	6,304
Total asset	**3,521,07**	**-**	**11,442,598**
Liabilities			
Instruments derived from negotiation	1,945,16	-	6,321,292
Deposits of clients	1,111,95	-	3,613,553
Financial Obligations	549,42	-	1,785,485
Other accounts to be paid	3,25	-	10,560
Total Liabilities	**3,609,78**	**-**	**11,730,890**
Net active position (liability)	**(88,71)**	**-**	**(288,293)**

The purpose of the Holding Company in connection with the operations in foreign currency is, basically to meet 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 against their functional currency. The subsidiaries of the Holding Company are required to hedge economically its exposure 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 on a daily basis by the treasury divisions from every subsidiary, responsible to close the positions, adjusting them to the tolerance levels established.

The estimate effect due to the increase or reduction of each 0.10/US1 with respect of the type of exchange at 31-December-2019 and 2018 should be an increase of the profit for $1,647 and $ 983, respectively.

4.3. Risk of Interest rate structure

The Holding Company has exposures to the fluctuation effects in market of interest rates influencing its financial position and its future cash flows. The risk arises as a result of placing investments and credit portfolios at variable interest's rates and funding them with fixed-rate cost or vice-verse. The interest margins may increase as the result of exchanges in the interest rates, and also may decrease and create losses in the event that appear unexpected movements in such rates.

Usually, the Holding Company obtains external resources at long-term with variable interest, such as the rediscounts with financial entities of the second floor, which rates are implicitly compensated with the portfolio credits.

The following table shows the exposure to interest rates for assets and liabilities at 31-December-2019 and 2018. In this table, the instruments of fixed rate are classified according to the maturity date and the securities of variable rate are classified according the date of change of price. The following analysis includes all the exposure to the global interest rate:

December 31-2019

Asset		Less one month	One and six months	Six to twelve months	More than one year	Without interest	Total
Cash and equivalent to cash		1,339,467	-	-	-	1,433,897	2,773,364
Investments at fair value with changes in results		36,723	1,325,719	635,504	188,464	-	2,186,410
Investment at fair value with changes in ORI		33,155	1,465,343	183,034	2,042,581	-	3,724,113
Investments at amortized cost		630,047	44,593	-	-	-	674,640
Other financial asset in concession contracts		-	-	-	-	-	-
Commercial portfolio and commercial leasing		828,995	18,813,271	870,891	1,548,820	-	22,061,977
Consumption portfolio and leasing consumption		16,524	1,879,483	131,422	5,180,746	-	7,208,175
Mortgage portfolio and mortgage leasing		1,210	53,884	1,005	1,585,215	-	1,641,314
Microcredits portfolio and microcredit leasing		-	-	-	-	-	-
Other accounts receivable		-	-	-	99,017	126,028	225,045
Total assets	$	**2,886,121**	**23,582,293**	**1,821,856**	**10,644,843**	**1,559,925**	**40,495,038**

Liabilities		Less one month	One and six months	Six to twelve months	More than one year	Without interest	Total
Current accounts	$	1,352,060	-	-	-	5,014,387	6,366,447
Time deposit certificates		1,810,261	4,691,716	1,667,984	1,558,036	-	9,727,997
Saving Accounts		12,574,563	-	-	-	-	12,574,563
Other Deposits		-	-	-	-	57,373	57,373
Interbank funds		729,114	-	-	-	-	729,114
Liabilities for leasing		-	-	-	197,578	-	197,578
Credits of banks and other		609,974	905,657	35,323	568	-	1,551,522
Bonus and investments securities		32,263	2,807,760	184,860	313,100	-	3,337,983
Obligations with rediscount entities		27,927	78,273	68,808	1,204,025	-	1,379,033
Total Liabilities	$	**17,136,162**	**8,483,406**	**1,956,975**	**3,273,307**	**5,071,760**	**35,921,610**

31-December-2018

Asset		Less one month	One and six months	Six to twelve months	More than one year	Without interest	Total
Cash and equivalent to cash		1,112,810	-	-	-	1,547,904	2,660,714
Investments at fair value with changes in results		1,522	147,457	641,716	464,740	-	1,255,435
Investments at fair value 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 commercial leasing		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 and 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 one month	One and six months	Six to twelve months	More than one year	Without 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 Account		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 rediscount 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**

The Holding Company is exposed to loans prepayment risk given at fixed interest including mortgage housing loans, which give to borrower the right to re-pay the loans in an advanced manner with no any sanction. The profits of the Holding Company of periods ended on 31-December-2019 and 2018 have not changed in a significant manner for changes in the prepayment index because the credit portfolio and the prepayment right is for a similar amount as those of the credits.

The following is the detail of the principal assets and liabilities generating interest, by type of interest, variable and fixed, according to the maturity at 31-December-2019 and 2018:

31-December-2019

		Less one year		More than one year			
Assets		Variable	fixed	Variable	Fixed	Free Interest	Total
Cash and equivalent to cash		1,339,467	-	-	-	1,433,897	2,773,364
Investments at fair value with changes in results		24,462	1,774,230	199,255	188,463	-	2,186,410
Investments at fair value with changes in ORI		-	684,252	997,281	2,042,580	-	3,724,113
Investments at amortized cost		674,640	-	-	-	-	674,640
Commercial portfolio and commercial leasing		10,476,319	1,399,521	9,637,392	548,745	-	22,061,977
Consumption portfolio and leasing consumption		555,865	1,628,336	1,254,734	3,769,240	-	7,208,175
Mortgage portfolio and mortgage leasing		9,415	138,020	44,126	1,449,753	-	1,641,314
Other accounts receivable		-	-	99,017	-	126,028	225,045
Total	**$**	**13,080,168**	**5,624,359**	**12,231,805**	**7,998,781**	**1,559,925**	**40,495,038**

		Less one year		More than one year			
Liabilities		Variable	fixed	Variable	Fixed	Free Interest	Total
Current accounts		255,647	1,096,413	-	-	5,014,387	6,366,447
Time deposit certificates		2,455,567	3,665,387	2,089,335	1,517,708	-	9,727,997
Saving Account		27,432	12,547,131	-	-	-	12,574,563
Other Deposits		-	-	-	-	57,373	57,373
Interbank funds		-	729,114	-	-	-	729,114
Liabilities for Leasing		-	-	-	197,578	-	197,578
Credits of banks and other		3,694	1,547,260	-	568	-	1,551,522
Bonus and investments securities		261,853	327,850	2,435,180	313,100	-	3,337,983
Obligations with rediscount entities		95,450	1,240	1,239,838	42,505	-	1,379,033
Total	**$**	**3,099,643**	**19,914,395**	**5,764,353**	**2,071,459**	**5,071,760**	**35,921,610**

31-December-2018

Assets		Less one year Variable	Less one year fixed	More than one year Variable	More than one year Fixed	Free Interest	Total
Cash and equivalent to cash		-	1,112,810	-	-	1,547,904	2,660,714
Investments at fair value with changes in results		-	768,924	21,770	464,741	-	1,255,435
Investments at fair value with changes in ORI		598,439	238,329	1,086,810	2,387,368	-	4,310,946
Investments at amortized cost		687,267	-	-	-	-	687,267
Commercial portfolio and commercial leasing		9,332,156	1,455,930	9,007,809	590,023	-	20,385,918
Consumption portfolio and leasing consumption		543,201	1,516,054	1,266,653	3,474,321	-	6,800,229
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**

Liabilities		Less one year Variable	Less one year fixed	More than one year Variable	More than one year Fixed	Free Interest	Total
Current 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 investments securities		113,078	128,640	2,383,770	521,949	-	3,147,437
Obligations with rediscount 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**

4.4 Liquidity risk

The liquidity risk is related to the inability of each of the Group's entities to meet their obligations to clients and financial market counterparties at any time, currency and site, and for such purpose each entity daily reviews its available resources.

The Holding Company manages the liquidity risk according to the standard model established in Chapter VI of the Accounting and Financial Circular Basic of Colombia Finance Superintendence and in concordance with the regulations related to risk and liquidity management through the basic principles of the Risk and Liquidity Management System (RLMS), establishing the minimum prudential parameters to be implemented by the entities in the operation to manage, in an efficient manner the liquidity risk they are exposed.

To measure the liquidity risk, the Holding Company calculates in a weekly basis an Indicator of Liquidity Risk (ILR) for the terms of 7, 15, 30 and 90 days, according to provision in standard model of Colombia Finance Superintendence and in a quarterly basis for its subsidiaries to measure the liquidity risk of the Group.

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

The quantification of funds obtained in the monetary market is an integral part of the measurement of liquidity made 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 purpose to ensure the stability and sufficiency of resources and minimize the concentrations of the sources.

Upon the establishment of the funding sources, they are assigned to the several businesses according to the budget, the nature and depth of markets.

On a daily basis, the availability of resources is monitored both to accomplish with the requirements of reserve and to foresee, and/or anticipate the possible changes in the profile of liquidity risk of the Holding Company, and to make the strategical decisions as applicable. In this context, the Holding Company has in place indicators of liquidity alerts, allowing to establish and determining the scenario where it is found as well as the strategies to be followed in every event. Such indicators include, inter alia, the ILR, the deposit concentration levels, the use of liquidity quotas of Banco de la República, inter alia.

Through the technical committees of assets and liabilities, financial committee, the top management of the Holding Company knows the liquidity situation and make the necessary decisions taking into account the liquid asset of high quality that must maintained, the tolerance in the liquidity management or minimal liquidity, the strategies for granting loans and the capitation of resources, the policies about colocation of liquidity surpluses, the changes in the characteristics of the products existing, as well as the new products, the diversification of the sources of funds in order to prevent the concentration of the deposits received in few investors or savers, the hedging strategies, the results of the Holding Company and the changes in balance sheet structure.

To control the liquidity risk among assets and liabilities, the Holding Company performs statistical analysis allowing to quantify with a confidence and pre-determined level the stability of deposits, with and without contractual maturity.

To accomplish with the requirements of Banco de la República and of Colombia Finance Superintendence, the Holding Company must maintain cash on hand and banks restricted, as part of the legal reserve required and calculated on the daily average of the different deposits of clients, the current present is 11% on the requirements excepting the deposit certificates at term less than 180 days, which percent is 4.5% and 0% when exceeds such term. The Holding Company has properly accomplished with this requirement.

Below the summary table of liquid assets available is shown, project with closing at 31-December-2019 and 2018:

31 December 2019
Net subsequent balances available

Entity		Liquid assets available at the end of Period (1)	From 1 to 7 Days (2)	After 1 to 30 Days (2)	After 31 to 90 Days (2)
Holding Company	$	6,013,484	5,381,263	3,449,519	(1,382,231)
Occidental Bank (Barbados)		768,805	765,397	650,522	163,582
Banco de Occidente Panamá S.A.		627,811	525,673	293,587	107,534
TOTAL	**$**	**7,410,100**	**6,672,333**	**4,393,628**	**(1,111,115)**

31 December 2018
Net subsequent balances available

Entity		Liquid assets available at the end of Period (1)	From 1 to 7 Days (2)	From 1 to 30 Days (2)	From 31 to 90 Days (2)
Holding Company	$	5,913,723	5,244,524	4,185,759	1,631,575
Occidental Bank (Barbados)		481,830	448,569	389,527	337,771
Banco de Occidente Panamá S.A.		894,424	827,830	590,132	552,121
TOTAL	**$**	**7,289,977**	**6,520,923**	**5,165,418**	**2,521,467**

(1) The liquid assets correspond to the amount of those assets existing at the closing of every period that due to its features may be quickly convertible into cash. Among these assets the following are found: the cash in hand and banks, the securities or coupons transferred to the entity in the development of active operations of monetary market made by the entity and that have not been subsequently used in passive operations in the monetary market, the investments in debt securities at fair value and the investments at amortized cost, provided that in the latter case, this make reference to forced or mandatory investments subscribed in the primary market and that it is allowed to make with them operations in the monetary market. For purpose of calculation of liquid assets, all investments indicated, with no any exception, are included by its fair price on the evaluation date.

(2) The balance corresponds to the residual value of the liquid assets of the entity in the days following the closing of period, after discounting the net difference among the flows of income and expenses of cash of the entity in that period. This calculation is made by the analysis of the flows of contractual and not contractual of the assets, liabilities and positions outside the balance in the interval of time of one to 90 days.

The above calculations of liquidity are prepared supposing a normal liquidity situation according to the contractual flows and historical experience of the Holding Company. For extreme liquidity events for withdrawal of deposits, the Holding Company has in place contingency plans including the existence of line of credits from other entities and access to special credit lines with Banco de la República according to the regulations prevailing, which are granted at the time required with the support of the securities issued by Colombian Government and with the support of the securities issued by Colombian State and with loans portfolio of high credit quality, according to regulations by Banco de la República. During the periods ended on 31-December-2019 and 2018, the Holding Company was not required to use these credit coupons of last resort.

The Holding Company has made, at consolidate level, an analysis of the maturities for assets and liabilities for financial derivative and non-derivate, showing the remaining contractual cash flows non-discounted, as shown below:

31-December-2019

Assets		Less one month	One and six months	Six to twelve months	More than one year	Non-sensitive	Total
Cash and equivalent to cash	$	1,339,467	-	-	-	1,433,897	2,773,364
Investments at fair value with changes in results		9,011	1,180,239	661,143	238,194		2,088,587
Investments at fair value with changes in ORI		42,475	529,835	211,643	2,298,524		3,082,477
Investments at amortized cost		46,511	181,995	466,486	-		694,992
Commercial portfolio and commercial leasing		3,536,711	6,027,507	3,240,873	13,055,651	-	25,860,742
Consumption portfolio and leasing consumption		298,961	1,425,951	1,360,245	6,628,904	-	9,714,061
Mortgage portfolio and mortgage leasing		24,820	136,757	139,595	2,836,261	-	3,137,433
Instruments derived from negotiation		256,817	196,193	29,796	27,559	-	510,365
Other accounts receivable		-	-	-	99,017	126,028	225,045
Other assets		-	-	-	-	71,470	71,470
Total assets	$	**5,554,773**	**9,678,477**	**6,109,781**	**25,184,110**	**1,631,395**	**48,158,536**

Liabilities		Less one month	One and six months	Six to twelve months	More than one year	Non-sensitive	Total
Current accounts	$	1,352,060	-	-	-	5,014,387	6,366,447
Time deposit certificates		889,179	2,743,890	2,795,600	3,680,162	-	10,108,831
Saving Accounts		12,574,563	-	-	-	-	12,574,563
Other Deposits		-	-	-	-	57,373	57,373
Interbank funds		728,432	-	-	-	-	728,432
Liabilities for leasing		-	-	-	197,578	-	197,578
Credits of banks and other		606,149	900,712	35,127	568	-	1,542,556
Bonus and investments securities		33,289	167,698	407,468	2,835,675	-	3,444,130
Obligations with rediscount entities		27,666	84,396	72,953	1,486,675	-	1,671,690
Instruments derived from negotiation		227,853	243,255	23,231	13,340	-	507,679
Other accounts payable		-	-	-	-	888,683	888,683
Total Liabilities	$	**16,439,191**	**4,139,951**	**3.334,379**	**8,213,998**	**5,960,443**	**38,087,962**

December 31-2018

Assets		Less one month	One and six months	Six to twelve months	More than one year	Non-sensitive	Total
Cash and equivalent to cash	$	1,112,810	-	-	-	1,547,904	2,660,714
Investments at fair value with changes in results		521	137,300	689,980	612,457	-	1,440,258
Investments at fair value with changes in ORI		11,991	846,477	159,673	3,621,558	-	4,639,699
Investments 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 and 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
Instruments 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**

Liabilities		Less one month	One and six months	Six to twelve months	More than one 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 investments securities		33,389	84,313	133,901	3,024,564	-	3,276,167
Obligations with rediscount entities		60,634	72,097	94,274	1,375,785	-	1,602,790
Instruments derived from negotiation		113,032	193,566	12,078	17,033	-	335,709
Other accounts payable		-	-	-	-	1,233,147	1,233,147
Total Liabilities	$	**15,059,912**	**5,339,532**	**2,174,314**	**6,865,329**	**5,902,335**	**35,341,422**

4.5 Adequate Capital Management

The purposes of Group, concerning the management of its adequate capital is focused to: a) comply with the capital requirements established by Colombian Government to financial entities subsidiaries of the Holding Company in Colombia and by the governments overseas where the Group has financial subsidiaries. It should be noted that the Group, as Holding Company entity is not subject to a minimum requirement of capital by Colombian Government; and b) maintaining a proper structure of equity allowing for it to maintain the Group and its subsidiaries an ongoing business.

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

During the years ended on 31-December-2019 and 2018 the Holding Company has properly accomplished with the capital requirements. The following is the detail of the solvency indexes of the Holding Company in such years:

Technical Equity		31 December 2019	31 December 2018
Technical Equity	$	**3,908,477**	**3,917,005**
Ordinary equity		3,202,018	3,166,981
Additional equity		706,459	750,024
Risk of market		1,401,424	1,754,924
Credit risk		31,807,330	29,405,386
Total assets weighted by risk		**33,208,754**	**31,160,310**
Index of total solvency risk (>= 9%)		11,77%	12,57%
Index of basic solvency risk (>=4,5%)		9,64%	10,16%

4.6. Operative risk

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

Thanks to ORAS the Holding Company has strengthened the understanding and control of the in process risks, activities, products and operative lines; has achieved reduce the errors and identify enhancements 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. Also there is in place the Business Continuity Plan for the operation of the Holding Company in the event of interruption of the critical procedures.

The Holding Company keeps a detailed record of its operative risks events supplied by the information system and the Risk Managers. This record is accounted in the expense accounts assigned for the proper accounting follow-up.

In a monthly and quarterly manner, it is reported to the SARO Committee and to the Board of Directors, respectively, about the most relevant aspects of the occurrences related to operative risk, report that includes the follow-up of implementation of the corrective actions aimed at mitigating the risk qualified in extreme and high zones, the evolution for operative risk, the action plans based on the materialized events, inter alia. In the same way, the changes in the risk profile are reported, based on the identification of new risks and controls in actual and news processes.

The Operative Risk Unit, is managed by the Operative Risk Administration and Continuance of Business, depending of Vice-Presidency of Risk and Collection, has in charge two analysts of Continuance of Business, one analyst of Control of Regulatory Reports, one analyst of Inherent Risks of High Impact and a Coordination of Operative Risk with five analysts in charge of operative risk.

The evolutions of figures for the Holding Company and its Subsidiaries resulting from every actualization of the operative risk profile during the periods ended on 31-December-2019 and 2018 are shown below:

		31-December 2019	31-December 2018
	Processes	273	301
(*)	Risks	1.267	1.251
	Failures	2.893	2.953
(*)	Controls	4.248	4.134

* The variation in risks and controls results from the dynamic of updating matrices of risk and controls

The net losses recorded, for operative risk for the year 2019 were $3,929 divided as follows: other assets (50%), other litigations (27%), operative risk (12%) and other accountancy accounts (11%).

According with the risk qualification of Basle, the events resulted from: external fraud (50%, $1,969), Legal (30%, $1,164), execution and administration of proceedings (15%, $600), technologic failures (4%, $145) and others (1%, $51).

In the external fraud, the most relevant events are originated by frauds with credit cards for $1,425, under the modalities off-site purchases, impersonation, forgery or copy of magnetic band, substitution, lost card, improper use and stolen card.

In legal risk, the most relevant events include: a: sanction by the District Secretary of Treasury in the amount of $258 for extemporaneous delivery of tax collection information, two judgments for fraudulent transactions through Occired amounting to $145 and $62, respectively, payment of interests in arrears due to an error in the liquidation of social security in 2016, of the Fiduciary for $139, judgment for $81 related to an event that allowed the leakage of information through Ticket Fast and Tu Boleta lawsuit judgment related to an overcharge of interest on two credit cards for $79.

In execution and process management, the event with the greatest impact resulted from an error in the execution in the blocking of a client's account, that was declared interdict, whose proxy had requested the blocking, which allowed the use of resources by a person other than the proxy, in the amount of $56.

In technological failures, the most relevant event for $66 occurred by problems in the connection between ATH and a correspondent Bank where some transactions were rejected.

Plan of Business Continuance

The Business Continuance Plan makes reference to the detailed set 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 is working in the implementation of and maintenance of both technologic and operative continuance schemes, allowing, in the event of any critical situation to attend the critical processes of the business. This way, permanent tests are made on a permanent way allowing to identify enhancements for the developed plans.

4.7. Laundry assets risk and financing of terrorism

Within the framework regulation by Colombia Finance Superintendence and specially following the instructions given by Legal Basic Circular, Part I, Title IV, Chapter IV, the Holding Company has in place a Laundry Asset Risk and Financing of Terrorism Management System (LARFTMS) according to the regulations prevailing, 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 LARFTMS, the risks of Laundry Assets and Financing of Terrorism (LA/FT), identified by the Holding Company are properly managed within the concept of continued enhancement and aimed at minimizing reasonably the existence of these risks in the organization.

The Holding Company maintains the policy indicating that the operations must be processed according to the highest ethical and control standards, placing ethical and moral principles before the achievement of commercial goals, aspects which, from the practical point of view, have resulted in the implementations of criteria, policies and procedures for the management of the risk of laundering assets and financial of terrorism and its related offences, which have been made available for the mitigation of these risks by reaching the lowest possible level of exposure.

For the continuous development of this management there are technological tools allowing to identify unusual operations, and timely report the suspected operations to the Information Unit and Financial Analysis (IUFA). It should be noted that our entity performs continuous improvements supporting the development of LARFTMS in Division of Compliance, related to the different applications and analytical methodologies, allowing the mitigation of eventual risks of Laundry Assets and Financing of Terrorism.

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

On the other hand, the Holding Company maintains its institutional training program addressed to the officials, whereby the directives concerning the regulatory framework and the mechanisms of control are given about the prevention of LA/FT, thus encouraging the culture of compliance at satisfaction in the organization and according to the program.

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

During 2019, follow up to the reports was made by the Internal Audit and the Tax Inspection, with regards to the risk of laundry asset and financing of terrorism, in order accomplish with the recommendations focused to the optimization of System.

The Bank, as head office communicates to subsidiaries, the policies, guidelines and the best practices to conduct processes related to the function of the Risk Management System of the LA and FT - LARFTMS in each of them. For subsidiaries abroad, the policies and guidelines are implemented taking into account regulations applied in each jurisdiction.

4.8 Legal Risk

The Legal Vice-Presidency of the Holding Company supports the labor of the legal risk management in the operations made by the Holding Company and of the proceedings against the Company. Specifically, defines and establishes the procedures necessary to properly control the legal risk of the operations, ensuring for they to accomplish with the legal standards that are documented, analyzes and writes the contracts supporting the operations conducted by the different units of business. The Financial Vice-Presidency supports the legal-tax risk management, in the same way as the Human Resources Vice-Presidency the labor legal risk of the Holding Company.

The Holding Company, concordant with the instructions given by Colombia Finance Superintendence valued the allegations of the proceedings against de Company, based on analysis and concepts of the lawyers; and in the events required, the relevant contingencies are duly positioned.

Concerning the copy rights, the Holding Company only uses software or licenses legally acquired and does not allow for in its equipment to use programs different to those officially approved.

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In note 20 the financial statements detail the provisions for legal contingencies and other provisions.

Note 5 – Fair value estimates

The financial assets and liabilities fair value negotiated in active markets (such as the financial assets in debt and equity and derivatives securities active listed in the stock exchanges or in interbank markets) is based on prices supplied by the supplier of prices Precia PPV S.A., which is determined through weighted averages of transactions made during the day of negotiation.

An active market is a market whereby the transactions of assets or liabilities are made with the sufficient frequency and volume in order to provide the prices in a continue manner.

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

The Holding Company and Subsidiaries can use models internally developed for financial securities that do not have active markets. Such models usually are based on valuation and technique methods, usually standardized in the financial sector. The valuation models are mainly used to value financial securities of equity not quoted in stock-exchange, the debt securities and other debt instruments to which the markets were or have been inactive during the financial period. Some inputs of these models may be not observable in the market, and for such reason they are estimated based on their positions.

The output of a model always is an estimation or approximation of a value that cannot be determined with certainty, and the valuation techniques used may not reflect completely all the relevant factors to the exposure of the Holding Company. For such reason, the valuations are adjusted when deemed necessary, in order to allow additional factors, including risk-country, liquidity risks, and counterpart risks.

The fair value of non-monetary assets, such as investment properties or guarantees of credits for purposes to determine deterioration, is based on appraisals made by independent experts with sufficient experience and knowledge of the real estate market or of the asset under valuation. Usually these valuations are made by references to data of market or based on the reposition cost when there are insufficient data of market.

The hierarchy of the fair value has the following levels:

- The entries Level 1 are quoted prices (without adjustment) in active markets for assets or liabilities identical to those the entity may access on measurement date.
- The entries Level 2 are entries different of the quoted prices included in Level 1 that are observable for the asset or the liability, either direct or indirectly.
- The entries Level 3 are unobservable entries for the asset or the liability.

The level in the hierarchy of the fair value whereby the measurement of the fair value is ranked in its entirety is determined based on the entry of the lowest level that is significant for the measurement of the fair value in its entirety. For such purpose, the significance of an entry is evaluated in connection with the measurement of the fair value in its entirety. If any measurement of the fair value uses observable entries requiring significant adjustments based on unobservable entries, such measurement is a measurement Level 3. The evaluation of the significant of a specific entry to the measurement of the fair value in its entirety requires judgment, taking into account specific factors of asset or of the liability.

To determine what comprises “observable, requires significant judgment by 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, that have not copy right and that are provided by independent sources taking active part in the reference market

a) **Measurements of fair value on recurrent bases**

Measurements of fair value on recurrent bases are those that the IFRS require or allow in the financial situation statement at end of each accounting period.

The following table analyzes, within the hierarchy of the fair value, the assets and liabilities (by class) **of** Holding Company, measured at fair value at 31-December-2019 and 2018 on recurrent bases.

31-December-2019

	Fair values calculates Using internal models					Effect of fair assumptions about fair value		
	Level 1	Level 2	Level 3	Total	Valuation technique for levels 2 & 3	Main entry data	More Favorable	Less Favorable
Assets								
Measurements at fair value recurrent								
Investment in debt securities with changes in results								
Issued or guaranteed by Colombian government	$ 946,934	779,597	-	1,726,531	Interest rates	Transaction systems	7,660	(7,564)
Issued or guaranteed by other entities of Colombian government	-	19,988	-	19,988	Interest rates	Transaction systems	393	(394)
Issued or guaranteed by other financial Colombian institutions	-	274,872	-	274,872	Interest rates	Transaction systems	767	(766)
Issued or guaranteed by foreign governments	3,220	4,524	-	7,744	Interest rates	Transaction systems	308	(294)
Issued or guaranteed by other financial institutions of abroad	-	157,275	-	157,275	Interest rates	Transaction systems	648	(639)
Investments in debt securities with changes in ORI								
Issued or guaranteed by Colombia Government	**$** 1,284,790	1,638,971	-	2,923,761	Interest rates	Transaction systems	37,094	(36,089)
Issued or guaranteed by other entities of Colombia Government	-	20,106	-	20,106	Interest rates	Transaction systems	106	(106)
Issued or guaranteed by other Colombia financial institutions	-	270,398	-	270,398	Interest rates	Transaction systems	2,144	(2,114)
Issued or guaranteed by entities of Colombian real sector	-	10,125	-	10,125	Interest rates	Transaction systems	103	(103)
Issued by guaranteed by governments abroad	9,954	3,376	-	13,330	Interest rates	Transaction systems	73	(72)
Issued or guaranteed by other financial institutions of abroad	210,278	242,894	-	453,172	Interest rates	Transaction systems	3,715	(3,652)
Issued or guaranteed by entities of the real sector abroad	-	9,107	-	9,107	Interest rates	Transaction systems	201	(196)
Other	-	24,114	-	24,114	Interest rates	Transaction systems	160	-159
Investments in equity instruments with changes in results	-	32,826	-	32,826	Unit value	Transaction systems	328	(328)
Investments in equity instruments with changes in ORI	4,735	-	84,219	88,954	Unit value	Transaction systems	890	(890)
Derivatives of negotiation						Transaction systems		
Forward of currency	-	463,551	-	463,551	Interpolation	Transaction systems	(2,947)	2,946
Forward interest rate	-	150	-	150	Interpolation	Transaction systems	(5)	5
Swap interest rate	-	26,547	-	26,547	Interpolation	Transaction systems	8,660	(8,629)
Swap currency	-	1,322	-	1,322	Interpolation	Transaction systems	(346)	337
Other	-	19,660	-	19,560	Interpolation	Transaction systems	81	(80)
Properties of investment at fair value	-	233,079	-	233,079	Market approach	Construction maintained and used	-	-
Total assets at fair value recurrent	**2,459,911**	**4,232,382**	**84,219**	**6,776,512**			**60,033**	**(58,787)**
Liabilities								
Derivative of negotiation								
Forward of currency	-	475,502	-	475,502	Interpolation	Transaction systems	3,326	(3,324)
Forward interest rate	-	277	-	277	Interpolation	Transaction systems	16	(16)
Swap interest rate	-	30,718	-	30,718	Interpolation	Transaction systems	(12,540)	12,495
Swap currency	-	2,393	-	2,393	Interpolation	Transaction systems	1,450	(1,389)
Other	-	16,637	-	16,637	Interpolation	Transaction systems	68	(67)
Total liabilities at fair value recurrent	**$ -**	**525,527**	**-**	**525,527**		Transaction systems	**(7,680)**	**7,699**

December 31-2018

	Fair values calculated using internal models					Effects of fair assumption on the fair value		
	Level 1	Level 2	Level 3	total	Technique of valuation for 2 and 3 levels	Principal entry data	more favorable	Less favorable
Assets								
Measurements at fair value recurrent								
Investment in debt securities with changes in results								
Issued or guaranteed by Colombian government	$ 946,934	779,415	-	1,726,349	Interest rates	Transaction systems	7,660	(7,564)
Issued or guaranteed by other entities of Colombian government	-	19,988	-	19,988	Interest rates	Transaction systems	393	(394)
Issued or guaranteed by other financial Colombian institutions	-	274,872	-	274,872	Interest rates	Transaction systems	767	(766)
Issued or guaranteed by foreign governments	3,220	4,707	-	7,927	Interest rates	Transaction systems	**308**	(294)
Issued or guaranteed by other financial institutions of abroad	-	157,275	-	157,275	Interest rates	Transaction systems	**648**	(639)
Investments in debt securities with changes in ORI								
Issued or guaranteed by Colombia Government	$ 1,284,790	1,638,971	-	2,923,761	Interest rates	Transaction systems	37,094	(36,089)
Issued or guaranteed by other entities of Colombia Government	-	20,106	-	20,106	Interest rates	Transaction systems	106	(106)
Issued or guaranteed by other Colombia financial institutions	-	270,398	-	270,398	Interest rates	Transaction systems	2,144	(2,114)
Issued or guaranteed by entities of Colombian real sector	-	10,125	-	10,125	Interest rates	Transaction systems	103	(103)
Issued by guaranteed by governments abroad	9,954	3,376	-	13,330	Interest rates	Transaction systems	73	(72)
Issued or guaranteed by other financial institutions of abroad	210,278	242,894	-	453,172	Interest rates	Transaction systems	3,715	(3,652)
Issued or guaranteed by entities of the real sector abroad	-	9,107	-	9,107	Interest rates	Transaction systems	201	(196)
Other	-	24,114	-	24,114	Interest rates	Transaction systems	160	-159
					Unit value	Transaction systems		
Investments in equity instruments with changes in results					Unit value	Transaction systems		
Investments in equity instruments with changes in ORI	-	32,826	-	32,826		Transaction systems	328	(328)
Derivatives of negotiation	4,735	-	84,219	88,954	Interpolation	Transaction systems	890	(890)
Forward of currency	-	463,551	-	463,551	Interpolation	Transaction systems	(2,947)	2,946
Forward interest rate	-	150	-	150	Interpolation	Transaction systems	(5)	5
Swap interest rate	-	26,547	-	26,547	Interpolation	Transaction systems	8,660	(8,629)
Swap currency	-	1,322	-	1,322	Interpolation	Transaction systems	(346)	337
Other	-	19,560	-	19,560	Market approach	Construction maintained and used	81	(80)
Properties of investment at fair value	-	233,079	-	233,079			--	-
Total assets at fair value recurrent	**2,459,911**	**4,232,383**	**84,219**	**6,776,513**			**60,033**	**58,787**
Liabilities					Interpolation	Transaction systems		
Derivative of negotiation					Interpolation	Transaction systems		
Forward of currency	-	475,502	-	475,502	Interpolation	Transaction systems	3,326	(3,324)
Forward interest rate	-	277	-	277	Interpolation	Transaction systems	16	(16)
Swap interest rate	-	30,718	-	30,718	Interpolation	Transaction systems	(12,540)	12,495
Swap currency	-	2,393	-	2,393	Interest rates	Transaction systems	1,450	(1,389)
Other	-	16,637	-	16,637	Interest rates	Transaction systems	68	(67)
Total liabilities at fair value recurrent	$ -	**525,527**	-	**525,527**		Transaction systems	**(7,680)**	**7,699**

The investments, whose values are based on market prices quoted in active markets and, therefore, are ranked in the Level 1, including investment equity investments, active in stock exchanges. Some investments issued or guaranteed by Colombian Government, other Colombian financial institutions and entities of Colombian real sector.

The financial instrument quoting in markets that are considered active, but they are valued according to market prices quoted, quotations of stock brokers or alternative sources of prices supported by observable entries, are classified in Level 2. Other investments issued or guaranteed by Colombian Government are included, other Colombian financial institutions, entities of Colombian real sector, overseas governments, other financial institutions abroad, entities of the real sector overseas, derivatives and properties of investment. Since investments Level 2 include positions that are not negotiated in active markets and/or are subject to transference restrictions, the valuation may be adjusted in order to reflect the lack of liquidity or not transference, they usually are based on the available information of the market.

As indicated above, the reasonable value of the investments properties are determined based on the appraisal made by independent experts, at 31-December-2019 which were prepared by the comparative approach methodology of sales (market approach), determining the assets value compared to other similar that are transacting or have been transacted in the real property market, this comparative approach considers the sale of similar or substitutive properties, as well as data obtained from the market, and establishes an estimate of value using processes including the comparison.

b) Transfer of levels

The following table shows the transferences among 1 and 2 levels for the periods ended at 31-December-2019 and 2018:

Measurements ad fair value for recurrent		December 30 - 2019			December 30 - 2018
		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 income	$	-	10,344	$	-	9,990

The investments transferred from level 2 to 1 are related to Test fixed rate issued by national government. With maturity on November-2025, which obtained liquidity in the market, showing consistency of negotiations in stock exchange.

The following table shows the movement of the equity instruments lower participation (less than 20%) classified in level 3 valued at fair value for the periods ended on 31-December-2019 and 2018:

		Equity Instruments
Balance at 31-December-2017	$	80,938
Adoption IFRS 9		635
Balance at 1-January-2018 IFRS 9		81,573
Transference of Level 3 to Level 2		(24,759)
Adjust. of valuation with effect in ORI		3,550
Reclassification		423
Withdrawals / Sales		(453)
Balance at 31-December-2018	$	60,334
Balance at 31-December-2018	$	60,334
Adjustments of valuation with effect in ORI		23,884
Balance at 31-December-2019	$	84,218

The ORI at closing December-2019 corresponding to the valuation of the financial securities measure at fair value 3 level is $23,884.

In ORI was recognized at the closing December-2018 corresponding to the valuation of financial securities measure at fair value level, were: $3,550.

(1) Valuation of equity securities Level 3

The investment ranked in level 3 has unobservable significant entries. The instruments of Level 3 include mainly investments in equity instruments that do not quote in stock exchange.

The Bank holds some equity investments in several entities with participation less than 20% of the entity's equity, some of them received in payment of obligations of clients in the past time and other acquired because are necessary for the development of the operations, such ACH S.A. Cámara de Compensación de Divisas S.A. Cámara de Riesgo Central de Contraparte S.A., Redeban S.A. and CrediBanco S.A.

For Cámara de Compensación de Divisas S.A. and Cámara de Riesgo Central de Contraparte S.A. the valuation will be made on an annual basis: "Based on the valuations made up to December 2018, of the investments in participative securities with participation less than 20%, by our supplier of prices PRECIA and based in the historical behaviors and impacts obtained in the macroeconomic and specific of each Entity, it was evidenced that at the closing of June non-substantial changes occurred in those investment impacting in relevant manner the results or Other Integral Results of the entities and according to the item 4.2, Chapter IV Suppliers of Prices, Tittle IV Suppliers of Infrastructure and other agents, Part III Market non intermediated of the Legal Basic Circular where it is established for the valuation to be made at least once in the year and taking into account that Colombia Finance Superintendence, to calculate the fair value of these investments, requires in Item 6.2.5 in Chapter 1-1 classification, valuation and accounting of investments in the Basic Accounting Financial Circular, the contracting of an official supplier of prices, the necessity to make the valuation was evaluated with an annual periodicity".

For Redeban S.A. and ACH S.A. do not quote the stocks in a public stock market, and hence, the determination of the fair value at 31-December-2019 has been made with the help of an external advisor to the bank that used for such purposes the method of discounted cash flow, created based in own projections of income appraiser, cost and expenses of each valuable entity in a period of five years, taking as base for such purposes some historical information obtained from the companies, and residual values determined with perpetual growth rates established by the appraisal according to its experience. Such projections and residual values were discounted based on interest rates obtained with curve taken from supplier of prices, adjusted by risk premiums, estimated based on the associated risks to each entity valued.

The following table summarizes the ranges of the principal variables used in the valuations:

variable	**Range**
Income (% growth of 10 years)	6,1% - 25,2%
Income (% growth of 5 years) min-max.)	IPC; IPC + 1%
Income (% Growth of 5 years)	5,2% - 16,6%
Growth in residual values after 10 years	3,5%
Growth in residual values after 5 years	3,1%
Cost rates of the equity	12,7% - 14,8%
Cost rates of the equity	12,4 % - 12,8%
Interest discount rates – WACG average	11,1%

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

Methods and variables	Variation		Favorable Impact		Unfavorable Impact
Adjusted net value of the assets Variable more relevant in asset	+/-10%	$	0,99	$	0,81
Present value adjusted by rate of discount Income	+/-1%	$		$	76,412,07
Growth in residual values after 5 years	+/-1% gradient		86,971,76		74,864,71
Growth in residual values after 5 years	+/-30PB		17,98		16,90
Cost rate of equity	+/-50PB		84,733,35		76,277,03
Discount rates	+/-50PB		18,34		16,54

According to variations and impacts indicated in the above table, a favorable effect on the equity of the bank would occur for $3,217 and unfavorable effect for $2,855. The values were calculated valuing the investment with the favorable and unfavorable price according to the variations indicated and the number of stocks held by the Bank in each entity.

c) Measurements of fair value on non-recurrent basis

The following is the detail at 31-December-2019 and 31-December-2018 of the assets valued at fair value as result of evaluation for impairment in the application of IFRS Standards applicable to every account but not required to be measured at fair value in a recurrent manner.

31-December-2019		Level 1	Level 2	Level 3	Total
Financial Instruments by collateralized portfolio	$	-	-	308,399	308,399

31-December-2018		Level 1	Level 2	Level 3	Total
Financial Securities by portfolio of Collateralized credits	$	-	-	491,482	491,482

The following Table contains the summary of financial assets and liabilities of the Holding Company and subsidiaries recorded at amortized cost at 31-December-2019 and 2018 compared to the values determined at fair value, to which it is practical to calculate the fair value:

		December 31-2019		December 31-2018	
		Carrying value	Estimate fair value	Carrying value	Estimate fair value
Assets					
Investment of fixed at amortized cost	$	674,640	674,221	687,267	687,267
Credit Portfolio, Net		29,374,122	32,990,820	26,996,654	29,572,339
Other accounts receivable		225,045	225,045	129,430	129,430
	$	**30,273,807**	**33,890,086**	**27,813,351**	**30,389,036**
Liabilities					
Deposits certificates	$	9,727,997	10,110,727	8,367,495	8,548,500
Interbank funds		729,114	729,114	931,537	931,537
Credits of bank and other – Obligations with rediscount entities		3,128,133	3,239,095	2,802,741	2,916,824
Bonus issued		3,337,983	3,518,440	3,147,438	3,295,407
	$	**16,923,227**	**17,597,376**	**15,249,211**	**15,692,268**

The estimate fair value of the credit portfolio is calculated as indicate below:

Portfolio ranked in A, B and C: the net present value was obtained from the contractual flows discounted at the discount rate, which is equivalent to the market value of the operations, taking as basis the balances of each obligation, the maturity date of the operation, the contractual rate, inter alia.

Portfolio ranked in D or **E:** it is calculated by the varying value in present expected to be recovered from such obligations.

The discount rate includes the following:

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

- **Credits ranked in A, B, or C:** Rate free from risk + Points for risk + Expenses for portfolio management
- **Credit ranked in D or E:** Rate free from risk + Points for risk

The discount rate is defined the sum of the rate free of risk, the point for risks and the portfolio administration expenses (the portfolio administration expenses only are summed for credits ranked in A, B or C, for those credits ranked in D or E only is taking in account the points for risk).

The free-risk rate, represents the opportunity cost incurred by placing resource through credit. Varies according to the time remained from each obligation for the credits in legal tender or as the annual average of the rate of the treasury bonds of the United States at 10 years for the credits in foreign currency.

The methodologies of the fair value for the securities of fixed income at time zero correspond to the adjust of the difference between the purchase price (TIR purchase) and the market price published by the supplier of prices Precia PPV S.A. For subsequent measurement this fair value of each of investments is determined with daily variation that use the market price published by the same price supplier.

For the other accounts receivable, the maturity thereof is due in a period equal or less than one year, and for that reason it is not necessary to do a fair calculation understanding the this value is the best estimate because this is a short period.

The methodology of fair value of the liabilities of the Holding Company (CDT's and bonds) is made through the applicative named PWPREI, which values at market prices the standardized liabilities of the Holding Company in Pesos, using the information published by the prices Supplier Precia PPV S.A.

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

Note 6 – Cash

The balances of cash at 31-December-2019 and 2018, include the following:

		31 December 2019	31 December 2018
In Colombian pesos			
Cash	$	689,727	639,275
In the bank of Republic of Colombia		1,433,040	1,545,566
Bank and other financial entities at sight		5,102	17,093
Exchange		857	2,338
		2,128,726	**2,204,272**
In foreign currency			
Cash		7,293	11,563
Bank and other financial entities at sight		637,345	444,879
		644,638	**456,442**
Total cash and equivalent to cash	**$**	**2,773,364**	**2,660,714**

Bank Reserve required

The following is the Bank Reserve required:

Concept		31 December 2019	31 December 2018
Reserve 4,5%	$	100,030	105,577
Reserve 11%		2,033,552	1,912,422
Total Reserve	**$**	**2,133,582**	**2,017,999**

At 31-December-2019 the legal reserve in Colombia is 11% for deposits in current accounts, saving and other, and 4.5% for deposit securities less than 18 months.

At 31-December-2019 the legal reserve required to attend liquidity requirements in deposits in current accounts, saving and others, is $2,033,552.

At 31-December 2019 the legal reserve required to attend liquidity requirement of deposit securities less than 18 months at $100,030.

There are no restrictions of the cash of the Holding Company and subsidiaries ta December 31-2019 and 2018.

Note 7. – Financial Assets of investments 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 includes the following at 31-December-2019 and 2018:

		31 December 2019	31 December 2018
Debt securities with changes in results			
In Colombian pesos			
Issued guaranteed by Colombian Government	$	1,724,804	933,658
Issued or guaranteed by other entities of Colombian Government		19,988	-
Issued or guaranteed by other Colombian financial institutions		241,895	74,013
		1,986,687	**1,007,671**
In foreign currency			
Issued or guaranteed by Colombian Government		1,727	60,366
Issued or guaranteed by other Colombian institutions		32,977	65,831
Issued or guaranteed by foreign governments		7,744	-
Issued or guaranteed by other financial institutions abroad		157,275	121,567
		199,723	**247,764**
Total Debt securities with changes in results	**$**	**2,186,410**	**1,255,435**
Debt securities with changes in ORI			
In Colombian pesos			
Issued or guaranteed by Colombian Government	$	1,444,768	2,342,995
Issued or guaranteed by other entities of Colombian Government		20,106	-
Issued or guaranteed by other Colombian financial institutions		128,739	5,036
Issued or guaranteed by entities of Colombian real sector		10,125	-
Issued or guaranteed by other financial institutions abroad		15,063	-
		1,618,801	**2,348,031**
In foreign currency			
Issued or guaranteed by Colombian Government		1,478,993	1,102,254
Issued or guaranteed by other Colombian financial institutions		141,659	106,498
Issued or guaranteed by entities of Colombian real sector		-	27,644
Issued or guaranteed by foreign governments		13,330	97,894
Issued or guaranteed by other financial institutions abroad		438,109	557,453
Issued or guaranteed by entities of the real sector abroad		9,107	16,354
Other		24,114	54,818
		2,105,312	**1,962,915**
Total debt securities with changes in ORI	**$**	**3,724,113**	**4,310,946**

		31 December 2019	31 December 2018
Equity instruments with adjustment to results			
In Colombian pesos			
Funds of collective investment	**$**	32,826	29,852
Total equity instruments with adjustment to results		**32,826**	**29,852**
Total of derivative instruments of negotiation with changes of results	**$**	**511,130**	**385,647**
Total financial instruments at fair value with changes in results	**$**	**2,730,366**	**1,670,934**
Equity instruments with adjustment to equity ORI			
In Colombian pesos			
Corporate actions	**$**	88,954	72,751
Total equity instruments		**121,780**	**102,603**
Total financial assets in debt securities and investments in instruments of equity at fair value	**$**	**6,543,433**	**6,054,631**

The financial assets are fair value, are carried at fair value based on observable data of the market which reflects as well the credit risk associate with the asset.

Below the detail of the equity instruments with changes in other integral results:

Detail of equity instruments

Entity		31 December 2019	31 December 2018
Redeban Multicolor S.A.	$	23,730	11,221
A.C.H Colombia S.A.		18,716	12,014
Cámara de Compensación de Divisas de Colombia S.A.		1,390	1,117
Cámara de Riesgo Central de Contraparte de Colombia S.A.		420	456
Bolsa de Valores de Colombia S.A.		4,735	4,891
MasterCard Inc.(*)		-	7,526
Credibanco		37,151	32,290
Aportes en Línea S.A. (Gestión y Contacto)		201	201
Casa de Bolsa S.A. Sociedad comisionista de Bolsa		2,611	2,611
Pizano S.A. En Liquidación		-	424
Total	$	**88,954**	**72,751**

(*) On July-2019 the sale of 12,440 stocks Class B of Mastercard, investment of overseas for $11,455, with a profit of sale of $11,329.

The financial assets in equity instruments at fair value with adjust to other integral results have been designed taking into account the they are strategic investments for the Holding Company and therefore it is not expected to be sold in a near future and there exists an uncertainty in the determination of the fair value generating significant fluctuation from one to other period. During the period ended at 31-December-2019 dividends in the statement of results have been recognized for these investment amounting to $2,358 ($2,700 during the period ended on 31-December-2018).

Ensuring monetary market operations ensuring monetary market operations and chamber of central risk of counterpart (Futures)

Below the financial assets are detailed at fair value that are guaranteeing repo operations which have been delivered in guarantee of operations with financial instruments and those delivered as collateral guarantees to their parties to support financial obligations with other banks (See Note 18).

		31 December 2019	31 December 2018
Delivered in monetary operation market			
Issued or guaranteed by Colombian Government	$	402,565	541,798
Delivered in guaranteed of operations with derived instruments			
Issued or guaranteed by Colombian government		150,058	167,338
Total	$	**522,623**	**709,136**

The variations in fair values basically reflect the variations in the market conditions mainly due to changes in the interest rate and other economic conditions of the country where the investment is held.

At 31-December-2019 and 2018 repo operations were not guaranteed.

Note 8 – Financial assets in debt securities at amortized cost

The balance of financial assets in debt securities at amortized cost includes the following at 31-December-2019 and 2018:

		31 December 2019	31 December 2018
Debt securities			
In Colombian pesos			
Issued or guaranteed by other entities of Colombian Government	$	674,842	687,313
Provisions of investments		(202)	(46)
Total financial assets in debt securities at amortized cost	$	**674,640**	**687,267**

The following is the movement of the investments provision for the period ended 31-December 2019:

		31 December 2019	31 December 2018
Balance at the beginning period	$	46	-
Adoption IFRS 9		-	219
Balance at 1-January-2018		**46**	**219**
Reversion impairment bonus Banco de Occidente Panamá		(29)	-
Expense (reintegration) for impairment investment at amortized cost		185	(173)
Balance at the end of period	$	**202**	**46**

The following is the summary of financial assets in debt securities at amortized cost by maturity date:

		31 December 2019	31 December 2018
Up to 1 month	$	44,595	60,946
More than 1 month and no more than 3 months		-	181,123
More than 3 months and no more than 1 year		630,247	445,244
Subtotal		**674,842**	**687,313**
Provisions of investments		(202)	(46)
Total	$	**674,640**	**687,267**

Note 9 – Derivative instruments and hedge in overseas

a. Financial instruments derived from the negotiation

The following Table includes the fair values at 31-December-2019 and 2018 of forward contract, futures, options soap of interest rate and foreign currency where the Holding Company is committed:

Concept		December 31-2019		December 31-2018	
		Notional amount	Fair Value	Notional amount	Fair Value
Assets					
Forward contracts					
Forward contracts of different currency peso/dollar	$	51,720	332	16,544	253
Forward contracts of different currency peso/dollar		15,200,690	463,219	9,423,527	342,030
Forward contracts of securities		54,494	150	157,993	10
Subtotal		**15,306,904**	**463,701**	**9,598,064**	**342,293**
Swap					
Swap contracts of foreign currency		87,779	1,322	42,212	998
Swap contract of interest rate		783,540	26,547	902,262	14,751
Subtotal		**871,319**	**27,869**	**944,474**	**15,749**
Purchase of options					
Options of purchase currencies		775,210	19,560	551,110	27,605
Subtotal		**775,210**	**19,560**	**551,110**	**27,605**
Total assets		**16,953,433**	**511,130**	**11,093,648**	**385,647**
Liabilities					
Forward contracts					
Forward contracts of different currency peso/dollar		16,013,321	475,185	9,022,214	309,025
Forward contracts of different currency peso/dollar		54,970	317	14,563	185
Forward contract of securities		167,192	277	374,545	1,452
Subtotal		**16,235,483**	**475,779**	**9,411,322**	**310,662**
Swap					
Swap contracts of foreign currency		58,153	2,394	37,617	2,730
Swap contract of interest rate		916,169	30,718	619,559	16,410
Subtotal		**974,322**	**33,112**	**657,176**	**19,140**
Contracts of options					
Options of sale of currencies		774,037	16,636	544,137	16,864
Subtotal		**774,037**	**16,636**	**544,137**	**16,864**
Total liabilities		**17,983,842**	**525,527**	**10,612,635**	**346,666**
Net position		**(1,030,409)**	**(14,397)**	**481,013**	**38,981**

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

At 31-December-2019 does not exist derivative contracts in other contract that must be separated, accounted and disclosed according to provision in IFRS 9.

The maturities by term of instruments derived from negotiation at 31-December 2019 and 2018, are as follows:

LESS THAN ONE YEAR

Concept		December 31-2019		December 31-2018	
		Notional amount	Fair Value	Notional amount	Fair Value
Assets					
Forward contracts					
Forward contracts of different currency peso/dollar	$	51,720	332	16,544	253
Forward contracts of currency peso/dollar		14,963,354	455,095	9,370,544	340,310
Forward contracts of securities		54,494	150	157,993	10
Subtotal		**15,069,568**	**455,577**	**9,544,820**	**340,573**
Swap					
Swap contracts of foreign currency		16,942	48	-	-
Swap contract of interest rate		567,022	3,180	750,684	1,932
Subtotal		**583,964**	**3,228**	**750,684**	**1,932**
Purchase of options					
Options of purchase currencies		708,784	15,202	430,921	18,054
Subtotal		708,784	**15,202**	**430,921**	**18,054**
Total assets	$	**16,362,316**	**474,007**	**10,726,425**	**360,559**
Liabilities					
Forward contracts					
Forward contracts of currency peso/dollar	$	15,883,189	472,296	8,701,083	294,484
Forward contracts of different currency peso/dollar		54,970	318	14,563	12
Forward contract of securities		167,192	277	374,545	1,452
Subtotal		**16,105,351**	**472,891**	**9,090,191**	**295,948**
Swap					
Swap contracts of foreign currency		6,143	627	13,085	1,121
Swap contract of interest rate		672,854	2,656	455,835	2,140
Subtotal		**678,997**	**3,283**	**468,920**	**3,261**
Contracts of options					
Options of sale of currencies		699,698	13,906	430,241	12,997
Subtotal		**699,698**	**13,906**	430,241	**12,997**
Total liabilities		**17,484,046**	**490,080**	**9,989,352**	**312,206**
Net position		**(1,121,730)**	**(16,073)**	**737,073**	**48,353**

MORE THAN ONE YEAR

Concept		December 31-2019		December 31-2018	
		Notional amount	Fair Value	Notional amount	Fair Value
Assets					
Forward contracts					
Forward contracts of currency peso/dollar	$	237,336	8,124	53,244	1,720
Subtotal		**237,336**	**8,124**	**53,244**	**1,720**
Swap					
Swap contracts of foreign currency		70,837	1,274	42,212	998
Swap contract of interest rate		216,518	23,367	151,578	12,819
Subtotal		**287,355**	**24,641**	**193,790**	**13,817**
Purchase of options					
Options of purchase currencies		66,426	4,358	120,189	9,551
Subtotal		**66,426**	**4,358**	**120,189**	**9,551**
Total assets	$	**591,117**	**37,123**	**367,223**	**25,088**
Liabilities					
Forward contracts					
Forward contracts of different currency peso/dollar	$	130,132	2,889	321,131	14,541
Forward contracts of different currency peso/dollar		-	(1)	-	173
Subtotal		**130,132**	**2,888**	**321,131**	**14,714**
Swap					
Swap contracts of foreign currency		52,010	1,767	24,532	1,609
Swap contract of interest rate		243,315	28,062	163,724	14,270
Subtotal		**295,325**	**29,829**	**188,256**	**15,879**
Contracts of options					
Options of sale of currencies		74,339	2,730	113,896	3,867
Subtotal		**74,339**	**2,730**	**113,896**	**3,867**
Total liabilities	$	**499,796**	**35,447**	**623,283**	**34,460**
Net position	$	**91,321**	**1,676**	**(256,060)**	**(9,372)**

Financial instruments derived from negotiation contain the component CVA/DVA associated to the credit component of those contracts, at 31-December-2019 the effect of the CVA/DVA in the statement of results was an output for $102.

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

- For the incorporation of credit risk to methodology of valuation, under IFRS 13 for the instruments derived from the Holding Company, it was decided to carry out under the affectation premise of the discount rate, within the valuations of such instruments at the relevant closing date. Above is made making groups or sets within the Portfolio of derivatives, according to the currency (e.g.: pesos, euros, or dollars) of the instrument, the accounting nature of its valuation (asset or liability) and the type of counterpart whereby the operation is made.

- For the case of the derivatives transacted in a standardized market or else novates before a Central Risk Chamber of Counterpart, the price includes the concept of credit risk equal to zero, as long as it's involved a central risk chamber of counterpart and therefore, it's not necessary perform the exercise. For the derivatives traded in the market OTC (Forwards, Options, IRS, CCS) that do not included such concept, the analysis was made.

This way the credit risk calculation was made to all derived not standardized or novated, than maintain the entities. For the determination of adjustment by credit for the portfolios.

b. Financial Instruments and hedge of investment abroad

In development of its operations the Holding Company has the following investments in subsidiaries overseas at 31-December-2019 and 2018 whose financial statements in the consolidation process generate adjustments for conversion recorded in the account of other integral results in the equity, as follows:

		December 31-2019				
		Thousand American dollars		Billion Colombian pesos		
Detail of investment		Value of investment hedged	Value of hedge in obligations in foreign currency	Adjustment for conversion of financial statements	Difference in exchange of obligations in foreign currency	Net amount ORI
Occidental Bank (Barbados) Ltd.	USD	31,027	(31,027)	$ 25,749	25,749	25,749
Banco de Occidente Panamá S.A.		38,924	(38,924)	37,376	37,376	37,376
Total	USD	**69,951**	**(69,951)**	**$ 63,125**	**63,125**	**63,125**

		December 31-2018				
		Thousand American dollars		Billion Colombian pesos		
Detail of investment		Value of investment hedged	Value of hedge in obligations in foreign currency	Adjustment for conversion of financial statements	Difference in exchange of obligations in foreign currency	Net amount ORI
Occidental Bank (Barbados) Ltd.	USD	23,971	(23,971)	$ 24,606	24,606	24,606
Banco de Occidente Panamá S.A.		23,439	(23,439)	35,577	35,577	35,577
Total	USD	**47,410**	**(47,410)**	**$ 60,183**	**60,183**	**60,183**

As such investments are in dollars, the functional currency of the above subsidiaries, the Holding Company is subject to variation risk in the type of exchange of Peso, the functional currency of the Bank, against the dollar. To hedge this risk the Holding Company entered indebtedness in foreign currency, and as such, has designed obligations in foreign currency by USD $69,951 at 31-December-2019 and $47,410 at 31-December-2018 hedging 100% of the current investment in those subsidiaries, the financial obligations have maturity at short term, therefore, upon the maturity of such obligations, the Holding Company's management design new obligations in foreign currency in order to maintain the hedge for 100% of the investments.

Being the obligations in the same currency as the other currency whereby are recorded the investments overseas the hedge is deemed perfect and hence, no any infectivity is recorded in the hedge; according to above inefficacy of hedge was not recognized in statement of results. In ORI were recognized at 31-December-2019 and 2018 ($2,942) and ($11,464) respectively, product of efficacy of hedge.

Note 10 – Financial asset per credit portfolio at amortized cost, net

The financial assets account 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 que this is the classification adopted by the Finance Superintendence in the New Single Catalogue of Financial Information (“NCUFI”). Notwithstanding, taking into account the significance that represents at level of Group the Financial Leasing portfolio, for disclosure effects the separation of these credits was made in all the tables of Note of Credit Financial Risk and in this table, according to the following detail of reclassification:

		December 31- 2019		
Modality		**Balance as Balance sheet**	**Reclassification of leasing**	**Balance as Disclosed**
Commercial	$	22,061,977	5,080,084	16,981,893
Consumption		7,208,175	11,956	7,196,219
Housing		1,641,314	938,688	702,626
Commercial leasing		-	(5,080,084)	5,080,084
Consumption leasing		-	(11,956)	11,956
Housing leasing		-	(938,688)	938,688
Total	$	**30,911,466**	**-**	**30,911,466**

		December 31- 2018		
Modality		**Balance as Balance sheet**	**Reclassification of leasing**	**Balance as Disclosed**
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
Commercial leasing		-	(4,505,314)	4,505,314
Consumption leasing		-	(10,214)	10,214
Housing leasing		-	(795,939)	795,939
Total	$	**28,573,593**	**-**	**28,573,593**

As result of assignment of assets with Leasing Corficolombiana S.A. in liquidation, that was effective on 1-February -2019, was incorporated to the Bank’s portfolio by concept of credit portfolio operations for $506,717 represented in 2,812 obligations, itemized as follows: Leasing for $285.218, corresponding to 1,803 obligations and for credit portfolio for $221,499, corresponding to 1,009 obligations (See Note 1).

1. Credit Portfolio by Modality

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

		31 December 2019	31 December 2018
Ordinary loans (*)	$	18,458,225	17,317,473
Loans with resources of other entities		1,138,625	1,062,570
Credit letter hedged		66,605	108,525
Bank overdrafts		78,896	52,913
Discounts		166,890	100,388
Credit Cards		1,454,619	1,399,004
Drafts		2,251,445	2,002,799
Mortgage letter for housing		702,626	591,507
Credits to employees		25,057	18,229
Real property given in leasing		3,938,597	3,382,668
Personal property given in leasing		2,092,131	1,928,799
Credit letters of deferred payment		1,396	4,908
Other*		536,354	603,810
Total Gross credit portfolio		**30,911,466**	28,573,593
Provision for impairment of financial assets by credit portfolio		(1,537,345)	(1,576,939)
Total net credit portfolio		**29,374,121**	**26,996,654**

2. **Cartera de créditos movimiento del deterioro**

El siguiente es el movimiento del deterioro de la cartera de crédito durante los periodos terminados al 31 de diciembre de 2019 y 2018:

		commercial				Consumption				Housing			
		Stage 1	Stage 2	Stage 3	total	Stage 1	Stage 2	Stage 3	total	Stage 5	Stage 4	Stage 3	total
Balance at 31-December-2018	$	145,919	9,979	676,078	831,976	159,601	76,835	265,358	501,794	9,698	3,465	12,942	26,105
Write-off of period		(8)	(69)	(481,366)	(481,443)	(12,702)	(33,036)	(446,665)	492,403	-	-	-	-
reversión de los intereses causados etapa 3		-	-	121,060	121,060	-	-	18,795	18,795	-	-	763	763
Expense		(32)	2,666	410,563	413,197	18,599	49,207	401,155	468,961	272	2,026	6,984	9,282
Expense for Payment or originations		99,205	2,881	46,011	148,097	81,142	19,053	48,413	148,608	3,576	181	-	3,757
Refund		(30,531)	(3,159)	(17,573)	(51,263)	(67,430)	(9,549)	(2,877)	79,856	(4,439)	(840)	(456)	(5,735)
Cancellation or total payment		(71,806)	(2,576)	(77,093)	(151,475)	(57,795)	(22,069)	(51,122)	130,986	(1,209)	(252)	(1,480)	(2,941)
Reclassification of stage 1 to stage 2		(2,371)	2,371	-	-	(5,637)	5,637	-	-	(373)	373	-	-
Reclassification stage 1 to stage 3		(4,228)	-	4,228	-	(4,881)	-	4,881	-	(143)	-	143	-
Reclassification stage 2 to stage 3		-	(2,952)	2,952	-	-	(9,972)	9,972	-	-	(752)	752	-
Reclassification stage 3 to stage 2		-	2,743	(2,743)	-	-	6,461	(6,461)	-	-	993	(993)	-
Reclassification stage 2 to stage 1		3,418	(3,418)	-	-	23,752	(23,752)	-	-	1,610	(1,610)	-	-
Reclassification stage 3 to stage 1		4,475	-	(4,475)	-	19,526	-	(19,526)	-	1,612	-	(1,612)	-
Difference in exchange		-	-	166	166	(1)	-	-	(1)	-	-	-	-
Balance at 31-December-2019	$	**144,041**	**8,466**	**677,808**	**830,315**	**154,174**	**58,815**	**221,923**	**434,912**	**10,604**	**3,584**	**17,043**	**31,231**

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

		Commercial Leasing				Consumption Leasing				Housing Leasing			
		Stage 1	Stage 2	Stage 3	total	Stage 1	Stage 2	Stage 3	total	Stage 5	Stage 4	Stage 3	total
Balance at 31-December-2018	$	30,631	4,299	142,433	177,363	180	125	758	1,063	12,899	5,932	19,807	38,638
Write-off of period		-	-	(72,502)	(72,502)	-	-	(3,622)	(3,622)	-	-	(4,687)	(4,687)
reversión de los intereses causados etapa 3		-	-	10,493	10,493	-	-	17	17	-	-	782	782
Expense		602	2,762	102,743	106,107	6	87	3,207	3,300	417	3,116	6,492	10,025
Expense for Payment or originations		9,838	2,287	12,282	24,407	117	-	8	125	4,401	648	139	5,188
Refund		(12,727)	(2,395)	(23,641)	(38,763)	(118)	(4)	(31)	(153)	(6,456)	(688)	(1,672)	(8,816)
Cancellation or total payment		(2,602)	(419)	(2,348)	(5,369)	(33)	(20)	(13)	(66)	(1,103)	(442)	(1,099)	(2,644)
Reclassification of stage 1 to stage 2		(1,168)	1,168	-	-	(6)	6	-	-	(560)	560	-	-
Reclassification stage 1 to stage 3		(1,231)	-	1,231	-	-	-	-	-	(174)	-	174	-
Reclassification stage 2 to stage 3		-	(1,387)	1,387	-	-	-	-	-	-	(1,386)	1,386	-
Reclassification stage 3 to stage 2		-	2,017	(2,017)	-	-	-	-	-	-	579	(579)	-
Reclassification stage 2 to stage 1		1,332	(1,332)	-	-	90	(90)	-	-	2,888	(2,888)	-	-
Reclassification stage 3 to stage 1		2,993	-	(2,993)	-	-	-	-	-	1,869	-	(1,869)	-
Difference in exchange		-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31-December-2019	$	**27,668**	**7,000**	**167,068**	**201,736**	**236**	**104**	**324**	**664**	**14,181**	**5,431**	**18,874**	**38,486**

		total Financial Leasing				**Total**			
		Stage 1	Stage 2	Stage 3	total	Stage 1	Stage 2	Stage 3	total
Balance at 31-December-2018	$	43,710	10,356	162,998	217,064	358,928	100,635	1,117,376	1,576
Write-off of period		-	-	(80,811)	(80,811)	(12,710)	(33,105)	(1,008,842)	(1,054,657)
Reversion of interest caused Stage 3		-	-	11,292	11,292	-	-	151,910	151,910
Expense		1,025	5,965	112,442	119,432	19,865	59,864	931,144	330,182
Expense for Payment or originations		14,356	2,935	12,429	29,720	198,279	25,050	106,853	(184,586)
Refund		(19,301)	(3,087)	(25,344)	(47,732)	(121,701)	(16,635)	46,250	(293,481)
Cancellation or total payment		(3,738)	(881)	(3,460)	(8,079)	(134,548)	(25,778)	(133,155)	-
Reclassification of stage 1 to stage 2		(1,734)	1,734	-	-	(10,115)	10,115	-	-
Reclassification stage 1 to stage 3		(1,405)	-	1,405	-	(10,657)	-	10,657	-
Reclassification stage 2 to stage 3		-	(2,773)	2,773	-	-	(16,449)	16,449	-
Reclassification stage 3 to stage 2		-	2,596	(2,596)	-	-	12,793	(12,793)	-
Reclassification stage 2 to stage 1		4,310	(4,310)	-	-	33,090	(33,090)	-	-
Reclassification stage 3 to stage 1		4,862	-	(4,862)	-	30,475	-	(30,475)	-
Difference in exchange		-	-	-	-	(1)	-	166	165
Balance at 31-December-2019		**42,085**	**12,535**	**186,266**	**240,886**	**350,905**	**83,400**	**1,103,040**	**1,537,345**

		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 at 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	52,982	31,564	1,012	85,558	1,550	2,173	523	4,246
Balance at 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**
Write-off of period		(989)	(1,717)	(216,780)	(219,486)	(171,247)	89,972	300,406	561,625	-	-	-	-
Reversion of interest caused Stage 3		-	-	87,948	87,948	-	-	18,251	18,251	-	-	368	368
Provision expense of instruments remaining of period		22,825	6,354	375,935	405,114	168,973	121,823	255,368	546,164	842	2,025	6,934	9,801
Provision expense of new or resulting instruments		88,037	2,736	33,453	124,226	82,396	11,011	55,929	149,336	3,076	366	47	3,489
Refund of instrument paid		(63,876)	(1,804)	(29,218)	(94,898)	(41,422)	5,234	21,097	67,747	455	16	131	602
Refund of provision instruments remained during period		(46,861)	(3,560)	(40,153)	(90,574)	(72,288)	23,056	40,002	135,346	1,110	163	481	1,754
Transfer stage 1 to stage 2		(1,756)	1,756	-	-	(10,379)	10,379	-	-	164	164	-	-
Transfer stage 1 to stage 3		(3,764)	-	3,764	-	(7,011)	-	7,011	-	78	-	78	-
Transfer stage 2 to stage 3		-	(4,474)	4,474	-	-	10,999	10,999	-	-	610	610	-
Transfer stage 3 to stage 2		-	1,966	(1,966)	-	-	4,271	4,271	-	-	37	37	-
Transfer stage 2 to stage 1		6,334	(6,334)	-	-	24,608	24,608	-	-	982	982	-	-
Transfer 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 at 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 Consumption				Housing Leasing			
		Stage 1	Stage 2	Stage 3	total	Stage 1	Stage 2	Stage 3	total	Stage 1	Stage 2	Stage 3	total
Balance at 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 at 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
Write-off of period		(8)	(143)	(75,068)	(75,219)	(1)	-	(354)	(355)	-	-	(2,917)	(2,917)
Reversion of interest caused Stage 3		-	-	7,946	7,946	-	-	45	45	-	-	407	407
Provision expense of instruments remaining of period		8,184	3,006	142,723	153,913	(29)	102	458	531	730	4,118	10,546	15,394
Provision expense of new or resulting instruments		9,380	266	7,220	16,866	63	4	97	164	4,182	315	106	4,603
Refund of instrument paid		(5,102)	(530)	(3,179)	(8,811)	(12)	(2)	(1)	(15)	(432)	(17)	(190)	639
Refund of provision instruments remained during period		(18,685)	(2,436)	(29,614)	(50,735)	(77)	(53)	(101)	(231)	(1,491)	(425)	(1,983)	(3,899)
Transfer stage 1 to stage 2		(591)	591	-	-	(14)	14	-	-	(358)	358	-	-
Transfer stage 1 to stage 3		(733)	-	733	-	(1)	-	1	-	(139)	-	139	-
Transfer stage 2 to stage 3		-	(2,314)	2,314	-	-	-	-	-	-	(573)	573	-
Transfer stage 3 to stage 2		-	476	(476)	-	-	-	-	-	-	461	461	-
Transfer stage 2 to stage 1		5,607	(5,607)	-	-	55	(55)	-	-	1,774	(1,774)	-	-
Transfer stage 3 to stage 1		3,692	-	(3,692)	-	-	-	-	-	1,240	-	(1,240)	-
Difference in exchange		-	-	-	-	-	-	-	-	-	-	-	-
Balance at 31-December-2018	$	**30,631**	**4,300**	**142,431**	**177,362**	**181**	**124**	**758**	**1,063**	**12,900**	**5,933**	**19,807**	**38,640**

	Total Financial Leasing				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at 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 at 1-January-2018 IFRS 9	**36,478**	**14,575**	**108,964**	**160,017**	**359,404**	**115,494**	**871,257**	**1,346,155**
Write-off of period	(9)	(143)	(78,339)	(78,491)	(172,245)	(91,832)	(595,525)	(859,602)
Reversion of interest caused Stage 3	-	-	8,398	8,398	-	-	114,965	114,965
Provision expense of instruments remaining of period	8,885	7,226	153,727	169,838	201,525	137,428	791,964	1,130,917
Provision expense of new or resulting instruments	13,625	585	7,423	21,633	187,134	14,698	96,852	298,684
Refund of instrument paid	(5,546)	(549)	(3,370)	(9,465)	(111,299)	(7,603)	(53,810)	(172,712)
Refund of provision instruments remained during period	(20,253)	(2,914)	(31,698)	(54,865)	(140,512)	(29,693)	(112,334)	(282,539)
Transfer stage 1 to stage 2	(963)	963	-	-	(13,262)	13,262	-	-
Transfer stage 1 to stage 3	(873)	-	873	-	(11,726)	-	11,726	-
Transfer stage 2 to stage 3	-	(2,887)	2,887	-	-	(18,970)	18,970	-
Transfer stage 3 to stage 2	-	937	(937)	-	-	7,211	(7,211)	-
Transfer stage 2 to stage 1	7,436	(7,436)	-	-	39,360	(39,360)	-	-
Transfer stage 3 to stage 1	4,932	-	(4,932)	-	19,481	-	(19,481)	-
Difference in exchange	-	-	-	-	1,071	-	-	1,071
Balance at 31-December-2018	**43,712**	**10,357**	**162,996**	**217,065**	**358,931**	**100,635**	**1,117,373**	**1,576,939**

3. Credit Portfolio Individual and Jointly Evaluated

The following is the detail by risk impairment of credits granted at 31-December-2019 and 2018, taking into account as they were determined, in an individual manner of credits for more than $2,000 and collectively for the other credits.

The impaired portfolio represents the credits with credit risk associated, while the credit portfolio overdue considers only days of delay or default by the client (without identify whether exists or not associated risk). The reserves for the credit portfolio are determined based on the credits portfolio impaired.

		December 31-2019				
		commercial	**consumption**	**Housing**	**Financial Leasing**	**total**
Provision for impairment						
Credits individually evaluated	$	492,379	-	-	98,815	588,194
Credits collectively evaluated		337,936	434,912	31,232	145,070	949,150
Total provision for impairment	$	**830,315**	**434,912**	**31,232**	**240,885**	**1,537,344**

		commercial	**consumption**	**Housing**	**Financial Leasing**	**total**
Gross balance of financial assets for credit portfolio						
Credits individually evaluated (1)	$	12,378,749	14,052	3,570	3,425,334	15,821,705
Credits collectively evaluated		4,603,144	7,182,167	699,055	2,605,395	15,089,761
Total provision for impairment	$	**16,981,893**	**7,196,219**	**702,625**	**6,030,729**	**30,911,466**

		December 31-2018				
		commercial	**consumption**	**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	$	**831,975**	**501,794**	**26,104**	**217,065**	**1,576,938**

		commercial	**consumption**	**Housing**	**Financial Leasing**	**total**
Gross balance of financial assets for credit portfolio						
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**

(1) Include the total of evaluates above $2,000 regardless if product of the evaluation were or not impaired

4. Credit portfolio individually evaluated

The following is the detail of the credits individually evaluated by impairment at 31-December-2019 and 2018.

		December 31- 2019		
		Gross value recorded	**Collateral Guarantees**	**Provision Constituted**
Without impairment recorded				
Commercial	$	17,580	-	-
Commercial leasing		36,539	-	-
Subtotal		**54,119**	-	-
With impairment recorded				
Commercial		1,501,090	142,484	492,379
Commercial leasing		369,872	116,211	95,815
Subtotal		**1,870,962**	**258,695**	**588,194**
Totals				
Commercial		1,518,670	142,484	492,379
Commercial leasing		406,411	116,211	95,815
Total	$	**1,925,081**	**258,695**	**588,194**

		December 31- 2018		
		Gross value recorded	**Collateral Guarantees**	**Provision Constituted**
Without impairment recorded				
Commercial	$	58,507	89,225	-
Commercial leasing		113,211	315,608	-
Subtotal		**171,718**	**404,833**	-
With impairment recorded				
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
Total	$	**2,056,185**	**761,888**	**551,882**

5. Credits portfolio maturity period

Bellow the distribution of the credit portfolio in the Holding Company and subsidiaries: is shown by maturity period:

		31 December 2019				
		Up to 1 year	1 and 3 years	3 and 5 years	More than 5 years	Total
Commercial	$	10,403,056	3,928,020	1,458,084	1,192,733	16,981,893
Consumption		2,180,086	2,935,097	1,661,073	419,963	7,196,219
Housing		60,535	103,938	99,162	438,991	702,626
Commercial Leasing		1,472,785	1,783,678	939,936	883,685	5,080,084
Consumption Leasing		4,113	5,184	2,285	374	11,956
Housing Leasing		86,901	143,740	134,235	573,812	938,688
Total Portfolio	$	**14,207,476**	**8,899,657**	**4,294,775**	**3,509,558**	**30,911,466**

		31 December 2018				
		Up to 1 year	1 and 3 years	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
Consumption 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**

6. Credit portfolio by type of currency

Bellow the classification of the credits is shown by type of currency:

		December 31- 2019		
		Colombian Pesos	Foreign Currency	Total
Commercial	$	14,027,275	2,954,618	**16,981,893**
Consumption		7,142,299	53,920	**7,196,219**
Housing		702,626	-	**702,626**
Commercial Leasing		5,080,084	-	**5,080,084**
Consumption Leasing		11,956	-	**11,956**
Housing Leasing		938,688	-	**938,688**
Total Portfolio	$	**27,902,928**	**3,008,538**	**30,911,466**

		December 31- 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**
Consumption Leasing		10,214	-	**10,214**
Housing Leasing		795,939	-	**795,939**
Total Portfolio	$	**25,556,522**	**3,017,071**	**28,573,593**

7. Credits for Financial leasing

The following is the reconciliation between the gross investment in financial leasing and the present value of the minimum payments to be received with closing at 31-December-2019 and 2018:

Credit Leasing Portfolio

		December 31-2019	December 31-2018
Total gross rental fees of leasing to be received in the future	$	8,518,293	7,527,435
More residual value estimated of assets delivery in leasing (not guaranteed)		1,789	1,324
Gross investment in financial leasing contracts		**8,520,082**	**7,528,759**
Less unrealized financial income		(2,489,354)	(2,217,292)
Net investment in financial leasing contracts		**6,030,728**	**5,311,467**
Impairment of net investment in financial leasing contracts		**(240,885)**	**(217,065)**

The following is the detail of the gross investment and the net investment in financial leasing contracts to be received at 31-December-2019 and 2018 in each one of the following years:

		31 December 2019		31 December 2018	
		Gross Investment	Net Investment	Gross Investment	Net Investment
Up to 1 year	$	1,796,107	1,284,943	1,669,781	1,169,212
among 1 and 5 years		3,970,324	2,725,638	3,586,612	2,457,584
More than 5 years		2,753,651	2,020,147	2,272,366	1,684,671
Total		**8,520,082**	**6,030,728**	**7,528,759**	**5,311,467**

In the operations of financial leasing, the Holding Company, as leaser delivers goods to the lessee to be used for a term established in exchange of a rental fee, and the leaser at the end is entitled to receive the assets through a purchase option agreed up since the beginning usually at a price substantial lower than the commercial value. In most of the contracts, the rental fee is calculated taking as reference the DTF or IBR, adding some nominal points. The insurances, the maintenance and any charge on the asset are made by the lessee. On the other hand, there are leasing operations without purchase option, that from the beginning have in place guaranteed residuals or if not guaranteed, the residuals correspond to a low percentage, concerning the value of the asset. In most of the above contracts, the rental fee is calculated taking as reference the DTF or IBR adding or subtracting some nominal points maintained at the lessee's expense the VAT, the insurances and the maintenance of the asset.

Note 11. Other accounts receivable, Net

The following is the detail of other current accounts receivable at 31-December-2019 and 2018:

Detail		December 31-2019	December 31-2018
To Holding Company, subsidiaries, relates and associates	$	45	153
Advance of contract suppliers		114	1,016
Advance industry and commerce tax		1,323	3,356
Leases		853	312
Rental of goods given in operational leasing		222	92
Commissions		9,034	9,163
Compensations of credit card and compensations of networks		17,050	20,262
Remission IFRS		2,235	2,219
Contributions		202	127
Abandoned accounts ICETEX		41,147	34,872
Accounts receivable, sale of goods and services		43,782	26,572
Deposits		2,262	1,851
Dividends		14,890	7,719
Shortages in exchange		15	154
Shortages in cash		48	22
Expenses paid in advance		5,485	5,412
Donations		18,700	-
Fees, services and advances		11	501
Taxes		8,171	10
Interests		75	81
Other		26,805	23,649
Promising sellers		146	146
Claims to insurance companies		385	1,125
Credit balances in compliance with forward contracts (*)		56,290	1,709
Transfers to National Directorate of Treasury		3,359	3,172
Electronic transfers in process		(12,373)	4
Subtotal	$	**240,276**	**143,699**
Provision of other accounts receivable		(15,231)	(14,269)
Total	$	**225,045**	**129,430**

(*) The balance in accounts receivable of Forward liquidations occurs due to the conditions of the rate and for this event, is in favor of the Bank, this increases the accounts receivable in liquidations and also impacts the amount of operations expired on that month.

Accounts receivable from contracts with clients for accomplishing IFRS 15.

Goods and Services		December 31-2019	December 31-2018
Commissions of bank services	$	21	24
Fiduciary activities		3,595	3,755
Other commissions		5,418	5,384
Total		**9,034**	**9,163**

The following the movement of impairment for the years ended on 31-December-2019 and 2018:

		December 31-2019	December 31-2018
Balance at 31-December-2018 IAS 39	$	**14,269**	**25,047**
Adoption IFRS 9		-	(160)
Balance at 01-January-2019 IFRS 9		**14,269**	**24,887**
Provision charged to results		4,188	40,411
Recovery of other accounts receivable		(89)	(336)
Write-off		(3,143)	(50,697)
Adjust for difference in exchange in foreign currency		6	4
31-December-2019	$	**15,231**	**14,269**

Note 12 – Profit of non-current assets maintained for sale

Blow the detail of profit and/loss is included, resulting from the sale of the goods classified as maintained for sale during periods ended on 31-December-2019 and 2018:

		December 31 - 2019			December 31 - 2018		
		Carrying Value	Sale Value	Profit	Carrying Value	Sale Value	Profit
Real Property	$	2,029	3,728	1,699	9,522	9,767	245
Personal property		1,744	1,863	119	7,517	7,705	188
		3,773	5,591	1,818	17,039	17,472	433

Note 13 – Investments in associated companies, joint business and joint operations

1. Investments in associates and joint business

Bellow in a detail of the investments in associates and joint business is shown:

		December 31-2019	December 31-2018
Associated		1,432,975	1,246,888
Joint Business		1,271	1,046
Total	$	**1,434,246**	**1,247,934**

Bellow the participations percentages are shown in each one of the associates companies and joint businesses:

	31 December 2019			31 December 2018		
	% of Participation		Carrying Value	% of Participation		Carrying Value
Associates						
A Toda Hora S.A.	20,00%	$	2,101	20,00%	$	1,892
Porvenir S.A.(*)	33,09%		838,765	33,09%		724,979
Aval Soluciones Digitales S.A.	26,60%		3,266	26,60%		2,419
Corporación financiera Colombiana S.A.	4,00%		588,843	3,96%		517,598
		$	**1,432,975**		$	**1,246,888**
Joint business						
A Toda Hora S.A.	25,00%	$	1,271	25,00%	$	1,046
		$	**1,271**		$	**1,046**

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

Bellow the movement of investments in associated companies and joint business for the years ended 31-December-2019 and 2018:

Associated Companies		**December 31-2019**	**December 31-2018**
Balance at Beginning of Period	$	**1,246,888**	**1,100,772**
Changes in accounting policies		-	(1,923)
Fair value of assets and liabilities acquired		2,863	-
Dividends received in cash		(89,340)	(49,198)
Participation in other integral results		20,345	(3,552)
Participation in the results of operation period		250,623	183,380
Effect Dilution		-	14,748
Acquisition controlled and associated societies		1,596	2,661
Balance at the end of period	$	**1,432,975**	**1,246,888**

Joint Business		**December 31-2019**	**December 31-2018**
Balance at Beginning of Period	$	**1,046**	**1,597**
Participation in the results of operation period		225	(551)
Balance at the end of period		**1,271**	**1,046**

The business purpose of A Toda Hora S.A. is to supply services indicated in Article 5 in Act 45 / 1990 and the other complementary standards, specifically the computer programing, marketing of programs, representation of national or overseas Companies, producing or marketing programs, the organization and management of ATM Networks to make transactions or operations; processing data and management of information in own or alien to draft the accounting, the creation and organization of files and the perform of calculations, statistics and information by large, as well as the communication and electronic transfer of data.

The business purpose of the Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. is the management of the Funds of Pensions and Severances authorized by law, as well as the management of Autonomous Equities constituting the territorial entities, their decentralized and private companies, according to article 16 in Decree 941 / 2002, for the purpose to supply resources to pay their pension obligations; such as pensions, pension bonds, quotes of pension bonds and quotes of pensions, under the terms of article 23 in Decree 1299 / 1994, regulated by the Decrees 810 / 1998 and 941 / 2002; which constitute Autonomous Equities independent of the equity of the Company.

On January 2018 the Bank, together with other entities of Grupo Aval, created la society Aval Soluciones Digitales S.A. under public deed No. 6041 of Notary 73 in the city of Bogotá.

The exclusive purpose of the society is to supply of services authorized to specialized societies in deposits and electronic payments in the development of its business purpose.

Aval Soluciones Digitales S.A has in place 16,000,000 total subscribed stocks, which are totally paid. The Bank has 26.60% participation with 4,256,002 stocks.

The Corporación Financiera Colombiana S.A. Corficol, is a credits establishment with the principal function the capitation of term resources, through deposits or debt securities at term, for the purpose to carry out active credit operations and make investments, for the primary purpose to promote or encourage the creation, reorganization, merging, transformation and expansion of companies in the sectors indicated by the standards regulating their activity, organized according to regulations provided by the Organic Statute of Financial System (Decree 663 / 1993) and the provisions that modify, repealing or substituting them. With the approval of the General Meeting of Shareholders, the Corporation may change its social domicile and for approval of Board of Directors may establish branch offices or agencies into or out of the national territory.

The condensed financial information of the investments in the associated companies registered based on the participation method is the following:

		December-31- 2019					
		Asset	**Liability**	**Equity**	**Income**	**Expense**	**Result**
A Toda Hora S.A.	$	11,663	1,159	10,504	11,994	10,949	1,045
Porvenir S.A.		3,617,305	1,278,297	2,339,008	2,388,401	1,818,129	570,272
Aval Soluciones digitales		13,816	1,538	12,278	309	3,123	(2,814)
Corporacion financiera Colombiana S.A.		14,798,012	7,153,586	7,644,426	1,683,598	117,291	1,566,307
		18,440,796	**8,434,580**	**10,006,216**	**4,084,302**	**1,949,492**	**2,134,810**

	December 31-2019					
	Asset	**Liability**	**Equity**	**Income**	**Expense**	**Result**
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	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**

Below the detail of dividends received from the associated during the years ended on 31-December-2019 and 2018

		December 31-2019	December 31-2018
Porvenir S.A.	$	89,340	49,198
Corficol S.A.		**December 31-2019**	**December 31-2018**
	$	18,356	5,420

Below the financial information of the investments in joint business recorded based on participation methods:

		December 31- 2019					
		Asset	**Liability**	**Equity**	**Income**	**Expense**	**Result**
A Toda Hora S.A.	$	63,787	58,701	5,086	246,564	245,665	899

		December 31- 2019					
		Asset	**Liability**	**Equity**	**Income**	**Expense**	**Result**
A Toda Hora S.A.	$	41,249	37,062	4,187	210,800	213,001	(2,201)

During the years ended on 31-December-2019 and 2018 dividends of joint business were not received.

For the development of its operations ATH has entered in an accounts contract in participation with other financial entities of the Grupo Aval for the purpose to carry out all the mercantile operations related to the centralized management of the operations of electronic transfer of data and funds through the ATM, Internet, or any other electronic media.

ATH takes part as manager of such contract in order to develop in its name and under its personal credit the subject matter of the contract.

2.- Operations jointly controlled

A joint operation is a joint agreement whereby the parties having joint control of the agreement are entitled to the assets and obligations with respect of 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 the proportional of its participation of assets, liabilities, income and expenses of each joint operations, in force during the period.

Bellow the summary of participation in the joint operations where the subsidiary Fiduciary of Occidente has participation at 31-December-2019 and 2018:

	Participation %		31 December 2019 Asset	31 December 2019 Liability	31 December 2018 Asset	31 December 2018 Liability
Emcali	52	$	187	96	92	77
Fosyga en Liquidación	6,55		39	1,112	52	1,075
Pensiones Cundinamarca 2012	55		27	-	39	4
Metroplus APEE	60		-	-	1	1
Concesionaria Calimio	56		8	2	8	2
Consorcio Sop 2012	33,33		291	2	667	6
Fondo de Adaptación	50		291	20	269	15
Fidupensiones Bogotá Colpatria Occidente 2011	23		-	-	3	-
Lote Avenida Colombia (Proyecto Cali)	50		-	-	113	110
Total		$	**843**	**1,232**	**1,244**	**1,290**

	Participation %		31 December 2019 Income	31 December 2019 Expenses	31 December 2019 Profit (Loss)	31 December 2018 Income	31 December 2018 Expenses	31 December 2018 Profit (Loss)
Emcali	52	$	402	548	154	326	227	99
Fosyga en Liquidación	6,55		-	76	(76)	1	638	(637)
Pensiones Cundinamarca 2012	55		-	3	(3)	-	119	(119)
Metroplus APEE	60		1	-	1	-	-	-
Concesionaria Calimio	56		45	12	33	36	11	25
Consorcio Sop 2012	33,33		2,427	652	1,775	1,185	452	733
Fondo de Adaptación	50		475	182	293	430	176	254
Fidupensiones Bogotá Colpatria Occidente 2011	23		-	-	-	-	-	-
Lote Avenida Colombia (Proyecto Cali)	50		2	-	2	5	110	(105)
Total		$	**3,352**	**1,173**	**2,179**	**1,983**	**1,733**	**250**

The participations of joint operations of asset of the society include the following at 31-December-2019 and 2018:

Participation of asset		**December 31-2019**	**December 31-2018**
Cash and equivalent to cash	$	441	691
Deposits and investments in debt securities		4	5
Accounts receivable		321	534
Properties and own use equipment		77	5
Other activities in joint activities		-	9
Total Asset	$	**843**	**1,244**

The participations of the joint operations of the liability of the Subsidiaria Fiduciaria de Occidente S.A. include the following at 31-December-2019 and 2018:

Participation of Liability		**December 31-2019**	**December 31-2018**
Accounts payable	$	52	153
Other liabilities		-	8
Other liabilities contributions		99	99
Other provisions		1,012	1,030
Liabilities at amortized cost		69	-
Total Liability	$	**1,232**	**1,290**

Bellow the economic activity of the joint operations (consortiums):

Name	**ACTIVITY**
Emcali	Through the contract 160GF-CF-001-2005 the Autonomous Equity is established whose purposes, inter alia: (i) To collect the total income of Emcali through the mechanisms and procedures defined in the Operative Manual; (ii) to manage the Trust incomes in manner established in this contract, (iii) Pay, as indicated by EMCALI, and according to provision in this Contract, all the operation and administration expenses of business through the trust observing the provisions indicated in the Annex 4 of the contract. The principal domicile where the consortium develops its operations is Carrera 5 No. 12-42 in the city of Cali.
Fosyga (in winding up)	The purpose of this contract is the collection, administration and payment by the consortium of the resources of the Solidarity and Guarantee Fund of the General System of Social Security in health under the terms established 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 winding up)	Management of the resources of the Fund of Public Pensiones of Cundinamarca, destined to cover the pension liability of the Department. The principal domicile where the consortium develops its operations is Carrera 13 No. 26A–47 Piso 9 in the city of Bogotá.
Metroplus APEE	Administration, investment and payments of the Resources delivered to Metroplus as co-financing contributions of the Nation, those delivered by the municipalities from Medellín, Itaguí and Envigado for the contracting made by Metroplus S.A. of the designs, studies, physical infrastructure and to purchase of land required for the integrated system of transport in Valle de Aburrá. The principal where the consortium develops its operations is Carrera 13 No. 26A-47 Piso 9, Bogotá City.
Consortium SOP 2012	Administration of resources making the autonomous equities integrating the Fondo Nacional de Pensiones of the Territorial Entities. FONPET – and the related and complementary activities involving such administration. The principal domicile where the consortium develops its operations is Carrera 13 No. 26A-47 Piso 9 in the city of Bogotá.

Name	ACTIVITY
Adaptation Fund	FIDUCIARY commits itself to THE FUND to constitute an autonomous equity with the investment resources of the Adaptation Fund for the collection, management, investment and payment in and out of Colombia in compliance with the provision in article 5th in Decree 4819 dated 2010, regulated by the Decree 2906 / 2011. The contract shall be accomplished pursuant to the terms, conditions and requirements established in the contractual terms and conditions and its technical annex, as well as the offer submitted by THE FIDUCIARY on April 27 – 2012 to original entry in the contract, and the offer submitted by the Fiduciary on 30-December-2013 to enter into the additional clause No. 1, documents making integral part of this contract. Additionally, the Fiduciary, as spokesperson of the autonomous may make credit operations with the National Treasury and/or Financial Entities controlled by Financial Superintendence, under the terms of the Article 84 of the Act 1687 / 2013. PARAGRAPH: The Fiduciary undertakes to develop the contractual subject matter with total autonomy and independence and risk and with its exclusive responsibility, and for such reason, this contract does not generate any labor relationship between the Fiduciary and the Fund. The principal domicile where the consortium develops operations id in Carrera 13 No. 26A–47 Piso 9 in the City of Bogotá.
Concessionaire Calimio	Collection and administration of the resources applied to the development of the projects and those derived from them, among which the capital contributions are included made by the trustor, those products of the use of the Syndicated credit; and the payments corresponding to the Economic Participation that are received from the MIO System. The principal domicile where the consortium develops its operations is in Carrera 13 No. 26A-47 Piso 9 in the city of Bogotá.
Lot Avenida Colombia (Project Call) (under winding up)	Administration Real Estate project in the City Cali corresponding to the construction of one building of commerce and offices. The domicile where the consortium develops its operations is in Calle 67 No. 7-37 Piso 3 in the city of Bogotá.
Fidupensiones Bogotá Colpatria Occidente 2011 (under winding up)	The integration of one consortium among Fiduciaria Bogotá S.A. Fiduciaria Colpatria S.A. and Fiduciaria de Occidente S.A., for the purpose to complement the technical, operative, management and financial abilities ,of the parties making this consortium, for the proposal, award, celebration and execution of contract, among the open contest (internet contracting) No. 523364, open by Ecopetrol S.A., whose purpose is the administration of an autonomous pension equity used to pay pension obligations of Ecopetrol S.A:, the domicile of consortium will be Calle 67 No. 7-37 in the City of Bogotá.

At 31-December-2019 and 31-December-2018, the joint agreements managed by the Fiduciaria de Occidente S.A., (Metroplus; Calimio, Pensiones Cundinamarca (under winding up), Fondo de Adaptación y SOP 2012), Fiducolombia S.A., (Emcali y Fosyga), Fiduciaria Bogotá S.A., (Bogotá Colpatria Occidente 2011, and Proyecto Cali), in their financial statements does not present contingent liabilities nor assets that may endanger the normal operational functioning of the consortiums.

Legal and financial situation of the joint operation (consortium) FOSYGA 2005 “Under winding up”

It is inform for the Fosyga 2005 consortium “under liquidation”, where the Subsidiary Fiduciaria de Occidente S.A., has 6.55% participation, has been linked by the General Comptroller of the Country as payer of the resources in processes of fiscal responsibility and the exist contingencies in other proceedings of third parties against the Nation where the Consortium has been included as suspect responsible. The provisions in the Consortium, with closing at 31-December-2019 amount to $15,136.

The trustee created for the administration of the resources of the Fosyga, performed by the Ministry of Health and Social Protection with the Consortium Fosyga 2005 finishes its execution on August 31-2011 and was unilaterally liquidated by the aforementioned Ministry though Resolutions 371 and 809 dated 10-February and 17-March-2014, respectively, where they determine that there is a balance in favor of the Ministry for the amount $15,611. In this connection, the Consortium carried out conciliation in the Attorney General Office, for the purpose to reduce sums established in charge of the fiduciaries that made up the Consortium Fidufosyga 2005 in the administrative actions indicated at the time of the unilateral liquidation of contract, resulting of which a conciliation agreement was made on 18-December-2014, by reason of which the consortiums made the payment to the Ministry for $12,005, agreement that was approved by the Contentious Administrative Court of Cundinamarca, by decision dated 10-December-2015, pursuant to the provision in Art. 24 of the Act 640/2001. On 2-February-2016 the resources in favor of the Ministry of Health and Social Protection were remitted, such situation leading to liquidation of the autonomous equity constituted in Helm Fiduciaria S.A.

Lastly, there exist other contingencies to which the consortium management considers for possibilities of loss in these proceedings to be unprovable and for them ´provisions have not been constituted, considering the compliance of the subject matter of the contract by the Consortium.

Note 14 – Tangible assets, net

The following is the movement of the carrying value of the accounts of tangible assets (property and equipment for own use, properties given in operative leasing and properties of investment) for the periods ended on 31-December-2019 and 2018:

		For own use	Given in operative leasing	Properties of investment	Assets for right of use	Total
Cost at fair value						
Balance at 31-December-2017	$	**826,037**	**7,681**	**218,164**	-	**1,051,882**
Purchases or expenses capitalized (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 30-December-2018	$	**830,605**	**7,472**	**212,476**	-	**1,050,553**
Balance at 31-December-2018	$	**830,605**	**7,472**	**212,476**	-	**1,050,553**
Recognition adoption IFRS 16		-	-	-	221,643	221,643
Increase or decrease for change in variables of leases		-	-	-	9,509	9,509
Purchases or expenses capitalized (net)		48,707	**7,467**	64,083	3,615	123,872
Withdrawals / Sales (net)		(29,167)	-	(49,452)	(1,217)	(79,836)
Changes in fair value		-	-	8,938	-	8,938
Adjustment for difference in exchange		53	-	-	152	205
Other reclassifications		(35,831)	(1,671)	(2,966)	-	(40,468)
Balance at 31-December-2019	$	**814,367**	**13,268**	**233,079**	**233,702**	**1,294,416**
Accrued depreciation:						
Balance at 31-December-2017	$	**(272,497)**	**(3,605)**	-	-	**276,102**
Depreciation of year with charged to results		67,489	(1,329)	-	-	(68,818)
Withdrawal / Sales		21,949	1,381	-	-	23,330
Adjustment for difference in exchange		(493)	-	-	-	(493)
Other reclassifications		1,247	-	-	-	1,247
Balance at 31-December-2018	$	**(317,283)**	**(3,553)**	-	-	**(320,836)**
Balance at 31-December-2018	$	**(317,283)**	**(3,553)**	-	-	**(320,836)**
Depreciation of year with charged to results		(57,354)	(2,549)	-	(44,597)	(104,500)
Withdrawal/Sales		17,441	-	-	331	17,772
Adjustment for difference in exchange		(51)	-	-	5	(46)
Other reclassifications		7,750	1,061	-	2	8,813
Balance at 31-December-2019	$	**(349,497)**	**(5,041)**	-	**(44,259)**	**(398,797)**
Loss for impairment:						
Balance at 31-December-2017	$	**(3,096)**	-	-	-	**(3,096)**
Charge for impairment in the year		120	(19)	-	-	139
Refund for impairment		1,309	20	-	-	1,329
Balance at 31-December-2018	$	**(1,907)**	**1**	-	-	**(1,906)**
Balance at 31-December-2018	$	**(1,907)**	**1**	-	-	**(1,906)**
Charge for impairment in the year		(82)	(161)	-	-	(243)
Refund for impairment		1,705	27	-	-	1,732
Other reclassifications		-	101	-	-	101
Balance at 31-December-2019	$	**(284)**	**(32)**	-	-	**(316)**
Tangible assets, net						
Balance at 31-December-2018	$	511,415	3,920	**212,476**	-	727,811
Balance at 31-December-2019	$	**464,586**	**8,195**	**233,079**	**189,443**	**895,303**

a) Properties and equipment for own use

The following is the detail of the balance at 31-December-2019 and 2018 for type of properties and equipment for own use:

31 December 2019		Cost	Accrued Depreciation	Loss for Impairment	Carrying Value
Land	$	78,187	-	-	78,187
Billings		392,063	121,739	-	270,324
Office equipment, Fittings and fixture		116,701	72,688	284	43,729
Informatics equipment		182,718	130,610	-	52,108
Vehicles		1,860	1,659	-	201
Mobilization and machinery equipment		101	83	-	18
Enhancement in alien property (i)		33,827	22,718	-	11,109
Ongoing constructions (i)		8,910	-	-	8,910
Total	**$**	**814,367**	**349,497**	**284**	**464,586**

31 December 2018		Cost	Accrued Depreciation	Loss for Impairment	Carrying Value
Land	$	77,617	-	-	77,617
Billings		386,798	102,377	-	284,421
Office equipment, Fittings and fixture		107,939	64,613	262	43,064
Informatics equipment		171,843	116,835	-	55,008
Vehicles		14,359	5,275	35	9,049
Mobilization and machinery equipment		31,101	8,139	1,610	21,352
Enhancement in alien property (i)		33,172	20,044	-	13,128
Ongoing constructions (i)		7,776	-	-	7,776
Total	**$**	**830,605**	**317,283**	**1,907**	**511,415**

(i) Below are the main constructions in progress and improvements in third party properties of the Holding Company and subsidiaries as of December 31, 2019:

Ongoing Constructions

Work		Value
Obra Edificio Santa Bárbara	$	1,754
Obra Edificio Santa Bárbara Fideicomiso		4,592
Obra porciúncula		387
Obra oficina vivero Barranquilla		334
Obra Cúcuta		316
Obra centro de cómputo piso 3 dg		212
Obra tesorería piso 14		203
Obra av tercera norte		178
Obra piso 16		154
Obra Santa Mónica		139
Other		641
Total Ongoing Constructions	**$**	**8,910**

Enhancements in properties of third parties

Work		Cost	Accrued Depreciation	Carrying Value
Edificio City Bank floor 10	$	551	275	276
Edificio Calle 72 floor 3		316	44	272
Of. Unicentro Pereira		395	178	217
Of. Credicentro Integral Cartagena		488	337	151
Of. Credicentro Vivienda El Poblado		450	259	191
Obra cc El Edén		772	-	772
Obra cc Los Molinos		638	-	638
Obra Edificio Calle 72 Floor 10		571	571	-
Obra Of. Antonio Nariño		531	531	-
Obra Of. Santa Marta ppal.		524	524	-
Obra Of. Calle 92		497	-	497
Obra Of. Cucuta		490	490	-
Obra Of. Montería Principal		460	276	184
Obra Of.calle 15 Cali		458	458	-
Obra Of. Cc Tesoro		445	332	113
Obra Of. Av Santander		445	231	214
Obra Of. Las Peñitas		437	409	28
Obra Of. Soledad Atlántico		413	335	78
Obra Of. calle 72 piso 8		408	11	397
Obra Ed. Bochica piso 8		400	400	-
Obra off. Paseo la Castellana		392	355	37
Obra Of. Apartadó		381	316	65
Obra Of. Credicentro Bucaramanga		376	376	-
Obra Of. Cc Jardín Plaza		347	255	92
Obra Of. Parquiamérica		346	339	7
Other		13,437	10,006	3,431
Total improvements in alien properties of the Holding Company	**$**	**24,968**	**17,308**	**7,660**
Sede Norte		4,158	1,953	2,225
Sede Centro		318	151	167
Sede Fontibón		95	37	58
Sede Cali		572	232	340
Sede Medellín		344	124	220
Sede Barranquilla		252	109	143
Sede Bucaramanga		40	12	28
Sede Pereira		68	52	16
Sede Cúcuta		16	5	11
Sede Cartagena		2	1	1
Sede Ibagué		7	2	5
Sede Neiva		17	5	12
Sede Valledupar		15	5	10
Sede Villavicencio		28	17	11
Sede Tunja		11	10	1
Sede Manizales		33	11	22
Sede Palmira		31	15	16
Total improvements in alien properties Sales and Services		**6,007**	**2,721**	**3,286**
Occidental Bank Barbados Ltd. (Bogotá) (*)		299	136	163
Total improvements in alien properties Occidental Bank Barbados Ltd.		**299**	**136**	**163**
Banco de Occidente Panamá S.A.		2,553	2,553	-
Total improvements in alien properties Banco de Occidente Panamá S.A.		**2,553**	**2,553**	**-**
Total improvements in alien properties	**$**	**33,827**	**22,718**	**11,109**

(*) Occidental Bank Barbados Ltd. has in place one representation office in Colombia - Bogotá

After finishing such assets will be internally transferred to the account of the corresponding asset.

All properties and equipment of the Holding Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A. – NEXA BPO, Banco de Occidente Panamá S.A. and Occidental Bank (Barbados) Ltd., as well as the goods given ion operative leasing are duly protected 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.-NEXA BPO, Banco de Occidente Panamá S.A. and Occidental Bank (Barbados) Ltd. have insurance policies to protect their properties and equipment for $955,820 and $961,507 at 31-December-2019 and 2018, respectively, hedging risks of deft, fire, lightning, explosion, earth quaking, strikes, riots, and others.

Concerning properties and equipment of the Holding Company and its Subsidiaries Fiduciaria de Occidente S.A. Ventas y Servicios S.A.-NEXA BPO, Banco de Occidente Panamá S.A and Occidental Bank (Barbados) Ltd. there is neither mortgages nor pledges.

The Holding Company and its Subsidiaries Fiduciaria de Occidente S.A.Ventas y Servicios S.A.-NEXA BPO, Banco de Occidente Panamá S.A and Occidental Bank (Barbados) Ltd. stablish impairment over the properties and equipment when its carrying value exceeds to the recoverable amount, The Holding Company and its Subsidiaries Fiduciaria de Occidente S.A.Ventas y Servicios S.A.-NEXA BPO, Banco de Occidente Panamá S.A and Occidental Bank (Barbados) Ltd. evaluate at the closing of each operating period to be reported, if there exists any sing of impairment of the value of any asset, if indeed exists this sign, the amount recoverable of the asset estimated.

To evaluate if there exists any sign that may be impaired the value of an asset, the following factors are taking into account:

External Information sources

a. There are observable signs for the asset value to be significantly decreased during the operation period more than the expectation as a result of the time elapsed or the normal use.
b. During the period have occurred or will occur in an immediate future, significant changes with an adverse incidence over the entity, related to the legal, economic, technological of marketing environment where the company operates, or else in the market to which the asset is destined.
c. During the period, the interest rates of the market, or other market rates of the return of investments, have occurred increments likely impacting the discount rate used to calculate the value in use of asset, in such a way that decrease its amount recoverable in a significant manner.
d. The carrying value of the net assets of the entity, is higher than its exchange equity.

Internal information sources:

a. There is evidence about the obsolescence of physical impairment of an asset.
b. During the operation period have occurred or it is expected to occur in short future, significant changes in the scope or manner in which de asset is used or expected to be used, that will unfavorable impact the entity.
c. There is evidence of internal reports indicating for the economic return of the asset to be or will be worse than expected.

b) Properties and Equipment given in operative leasing

The following is the detail of balance at 31-December-2019 and 2018 by type of properties given in operative leasing:

31 December 2019		Cost	Accrued Depreciation	Loss for Impairment	Carrying Value
Computing equipment	$	8,757	(3,319)	(24)	5,414
Vehicles		3,061	(1,365)	(8)	1,688
Equipment of mobilization and machinery		1,450	(357)	-	1,093
Total	$	**13,268**	**(5,041)**	**(32)**	**8,195**

31 December 2018		Cost	Accrued Depreciation	Loss for Impairment	Carrying Value
Equipment, furniture and fixture of office	$	98	(98)	-	-
Computing equipment		4,039	(1,640)	1	2,400
Vehicles		2,866	(1,631)	-	1,235
Equipment of mobilization and machinery		469	(184)	-	285
Total	$	**7,472**	**(3,553)**	**1**	**3,920**

The following is the summary of the minimal rental fees to receive by the Holding Company in the next terms over goods delivered in operative leasing at 31-December-2019 and 2018:

		December 31-2019	December 31-2018
No more than one year	$	3,700	1,974
More than one year and less than 5 years		3,937	1,712
Total	$	**7,637**	**3,686**

During the years ended at 31-December-2019 and 2018 income in the results were not received of the period by contingent rental fees received over good delivered in operative leasing.

In the operative leasing operations, the Holding Company as lessor delivers 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 may purchase the asset at its commercial value, extent the leasing term or return the asset. In most of the contracts the rental fee is calculated taking as reference the DTF or IBR adding or subtracting a few nominal points and for the extensions fixed rental fees are established. The VAT, the insurances, the maintaining and all charge on the asset are at the tenant expense. The assets received are relocated or marketed by the Holding Company.

c) Properties of investment

The following is the detail of the balance and 31-December-2019 and 2018, by type of property of investment for the Holding Company and subsidiaries:

December 31- 2019		Cost	Adjustments accrued at fair value	Carrying value
Land	$	123,885	25,503	149,388
Buildings		75,649	8,042	83,691
Total	$	**199,534**	**33,545**	**233,079**

December 31- 2018		Cost	Adjustments accrued at fair value	Carrying value
Land	$	90,203	28,388	118,591
Buildings		86,205	7,680	**93,885**
Total	$	**176,408**	**36,068**	**212,476**

The following amounts have been recognized in the statement of results resulting from the management of the properties of investment during the period ended at 31-December-2019 and 2018:

		December 31- 2019	December 31- 2018
Income for rents	$	3,045	3,591
Direct operative expenses resulting from properties of investment generating income for rents		(893)	(828)
Direct operative expenses resulting from properties of investments that for do not generate income for rents		(4,389)	(4,492)
Net	$	**(2,237)**	**(1,729)**

The properties of investment of the Holding Company and its subsidiaries are annually valued at the fair value based on values of market determined by independent qualified experts with sufficient experience in the valuation of similar properties. The methods and significant assumptions used to determine the fair value according to provision in IFRS 13 were the following:

- **Comparative method of market**

  It is the evaluation technique used to establish the commercial value of the good, based on the study of offers or recent transactions, of similar goods and comparable to the subject matter of appraisal. Such offers or transactions shall be classified, analyzed or interpreted to obtain the estimation of the commercial value

- **Approach for sales comparison**

  The approach by comparison of sales allows to determine the value of property appraised according to comparison with other similar properties currently transacting or recently transacted in the real property market.

This comparative approach considers the sales of similar or substitutive goods, as well as fata obtained of the market and establishes an estimated value using processes including the comparison. In general, a good that its value (the good subject matter of evaluation) is compared to the sales of similar goods marketed in the open market. Announcements and offers may be considered as well.

At the date the holding Company has not restrictions in the collection of the income for rental fees nor the realization of the good classified in property or investment.

d) Assets for right of use

The following is the detail of balance at 31-December-2019 about the right of use by type of properties and equipment:

December 31- 2019		Cost	Accrued depreciation	Carrying value
Buildings	$	195,137	(35,722)	159,415
Office equipment, Fitting and fixtures		73	(27)	46
Informatics equipment		36,740	(8,510)	28,230
Equipment of web and communication		1,752	-	1,752
Total	**$**	**233,702**	**(44,259)**	**189,443**

Note 15. – Intangible assets, net

The following is the movement of the intangible assets for the periods ended at 31-December-2019 and 2018:

		Capital gain	Other intangible	Total intangible assets
Cost:				
Balance at 31-December-2017	**$**	22,724	190,636	213,360
Additions/purchases (net)		-	59,754	59,754
Withdrawals / Sales (net)		-	(1,588)	(1,588)
Balance at 31-December-2018	**$**	**22,724**	**248,802**	**271,526**
Balance at 31-December-2018	**$**	22,724	**248,802**	**271,526**
Additions/purchases (net)		-	79,422	79,422
Withdrawals / Sales (net)		-	(1,454)	(1,454)
Balance at 31-December-2019	**$**	**22,724**	**326,770**	**349,494**
Accrued Amortization:				
Balance at 31-December-2017	**$**	**-**	**21,289**	**21,289**
Amortization of year with charge to results		-	16,193	16,193
Withdrawals / Sales (net)		-	(1,588)	(1,588)
Balance at 31-December-2018	**$**	**-**	**35,894**	**35,894**
Balance at 31-December-2018	**$**	**-**	**35,894**	**35,894**
Amortization of year with charge to results		-	21,162	21,162
Withdrawals / Sales (net)		-	(1,453)	(1,453)
Balance at 31-December-2019	**$**	**-**	**55,603**	**55,603**
Intangible assets (net):				
Balance at 31-December-2018	**$**	**22,724**	**212,908**	**235,632**
Balance at 31-December-2019	**$**	**22,724**	**271,167**	**293,891**

In the above mentioned closings the Holding Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A.- NEXA BPO do not show losses for impairment of these intangibles.

Capital gains

The capital gains correspond to the merging of Bank with Banco Unión occurred in years previous to the implementation of Colombian standard of financial information which for purposes of its evaluation has been assigned to the Bank as a whole, as unit generating cash to such capital gain.

The technical study of capital valuation for the acquisition of Banco Unión, was drafted by the firm Deloitte Asesores y Consultores Ltda. an independent firm with more than 55 years in Colombian market, the evaluation of the capital gain recorded by the Bank at September 2019 concluded that the goodwill assigned to the Unit generating cash is not impaired at the valuation date and shows an excess for $21,228.

The recoverable amount of the Unit generating cash was determined based on calculations of use value. Such calculations used cash flow projections approved by the top management including period of 5 years and 3 months. The following are the principal assumptions used in such valuations:

Colombia Macroeconomic Information						
Contents	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Gross Domestic Product (GDP Real)	2,60%	3,10%	2,90%	3,30%	3,10%	3,40%
Population	49,80 million	50, 30 Million	50,90 Million	0,0	0,0	0,0
Inflation	3,20%	3,70%	2,90%	2,70%	3,90%	3,00%
Exchange Rate	298400,00%	325000,00%	0,00%	0,00%	0,00%	0,00%
Interest Rates	4,30%	4,30%	4,30%	4,20%	4,20%	4,10%
DTF (E.A.)	4,70%	4,50%	4,30%	4,00%	4,40%	4,60%

According to IAS 36, the projections of cash flows in the budgets or more recent financial forecasts have been approved by the top management of the Holding Company, excluding any estimation of cash inflows or outflows expected to result from future restructuration's or enhancements of returns of the assets. The projections based on these assumptions or forecasts will cover at best five years.

The approach and methodology of valuation applied by Deloitte Asesores y Consultores Ltda, was the approach of the income, methodology indicated to determine the value in use of the company and there is in place sufficient information to use this methodology:

Approach of the returns

The methodology of future returns is based on the premise that the fair value of market of an asset is represented by the present value of future returns that the asset can generate and that remain available for the distribution to the respective investors. The most common approximation to this methodology is through the analysis of the cash flows discounted. This analysis requires the projection of the flows generated assets during a determined time period for later bring them to present value, discounting them at a proper rate for such operation. This discount rate must take into account the value of money in the time elapsed, the inflation and the risk inherent to the transaction currently made.

In order to define the rate to discount the flows, the capital concept is used as reference, based on the model CAPM (Capital Asset Printing Model). This is defined in function of a free-risk rate, added with a component of premium of market risk, which may increase or decrease depending on the behavior related to the market of the asset, which valuation will be made (Coefficient beta).

The drafting of the discount rate to be used in the valuation of the business lines acquired by the Holding Company in the acquisition of Banco Unión is the following:

Discount rate

a).Risk free rate (Rf): The rate of Treasury of the United States was taken as rate free of risk with 20 year term. Rf = 1.9% Source: US Department of Treasury.

b).Risk country (Rc): The EMBI of Colombia was used, which indicates the difference of return among the bonds of the United States and Colombia bonds. Rc=1.80%. Source JP Morgan.

c).Risk premium of market (Rp): Extra return the stock exchange historically has provided on the free risk rate as compensation for the market risk. Rp=6.30%. Source: Deloitte Research.

d).Premium for size (Rt): Result 1.8%.

e).Beta (ꞵ): As coefficient Beta was applied based on date of comparable companies, giving as result 1.24 Source: Bloomberg.

f).Implicit Devaluation (Ri): For the calculation of implicit devaluation the Fisher's equation was used to obtain the effect of devaluation of Col peso related to Dollar.

g).Cost of equity: COP: According to methodology used a discount rate 15.0% was estimated nominal in Colombia pesos.

h).In these conditions the discount rate obtained is the following:
Capital cost = Rf+B (ERP)+Rp+Rt+Ri+Dev,

As result of valuation it was determined that it is not necessary constitute any impairment corresponding to the capital gains at 31-December-2019 and 2018.

Capital Cost estimates for acquisition valuation Banco de Occidente: Banco Unión

Variable	Rate
Beta of Equity leveraged for industry	1,24
Free-risk Rate	1,90%
Premium of Market Risk	6,30%
Cost of Equity (USD)	**9,71%**
Factors of non-systematic Risk	1,80%
Premium for size	1,80%
Cost of Equity (USD)	**13,31%**
Implicit devaluation	1,40%
Cost of Equity (rounded) (COP)	**15,0%**

Note: Taken of pag. 39 of Report of Good III 2019 made by Deloitte

Result business line valuation acquisition Banco Unión at September-30-2019

Sensitivity Value in use (COP $MM)

Rates		Ordinary Portfolio	Credits Treasury	Personal Loans	Vehicle	Unidirect	Discovery Current Account	Credencial y Visa	Foment Portfolio	Several debtor ME
13,00%	$	181,550	32,077	31,083	39,206	6,864	2,036	26,318	19,051	39,655
14,00%		166,688	29,451	28,538	35,996	6,302	1,869	24,163	17,492	36,408
15,00%		153,895	27,191	26,348	33,234	5,818	1,726	22,309	16,149	33,614
16,00%		142,780	25,227	24,445	30,834	5,398	1,601	20,698	14,983	31,186
17,00%		133,042	23,507	22,778	28,731	5,030	1,492	19,286	13,961	29,059
TOTAL	**$**	**777,955**	**137,453**	**133,192**	**168,001**	**29,412**	**8,724**	**112,774**	**81,636**	**169,922**

Sensitivity Value in use (COP $MM)

Rates		Ordinary Portfolio	Credits Treasury	Personal Loans	Vehicle	Unidirect	Discovery Current Account	Credencial y Visa	Foment Portfolio	Several debtor ME
13,00%	$	37,854	6,688	6,481	8,175	1,431	425	5,487	3,972	8,268
14,00%		22,992	4,062	3,936	4,965	869	258	3,333	2,413	5,022
15,00%		10,200	1,802	1,746	2,203	386	114	1,479	1,070	2,228
16,00%		(916)	(162)	(157)	(198)	(35)	(10)	(133)	(96)	(200)
17,00%		(10,654)	(1,882)	(1,824)	(2,301)	(403)	(119)	(1,544)	(1,118)	(2,327)

Detail of intangible assets different from capital gains

The following is the detail of intangible assets different from capital gains at 31-December-2019 and 2018:

At 31-December-2019		**Cost**	**Accrued Amortization**	**Carrying Value**
Licenses	$	5,191	2,552	2,639
Programs and informatics applications		320,764	53,051	267,713
Other intangible assets		815	-	815
Total	**$**	**326,770**	**55,603**	**271,167**

At 31-December-2019		**Cost**	**Accrued Amortization**	**Carrying Value**
Licenses	$	120,064	33,340	86,724
Programs and informatics applications		128,738	2,554	126,184
Total		**248,802**	**35,894**	**212,908**

Note 16 – Profit tax

In Colombia.

Tax reform

On 27-December-2019 the Act 2010 was approved (Act of economic growth, the employment, the investment, and strengthening of public finance and progress, equity and the taxation system) whereby the standards for the encouragement of economic growth, taking force as from 1-January-2020 and amending the Act 1943 / 2018, the most relevant considerations are indicated below:

- The general tariff of income and complementary tax applicable to national corporations, is as follows: 32% in 2020, 31% 2021, and 30% as from the taxable year 2022.

- The financial entities will be subject to a surcharge as long and they have obtained a taxable base equal or more than 120.000 Uvt, as follows: for 2020 taxable year 4 percent points, for 2021 3 percent points, for 2022 3 percent points.

- The presumptive income percent will be decreased 0.5% in the taxable year 2020 and 0% as from taxable year 2021.

- The withholding tax was amended on dividends, now as follow:

	Tax withheld at source		
Beneficiary of payment	**Income (dividend) in UVT**	**Susceptible of distribution as not taxed. ART 49E. T)** **Resulting from taxed profit To be paid by the Company**	**(Susceptible of distribution as taxed. ART 49 E. T.)** **Resulting from untaxed profit, to be paid by the Company**
Natural persons Residents	< 0 up to 300	0	General tariff applicable to income according to the taxable period, subsequently to the net resulting after discounting this tax, the assigned table shall be applied for the susceptible of distribution as untaxed
	> 300 Onwards	(Dividends in UVT – 300 UVT) *20%	
Natural persons non-residents		10%	General tariff applicable to income according to the taxable year, subsequently at the net resulting after discounting this tax, the table assigned shall be used for the susceptible as untaxed.
National Legal persons (residents)		7.5%	
Legal persons not residents		10%	

- The withholding tax fees were amended for payment abroad, being now 20% for income of capital and work, consultancy, technical services, technical assistance, fees and software exploitation.

- The fiscal price of a real estate is maintained in force that cannot be less than the 85% of the commercial value.

- It is remained in force that 50% of industry and commerce tax will be deductible.

- It is remained in force that the any acquisition, formation or construction and import of real fixed productive assets, including the associated to necessary services, to live them for use, the VAT may be discounted from the income tax charged corresponding in the year when the payment was made or in any of the following taxable periods.

- As from 2020, the Article 38 of the Tax Statute remain in force, referent to the inflation component of the financial returns received by natural persons and liquid successions, do not imply income or occasional profit the part corresponding to the inflationary component of the financial returns when they result from entities controlled by the Finance Superintendence.

Other important aspect is the Decision C-510 dated 29-October-2019 that declared UNENFORCEABLE the paragraph 7th of Article 80 of Act 1943 /2018, providing some additional points to the fee of income tax applicable to financial entities, in addition the effects of the unquestionability were declared immediate and for such reason as from this date, and up to 31-December-2019, the financial entities are not subject to this overcharge.

IN BARBADOS:

Occidental Bank (Barbados) Ltd, was created under Barbados Laws on 16-May-1991 and has license to carry out banking and fiduciary negotiations since and within Barbados. The bank office registered is found in Chelsea House, Chelsea Road, Saint Michael Barbados.

The Bank has in place a license under the regulations of Law of International Financial Services. The tax rates applicable to such Bank are the following:

- 2.5% on benefits and profits for up to 10.000.000 of BDS (approx. $5.000.000 dollars);

- 2% on those benefits and profits higher than 10.000.000 of BDS, but no more than $20,000,000 of BDS;

- 1.5% on those benefits and profits higher than 20,000,000 of BDS, but not higher 30,000,000 of DBS; and

- 0.25% on such benefits and profits higher than 30,000,000 of BDS.

According to fiscal regulations in force, the declarations of tax on the income of companies may be subject to revision by the taxing authorities during the last nine years.

At 31-December-2019, the Bank maintains accrued losses of taxes for $1,617,275 (BDS$3,218,378), that may be applied against future profits. The Bank does not recognize the tax deferred assets, considering that does not estimate the fiscal benefits in future years.

These accrued losses are distributed as follows:

Closing Year Losses of taxes to be applied year 2020.

	US$	BDS$
2020	1,617,275	3,218,378

IN PANAMA:

Banco de Occidente (Panamá) S.A. is an entity organized and constituted under laws of República de Panamá and began operations on 30-June-1982, under International License granted by Superintendence of Banks of Republic of Panama, through Resolution No. 9-82 dated 16-March-1982.

The bank operations in República de Panamá are regulated and controlled by Superintendencia de Bancos de Panamá (hereinafter "The Superintendence") according the legislation established by the executive Decree No. 52 date 30-April-2008), that adopts the text of the Decree-Law dated 9 dated-26-February-1998, amended by Decree-Law 2 of 22-February-2008, whereby the bank regime of República de Panamá and the Superintendence is created and the regulatory regulations. The Bank is subject as well to the regulations and control by the Finance Superintendence of Colombia, the supervisor or origin.

According to Panama tax laws. The Bank is not subject to pay income tax for concept of profits due that exclusively addresses, since one office incorporated in Panamá, transactions that are made, use, and supply their effects overseas and, consequently, most of its incomes are from a foreign source. In addition, the income resulting from interests of deposits at time, in banks operating in Panamá is exempt from the income tax.

a. Components of the expense for profits tax

The expense for profit tax for the years ended on 31-December-2019 and 2018 includes the following:

		December 31-2019	December 31-2018
Income tax of the current period	$	55,477	62,521
Surcharge income		-	7,578
Subtotal taxes current period		**55,477**	**70,099**
Adjustment of previous periods		(13,105)	(50,316)
Adjustment for positions Uncertain tax		1,263	(2,197)
Deferred tax			
Deferred net tax of period		81,312	(28,798)
Adjustment of deferred tax of prior periods		(63,849)	(24,242)
Subtotal deferred tax		**17,463**	**(53,040)**
Total	$	**61,098**	**(35,454)**

b. Conciliation of the nominal rate of tax and the effective rate

The following is the detail of the conciliation between the total expenses of income and complementary tax, of the Group calculated at the taxing fees, currently in force and the expenses to profits effectively recorded in the statement of results every year:

		December 31- 2019	December 31- 2018
Profit before income tax	**$**	**629,158**	**380,839**
Total Income rate		33%	37%
Expense of theoretical tax calculated according to tax rate prevailing		207,622	140,910
Non-deductible expenses		35,326	8,176
Dividends received not constitutive of income		(776)	(999)
Income of participation method non constitutive of income		(82,780)	(67,647)
Profit in sale or valuation of investment non constitutive of income		52	-
Interests and other income untaxed		(4,163)	(9,145)
Exempt income		(6,541)	(6,530)
Tax benefit in acquisition of productive assets		-	(7,502)
Tax discounts		(7,068)	-
Profits of subsidiaries in countries free from tax		(8,876)	(7,463)
Effect in application of different rated for determination of deferred tax		3,598	(8,408)
Adjustment of previous periods		(13,105)	(50,317)
Adjustment for taxing positions uncertain of previous periods		1,263	(2,197)
Adjustment deferred tax of previous periods		(63,849)	(24,242)
Other concepts		396	(92)
Total tax expense of period	**$**	**61,098**	**(35,454)**

c. Deferred tax respect of subsidiary companies, associates and joint business

In compliance with IAS 12, the Group did not paid deferred tax labilities related to temporary differences of investments in subsidiaries and associates because: i) the Holding Company has the control of subsidiaries and, therefore, may decide about the reversion of such temporary differences; ii) the Holding Company has not foreseen its performance in the middle term; therefore, it is provable for such temporary differences not to reverse in a foreseeable future. At 31-December-2019 and 2018, in compliance with the IAS 12, paragraph 39 liability deferred tax did not occurred related to the temporary difference given to investments in subsidiaries.

d. Deferred tax by type of temporary difference

The differences between the carrying value of the assets and liabilities and the fiscal bases thereof give place to the following temporary difference generating deferred tax, calculated and recorded in the years ended on 31-December-2019 and 2018 based on the taxing rates currently in force for the years when such temporary differences will be reversed.

At December – 31- 2019

		Balance at 31-December 2018	Effect change of Adoption policy IFRS 16 (01-Jan-2019)	Accredited (charged)) to results	Accredited (charged) to ORI	Balance at 31-December 2019
Deferred asset tax						
Valuation of investment of fixed income	$	-	-	(3,941)	4,132	191
Valuation of derivatives		-	-	5,166	-	5,166
Provision for credit portfolio		-	-	25	-	25
Property, plant and equipment		-	-	282	-	282
Depreciation of property, plant and equipment		4,947	-	(4,947)	-	-
Deferred charges of intangible assets		2,457	-	(2,457)	-	-
Benefits to employees		7,979	-	3,743	566	12,288
Contracts of financial leasing		-	73,394	(62,203)	-	11,191
Other		7,275	-	(1,113)	935	7,097
Subtotal		**22,658**	**73,394**	**(65,445)**	**5,633**	**36,240**
Deferred tax liabilities						
Valuation of investments of fixed income		(20,628)	-	14,353	-	(6,275)
Investments of variable income		(6,310)	-	188	(1,701)	(7,823)
Valuation of derivatives		(14,361)	-	14,361	-	-
Provision for credit portfolio		(53,210)	-	(48,488)	-	(101,698)
Property, plant and equipment		-	-	(52,654)	-	(52,654)
Depreciation of property, plant and equipment		(100,061)	-	98,398	-	(1,663)
Right of use		-	(73,394)	63,568	-	(9,826)
Deferred charges of intangible assets		-	-	2,234	-	(2,234)
Mercantile credits		(6,817)	-	-	-	(6,817)
Other		(4,689)	-	(39,509)	-	(44,198)
Subtotal		**(206,076)**	**(73,394)**	**47,983**	**(1,701)**	**(233,188)**
Total	$	**(183,418)**	**-**	**(17,462)**	**3,932**	**(196,948)**

At December – 31- 2018

		Balance at 31-December 2017	Change in accounting policy	Accredited (charged)) to results	Accredited (charged to ORI	Balance at 31-December 2018
Deferred asset tax						
Valuation of investment of fixed income	$	108	553	(661)	-	-
Valuation of investment of variable income		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
Charges deferred of intangible assets		-	-	2,457	-	2,457
Provisions passible non-deductible		1,242	-	(1,242)	-	-
Benefits to employees		6,969	-	908	102	7,979
Leasing contract		1,194	-	(1,194)	-	-
Other		30,836	(102)	(23,459)	-	7,275
Subtotal		**133,625**	**79,711**	**(190,780)**	**102**	**22,658**
Deferred tax liabilities						
Valuation of investments of fixed income		(18,918)	-	(2,109)	399	(20,628)
Valuation Investments of variable income		(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)
Property, 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	-	-
Benefits to employees		(61)	145	(84)	-	-
Mercantile credits		(7,499)	7,499	(6,817)	-	(6,817)
Deferred income		(18,990)	-	18,990	-	-
Leasing contracts		(74,133)	-	74,133	-	-
Other		-	-	(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)**

The following is the analysis of assets and liabilities for deferred and current taxes at 31-December-2019 and 2018:

Balance deferred tax:

At 31-December-2019		Gross amounts of deferred tax	Reclassification of compensation	Balances in financial situation
Deferred tax on active income	$	36,240	36,240	-
Deferred tax on liability income		233,188	36,240	196,948
Net		**196,948**	**-**	**196,948**

At 31-December-2018	Gross amounts of deferred tax	Reclassification of compensation	Balances in financial situation
Deferred tax on active income	22,658	22,658	-
Deferred tax on liability income	206,076	22,658	183,418
Net	**183,418**	**-**	**183,418**

Balance current tax:

At 31-December-2019		Gross amounts of deferred tax	Reclassification of compensation	Balances in financial situation
Deferred tax on active income	$	296,465	4,281	292,184
Deferred tax on liability income		11,639	4,281	7,358
Net		**284,826**	**-**	**284,826**

At 31-December-2018	Gross amounts of deferred tax	Reclassification of compensation	Balances in financial situation
Deferred tax on active income	146,085	3,970	142,115
Deferred tax on liability income	10,065	3,970	6,095
Net	**136,020**	**-**	**136,020**

e. Effect of current and deferred tax in each component of the account of other integral results in the equity

The effects of the current and deferred taxes in each component of the account of other integral results are detailed below, for the years ended on 31-December-2019 and 2018:

		December 31-2019			December 31-2018		
		Amount before tax	Expense (income) deferred Tax	Net	Amount before tax	Expense (income) deferred Tax	Net
Items that may be subsequently reclassifies to results							
Profit/loss unrealized in debt securities	$	37,903	4,132	**42,035**	(34,203)	399	**(33,804)**
Hedge of investment net abroad – instrument of hedge Not-derived		(2,942)	935	**(2,007)**	(11,464)	4,248	**(7,216)**
Diff.in change operations abroad		(1,382)	-	**(1,382)**	3,209	-	**3,209**
Diff in change branches abroad		2,942	-	**2,942**	11,464	-	**11,464**
Participation in ORI of investments in associate companies and joint business		20,345	-	**20,345**	(3,579)	-	**(3,579)**
Subtotal		**56,866**	**5,067**	**61,933**	**(34,573)**	**4,647**	**(29,926)**
Items that will not be reclassified at results							
Profit/net loss unrealized in financial instruments at fair value		16,400	(1,701)	**14,699**	5,056	(593)	**4,463**
Profit/actuarial loss for benefits to employee		(1,801)	566	**(1,235)**	(311)	102	**(209)**
Subtotal		**14,599**	**(1,135)**	**13,464**	**4,745**	**(491)**	**4,254**
Total other integral results during the period	$	**71,465**	**3,932**	**75,397**	**(29,828)**	**4,156**	**(25,672)**

In the year 2019 the Holding Company and Fiduciaria of Occidente took advantage of the fiscal consolidation of assets indicated in Article 48 in the Act 1943 – 2018, thus incrementing the fiscal value of a group of buildings and land that at the closing 2018 had a value lower than that of the market.

So, the Holding Company and Fiduciaria de Occidente submitted and on August 28 – 2019 paid the complimentary tax Declaration of taxing normalization, updating the fiscal value of buildings and lands in a total amount $3361,212, that were included as taxable basis of normalization tax, which generated the payment of a tax for $46,958, and in the same way, an effect of deferred tax mostly equivalent to a release of the taxable deferral of $63,849, which contributed to a diminution of effective rate.

f. Taxing uncertainty

At 31-December-2019 and 2018, the taxing uncertainties amount to $7,358 and $6,095, respectively. The sanctions and the interest on arrears related to such taxing uncertainties are accrued and recorded in the respective expense. The balance at 31-December-2019 is expected to totally used or released when the inspection rights or the taxing authority's expiry with regards to taxing declarations.

The following is the detail of the movement of the taxing uncertainties with closing at 31-December-2019 and 2018:

		December 31-2019	December 31-2018
Balance at the beginning		**6,095**	**8,292**
Increment in provision		281	161
Use of provisions		-	443
Amount of unused provision		-	(2,943)
Financial cost		982	1,028
Final balance	**$**	**7,358**	**6,095**

The balance at 31-December-2019 expected to be totally used, or released when the inspection rights of the taxing authorities with regards to declaration expiry, is as indicated below:

Year		December 31-2019
2020	$	1,184
2021		1,581
2022		10
2023		1,391
2024		2,736
2025		179
2026		277
Total	**$**	**7,358**

Note 17. – Client's deposits

The following is the detail of the deposits balance received from clients of the Holding Company and its subsidiaries in development of the operations of saving deposits received:

Detail		December 31-2019	December 31-2018
At sight			
Current accounts	$	6,366,447	6,135,439
Saving accounts		12,574,563	11,045,313
Other funds at sight		57,373	43,984
	$	**18,998,383**	**17,224,736**
At term			
Time deposits certificate		9,727,997	8,367,495
Total deposits	$	**28,726,380**	**25,592,231**
By currency			
In Col. pesos	$	24,424,338	21,978,678
in American dollars		4,289,443	3,608,184
Other currencies		12,599	5,369
Total by currency	$	**28,726,380**	**25,592,231**

Bellow a detail of the maturity of the time certificates prevailing at 31-December-2019:

Year	Value
2019	69,367
2020	6,938,602
2021	1,561,514
2022	293,314
2023	100,313
After 2024	764,887
Total	**9,727,997**

For year 2019 there are those CDT with expiry date on the last days of December 2019 that are not qualified and they are cancelled following working day that would be on January 2020, for the reason above they continue to be in force at closing date and also the year 2019 has the value the interest by CDT at 31-December-2019.

Bellow, the summary of the interest effective is shown caused over the client's deposits:

	December 31-2019				December 31-2018			
	Deposits in pesos		Deposits in Dollars		Deposits in pesos		Deposits in Dollars	
	Minimal Rate %	Maxim. Rate %	Minimal Rate %	Maxim. Rate %	Minimal Rate %	Maxim. Rate %	Minimal Rate %	Maxim. Rate %
Current accounts	-	2,50%	0,25%	2,70%	-	2,50%	0,25%	2,70%
Saving accounts	-	4,75%	5,00%	30,00%	0,03%	4,55%	0,05%	0,35%
Time deposits certificates	0,01%	8,67%	0,15%	8,05%	0,01%	8,67%	0,05%	8,05%

Frequency of interest settlement: for the Time Deposits the frequency of interest liquidation corresponds to what was agreed with each client as indicated in their security; for the saving accounts such frequencies are daily liquidation.

The following is the detail of concentration of deposits received from clients by economic sector:

Sector		December 31-2019		December 31-2018	
		Amount	%	Amount	%
Government or entities or Entities of Colombia Government (1)	$	5,600,191	19,49%	5,396,117	21,08%
Manufacture		526,412	1,83%	424,892	1,66%
Real estate		287,561	1,00%	246,781	0,96%
Commerce		4,674,860	16,27%	4,021,645	15,71%
Agricultural and livestock		99,942	0,35%	101,411	0,40%
Individuals		3,442,604	11,98%	3,074,828	12,01%
Other(2)		14,102,115	49,09%	12,330,993	48,18%
Removals		(7,305)	-0,03%	(4,436)	-0,02%
Total	$	**28,726,380**	**100%**	**25,592,231**	**100%**

(1) Government includes the 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 activities and insurance (Sector K), which for the closing on 31-December-2019 showed a total balance for $8,927,215, representing 61,9% of the total. (at 31-December-2018 showed a total balance for $7,787,592, representing 35..38% of total category)

At 31-December-2019 there were 8,305 clients with balances higher to $250 for total value $21,921,460 (at 31-December-2018 there were 7,864 clients for $19,344,483).

For clients deposits the expenses caused in results for interest in saving accounts, time deposit and current accounts in the years ended at 31-December-2019 and 2018 are: $829,422 and $794,421, respectively.

Result of the assets assignment with Leasing Corficolombiana S.A. CFC, which was effective on January-1-2019, was incorporated to Bank's portfolio by way of CDT for $311,497, corresponding to 1,446 obligations. See Note 1.

Note 18. - Financial Obligations

1. Financial obligations

The following is the summary of financial obligations obtained by the Holding Company and its Subsidiaries at 31-December-2019 and 2018, for the basic purpose to finance their operations, mainly of international commerce:

		December 31-2019		December 31-2018	
		Portion in Short time	Portion in Long time	Portion in Short time	Portion in Long time
Colombia legal tender					
Interbank and overnight					
Banks and correspondents	$	657	-	1,064	-
Interbank funds purchased ordinary		80,018	-	80,036	-
Commitment of transfer in repo operations		-	-	-	-
Simultaneous operations		402,204	-	541,282	-
Commitments in positions short		126,495	-	166,420	-
Total Interbank and overnight		**609,374**	**-**	**788,802**	**-**
Credits of banks					
Credits		3,694	-	3,866	-
Letter of credit		-	-	-	4,702
Acceptations		17	-	17	-
Total credits of banks		**3,711**	**-**	**3,883**	**4,702**
Leasing contracts					
Liabilities for leasing		-	193,390	-	-
Total leasing contracts		-	193,390	-	-
Total obligations legal tender		**613,085**	**193,390**	**792,685**	**4,702**
Foreign currency					
Interbank funds and overnight					
Interbank funds purchased ordinary		119,740	-	142,735	-
Total interbank funds and overnight		**119,740**	**-**	**142,735**	**-**
Credits of banks					
Credits		1,510,518	-	1,476,547	-
Letter of credits		1,396	-	4,908	-
Acceptations		35,898	-	21,208	-
Total credits of banks		**1,547,812**	**-**	**1,502,663**	**-**
Leasing contracts					
Liabilities for leasing		-	4,187	-	-
Total leasing contracts		-	**4,187**	-	-
Total obligations in foreign currency		**1,667,552**	**4,187**	**1,645,398**	-
Total financial obligations	$	**2,280,637**	**197,577**	**2,438,083**	**4,702**

At 31-December-2019 the short term financial obligations corresponding to operations in simultaneous and repos for $402,204 were guaranteed with investments for $402,565 (at 31-December-2018 for $541,282 guaranteed with investments for $541,798).

As result of the assignment of liabilities with Leasing Colombiana S.A. in winding up, made effective dated 1-February-2019, was incorporated to the Bank's portfolio in connection with financial obligations for $128,769 represented in 628 obligations, itemized as follows: rediscount for $96,095, corresponding to 622 obligations, and for obligations with banks for 32,674, corresponding to 6 obligations. (See note 1).

Bellow the summary of the effective interest rates caused on financial obligations, with closing at 31-December-2019 and 2018:

	December 31-2019		December 31-2018	
	In Colombian Pesos		Foreign currency	
	Minimal Rate %	Maxim. Rate %	Minimal Rate %	Maxim. Rate %
Interbank funds and operations repo and simultaneous	4,19	4,34	4,18	4,25
Correspondent banks	-	-	4,15	6,00

	December 31-2019		December 31-2018	
	In Colombian Pesos		Foreign currency	
	Minimal Rate %	Maxim. Rate %	Minimal Rate %	Maxim. Rate %
Interbank funds and operations repo and simultaneous	1,51	3,35	2,28	2,83
Correspondent banks	2,10	2,49	0,35	2,90

For short time financial obligations the expense caused in results for interest in monetary market operations of the type inter-banking funds, transfer commitments in repo operations, simultaneous and other interests for the years ended at 31-December-2019 and 2018 are: $63,656 and $9,936, respectively.

2. Bonds and investment securities

The Holding Company is authorized by Colombia Finance Superintendence to issue or place Bonds or bonds of general guarantee. The total of issuances of bonds by the Holding Company have been issued without guarantees and exclusively represent the obligations of each one of the issuers.

Bellow the detail of liability is shown at 31-December-2019 and 2018, by issue date and maturity date in legal tender:

Issuer	Issue Date		December 31-2019	December 31-2018	Expiry Date	Interest Rate
Bonos ordinarios Leasing de Occidente	Between 25/08/2008 and 30/03/2009	$	-	1,031	Between 25/08/2008 and 30/03/2009	Between IPC + 7,00% and 5,75%
Bonos ordinarios Banco de Occidente	Between 22/09/2011 and 18/09/2019		2,511,091	2,239,326	Between 26/10/2029 and 14/1272032	Between IPC + 1,75 and 4,65; Fixed + 5,83% and 7,85%
Bonos subordinados Banco de Occidente	Between 09/02/2012 and 12/10/2017		826,892	907,081	Between 09/02/2022 and 10/06/2026	Between IPC + 3,58% and 4,65%
Total			**3,337,983**	**3,147,438**		

On 18-September-2019, Banco de Occidente carried out the 13th issuance of ordinary bonds (17th issue of the program) for $400,000, such issue has in place registration code of Colombia Finance Superintendence **COB23CBBO285.** The issuance is made within the overall quota of the program for $10,000,000. The placing was made in three subseries, as follows:

Subseries	Term (Months)	Rate/Margin
A60	60	Fixed rate
B36	36	Indexed in IPC
B120	120	Indexed in IPC

The future maturities at 31-December-2019 of the investments securities in circulation in debt at long-term are:

Year	Value
2019	32,263
2020	557,440
2021	346,640
2022	470,090
After 2023	1,931,550
Total	**3,337,983**

For 2019, the $32.263 is not a capital, they correspond to outstanding interest that remained caused at closing 31-December-2019.

For long-term financial obligations for issue of Bonds the interest caused in results for the periods ended at 31-December-2019 and 2018 were: $224,791 and $232,959, respectively.

3. Financial Obligations with rediscount entities

Colombian government has established some credit programs in order to promote the development of specific sectors of the economy, including foreign commerce, agriculture, tourism, housing construction and other industries. The programs are managed by several entities of Government such as Banco del Comercio Exterior ("BANCOLDEX"). Fondo para el Financiamiento del Sector Agropecuario ("FINAGRO") and Financiera de Desarrollo Territorial ("FINDETER").

The following is a detail of the loans obtained by the Holding Company of these entities at 31-December-2019 and 2018:

	Interest rates prevailing at the closing		December 31-2019	December 31-2018
Legal Tender				
Banco de Comercio Exterior – "BANCOLDEX"	Between -2,17% - 9,96%	$	505,821	482,145
Fondo para el financiamiento del sector agropecuario – "FINAGRO"	Between 0,87% - 7,21%		49,958	66,316
Financiera de Desarrollo Territorial "FINDETER"	Between 0,25% - 9,74%		725,352	602,946
Total legal tender		**$**	**1,281,131**	**1,151,407**
Foreign currency				
Banco de Comercio Exterior "BANCOLDEX"	Between -2,29% - 4,35%	$	97,902	140,086
Total foreign currency			**97,902**	**140,086**
Total Rediscount Interest			**1,379,033**	**1,291,493**

The following is the detail of the maturities of financial obligations, with entities of re-discount in force at 31-December-2019 and 2018:

Year		Value
2019	$	803
2020		392.487
2021		276,586
After 2022		709,157
Total	$	**1,379,033**

For 2019 the obligations with maturities at the end of month, as for instance (29, 30 and 31 December) and is at the end of week, the entity cancel them with date 2-January-2020 and for the Bank these maturities have balance at closing 31-December-2019.

For financial obligations with re-discount entities the interests caused in results for the periods ended at 31- December-2019 and 2018 were $ 44,370 and $ 46,741, respectively.

Note 19 – Provisions for employee's benefits

According to Colombia labor legislation and based on the labor bargains and collective agreements as applicable in the Holding Company and subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. – NEXA BPO, is entitled to benefits of short term such as: salaries, vacations, legal and extra-legal premiums and severance and interest of severance at long term, such as: Extra-legal premiums and benefits of retirement such as: severance to employees continued with labor regime before the Act 50 / 1990 and legal and extra-legal pensions.
With regards of subsidiaries abroad Banco de Occidente Panamá S.A. and Occidental Bank (Barbados) Ltd, according the labor legislation of the country, only have benefits at short term. For the key staff of the top management, include salaries, benefits different from the effective and contributions to a plan of benefit defined postemployment, see note 31

The following is a detail of the balances of provisions for benefits to employees at 31-December-2019 and 2018:

31-December 2019		**31-December -2018**	
Short term benefits	$	61,916	57,852
Post-employment benefits		13,978	12,781
Long-term benefits		35,091	32,153
Total liability	$	**110,985**	**102,786**

a) Postemployment benefits

- In Colombia the retirement pensions when the employees retire after completing some age and service years, are assumed by public or private funds of pensions based on plans of contribution defined where the entities and the employees contribute on a monthly basis amounts defined by law in order to be entitled to the pension at the time of employee's retirement; however, some employees contracted by the Holding Company before 1968 that accomplished with the age and years of service, the pensions are directly assumed by the Holding Company.
- According to IAS 19 the updating or pension liability was made, giving as result a pension amount for $3,820.
- 87 employees contracted by the Holding Company before 1990 are entitled to receive at the date of retirement at employee's or company's decision a compensation corresponding to the last month of salary multiplied by every year worked, at 31-December-2019 the provision for this concept corresponds to $2,915.
- In the Holding Company and its subsidiary Fiduciaria de Occidente S.A. extra-legally or by collective agreements it is recognized an additional premium to the employees that retire at the time they accomplish the age and the year of service to begin enjoying the pension given by the pension funds, at 31-December-2019 the provision for this concept corresponds to $7,243.
- In the Holding Company and its subsidiary Fiduciaria de Occidente S.A. an extralegal bonus is recognized to the employees retired when they accomplish the age and the years of service to enjoy the pension given by the pension funds; this bonus is made at the time when the employee is retired. The value assigned to the professional personnel is $10 and to operative personnel is $5 (bonus retirement old-age pension).
- In the Holding Company there are employees belonging to previous labor regimes, according to which their severance are assumed by the Holding Company at the time retirement (severances of employees according to the previous legislation), the new regimes involve this benefice in the contribution defined plans

b) Benefits to long-term employees

- The Holding Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. - NEXA BPO grant to its employees extralegal long-term premiums during their labor life depending on the number of years of services, every five, ten, fifteen and twenty years etc., calculated 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. – NEXA BPO have registered the liabilities corresponding to these benefits based on the actuarial calculation made under the same parameters of the retirement benefits, the retirement benefits correspond to $35,091 at 31-December-2019.

The following is the movement of benefits of employees and the long-term benefits, during the years ended at 31-December-2019 and 2018:

		Postemployment benefits		Long-time benefits	
		December 31-2019	December 31-2018	December 31-2019	December 31-2018
Balance at beginning period	$	12,781	13,919	32,153	32,798
Cost incurred during period		333	371	2,412	2,441
Interest cost		818	835	1,885	1,776
Cost of agreements		-	(163)	-	-
Cost of services supplied		-	(282)	-	(1,596)
		13,932	**14,680**	**36,450**	**35,419**
(Profit) /loss for changes in demographic suppositions		99	76	-	-
(Profit) /loss for changes in financial suppositions		1,701	235	4,370	3,269
		1,800	**311**	**4,370**	**3,269**
Payments to employers		(1,754)	(2,210)	(5,729)	(6,535)
Balance at the end period	$	**13,978**	**12,781**	**35,091**	**32,153**

The variables used for calculation of the projected obligation of the different benefits of retirement and log-term of the employees, are shown below:

	Postemployment benefits		Long-time benefits	
	December 31-2019	December 31-2018	December 31-2019	December 31-2018
Discount Rate	5,63%	6,97%	5,24%	6,48%
Inflation discount	4,47%	3,00%	3,49%	3,00%
Salary increase rate	3,00%	3,33%	4,03%	4,00%
Pension increase rate	3,00%	3,00%	4,03%	4,00%
Employees turnover rate (in the 1 and 40 years of service of female and male the following is the turnover rate)	13,42%	16,53%	13,42%	16,53%

The expected life of the employees is calculated based on mortality tables published by Colombia Finance Superintendence, which have been developed based on the experience of mortality supplied by the different insurance companies operating in Colombia.

The sensitivity analysis of liability for retirement benefits to the employees of the different financial and actuarial is the following, maintaining other constant variables:

		-0.50 points		+0.50 points	
At December 31-2019		December 31-2019	December 31-2018	December 31-2019	December 31-2018
Discount rate	$	14,049	35,910	13,179	1,821
increase rata of salaries		9,674	1,812	10,668	36,086
Pension increase rate		3,671	-	3,979	-

c) Payment of future expected benefits

The payments of expected future benefits, reflecting services as applicable, it is expected to be paid as indicated below:

Year		Benefits postemployment	Other Benefits long-term
2020	$	2,277	6,242
2021		1,236	5,273
2022		1,364	5,076
2023		1,542	4,542
2024		1,354	3,859
Years 2025-2029		5,899	16,673
	$	**13,672**	**41,665**

The Holding Company will cover with own resources the future cash flows for payments of extra-legal and for pension.

At 31-December-2019 and 2018, the amount of participants of the postemployment and long-term benefits are the following:

Benefit	2019	2018
Participants postemployment	7,286	7,353
Participants long-term	7,195	7,257

Note 20 – Provisions for legal contingencies and other provisions

The movement y the balances of the legal provisions, and other provisions during the period ended at 31-December-2019 and 2018 are described below:

		Legal provisions	Other provisions	Total provisions
Balance at 31-December-2017	$	**4,332**	**17,955**	**22,287**
Adjustment for adoption of IFRS 15		-	22,011	22,011
Balance at 1-January-2018		**4,332**	**39,966**	**44,298**
Increase of provisions in period		1,231	3,904	5,135
Increase of provisions existing in period		107	15,919	16,026
Use of provisions		1,000	6	1,006
Amounts reversed for unused provisions		375	6,331	6,706
Balance at 30-December-2018	$	**4,295**	**53,452**	**57,747**
Balance at 31-December-2018	$	**4,295**	**53,452**	**57,747**
Adjustment for adoption of IFRS 16		-	467	467
Balance at 1-January-2019		**4,295**	**53,919**	**58,214**
Increase for new provisions in period		1,101	22,650	23,751
Increase of provision existing in period		470	59	529
Use of the provisions		1,493	9	1,502
Amounts reversed for unused provisions		130	35,237	35,367
Balance at 31-December-2019	$	**4,243**	**41,382**	**45,625**

Other legal provisions

The eleven (11) civil lawsuits filed against the Holding Company derived from the development of its purpose, which have to do mainly with claims of the clients considering that (i) were improperly paid checks of their accounts or (ii) without its authorization the withdrawal or resources was allowed through electronic channels, as well as two (02) investigations of administrative nature of control and vigilance bodies of the State and the labor lawsuits representing a risk, are duly provisioned for the amount of $2,885 at 31-December-2019.

The litigations against the subsidiaries, of civil nature, representing provable loss, are provisioned by the sum $281 at 31-December-2019 and it is estimated that no any of them will generate a loss equal or more than $3,047 in the event of a contrary verdict would occur.

Labor Provisions

Of the lawsuits against the Holding Company derived from the development of its subject matter and representing a risk, due to disagreements in the termination of the labor agreement or the conditions of contract development 4 are duly provisioned for the amount of $411 and $109 for the affiliates corresponding to 3 lawsuits at 31-December-2019, in connection to the analysis of the event and qualification of risk and probability by the external labor consultant.

Fiscal Provisions

The 4 fiscal lawsuits against the Holding Company derived from the development of its purpose and that represent a risk, (i) fiscal proceeding related to customs sanction of Aloccidente that was conciliated with DIAN but subsequent to the file was not accepted; (ii) Penalties for collection of taxes of the DIAN and SHD; of which sanctions for collections were paid for $232; and (iii) penalty for statement of objections, due to untimely presentation in magnetic media report of the ICA self-retention years 2015 – 2016 Municipal of Manizales for $324. The pending proceedings above indicated are duly provisioned for $557 at 31-December-2019.

Other provisions

The other provisions for the periods ended at 31-December-2019 and 2018, contain:

Asset dismantling

The Holding Company and is subsidiaries Ventas y Servicios S.A. –NEXA BPO established a provision for asset dismantling, corresponding to the enhancements made in the infrastructure of the offices that have in lease with closing at 31-December- 2018 and 2019. The dismantling originates by the disassemble of enhancements to leave the facilities leased in its original status or according to agreed out in the contract. At 31-December-2019 the Holding Company registered a provision for $1,754 and Ventas y Servicios S.A. – NEZA BPO for $549; and at 31-December-2018 the Holding Company registered a provision for $1,763 and Ventas y Servicios S.A – NEXA BPO for $537.

Portfolio with effect on ORI

At 31-December-2019 provisions for contingencies were included in the name of the Holding Company for $38.067, of which 64.6% corresponds to credit card, 35.3% correspond to Banking Guarantees. Additionally, at 31-December-2018 provisions for contingencies were included in the name of Holding Company, for $50,250, out of which 55.5% correspond to Credit Card, 41,2% correspond to banking guarantees, 3.02% overdrafts and 0.2% rotaries.

Other Provisions

Fiduciaria de Occidente S.A., at 31-December-2019 constituted a provision of lawsuit in Consorcio Fidufosyga for joint operations for $1,011; at 31-December-2018 the balance is $975.

Note 21 – Other liabilities

The other current liabilities at 31-December-2019 and 2018 include the following:

Concepts		December 31-2019	December 31-2018
Suppliers and account receivable	$	253,098	300,748
Cashier's check		209,501	205,837
Dividends and surplus		75,703	68,546
Non-financial liabilities		28	267
Commissions and fees		3,701	4,120
Taxes, withholdings and labor contributions		75,871	69,003
Other		76,056	78,393
Deferred payments		721	808
Collections made(*)		75,740	475,937
Collection Service		261	169
Tax to sales payable		15,852	15,265
Unpaid checks		5,197	2,482
Insurance and insurance premium,		158	279
Promising buyers		6,535	5,547
Contribution on transactions		3,629	12,896
Canceled accounts		3,696	3,422
Surplus of cash and exchange		132	78
Leases		1,492	1,000
Advance income		326	-
Income received for third parties		92	-
Loyalty programs		1,020	-
Transactions ATH and ACH		13	-
Peace bonds		25,388	-
Other several foreign currency		24,345	-
Forwards non delivery		42,012	-
	$	**900,567**	**1,244,797**

(*) The difference corresponds to the higher value collection of district taxes on 2018 $400 million

Note 22. – Equity

The number of shares authorized, issued and in circulation at 31-December-2019 and 2018, were the following:

		December 31-2019	December 31-2018
Number stocks approved		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 shares		155,899,719	155,899,719
Capital subscribed and paid, common shares	**$**	**4,677**	**4,677**

Retained profit appropriated in reserves

The following is the detail of the composition at 31-December-2019 and 2018:

	December 31-2019	December 31-2018
Legal reserve	2,897,959	2,802,241
Mandatory and voluntary reserves	256,124	156,988
Total	**3,154,083**	**2,959,229**

Legal reserve

According to the legal standards prevailing, the Holding Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A – NEXA BPO must create a legal reserve through the appropriation of ten percent (10%) of the net profit of every year up to obtaining an amount equal to fifty percent (50%) of the social capital subscribed. This reserve may be decreased below fifty percent (50%) of the social capital subscribed to pay off losses in excess of the retained profits. The legal reserve may not be less than the aforementioned percent, excepting to hedge excess of loss of the retained profits.

Mandatory and voluntary reserves

The mandatory and voluntary reserves are approved for their constitution by the Stockholders in the annual meeting.

Based on article 10 in Act 1739-2014 by National government, providing “the wealthy taxpayers may charge this tax against equity reserves without impacting the profits of the operation period, both in separate or individual balance sheet, as well as in the consolidates, Banco de Occidente, through minutes of the meeting 120 held on 26-January-2015, and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A.- NEXA BPO for the year 2018, the wealthy tax will not be paid, as provided in article 297-2 in Act 1739 – 2014 where it is indicated that “the legal obligation of the wealthy tax is caused for legal persons taxpayers, 1-January-2015, 1-January-2016 and 1-January-2017”.

The Act 2010-2019 in article 50 makes reference to the especial fee for dividends or participations received by national companies where it is considered that withholdings made to national companies (that declare and pay to DIAN monthly), on profits subject to distribution to stockholders in the future (debugged for tax effects pursuant to Article 49 of E.T. and related standards, will be subject to the rate 7.5%.

In the same way, the Technical Council of Public Accountancy, issued the concept CTCP-10-01334-2019 stating that the withholding made to the company for dividends or participation transferred to the stockholder, need to the charged in the equity as a smaller part of the dividends pending of distribution. It means, the national company subject matter of withholding tax for dividends will record the retention as a debit in the equity rather an asset for withholding tax; subsequently, this withholding charged to the equity will be adjusted with each transfer to be made and certified the final beneficiary of the dividend.

In his connection, on 2019 period it was charged to retain profits the amount of $698,998.

Dividends Decreed

The dividends are decreed and paid to stockholders based on the net profit of the previous year. The dividends decreed by the Holding Company were the following:

		December 31-2019	December 31-2018
Profit of the prior year determined in the financial separated of the Parent Company	$	457,781	334,970
Dividends paid in cash		289,973	261,912
Ordinary outstanding shares		155,899,719	155,899,719
Total outstanding shares		**155,899,719**	**155,899,719**
Total declared dividends	**$**	**289,973**	**261,912**

(*) The profit currently reported correspond to the closings of December-2018 and 2017.

The Holding Company and its subsidiaries have a simple structure of capital and for such reason there is not difference between the basic profit per stock and the diluted profit.

Note 23. – Non-controlling interests

The following table provides information about every subsidiary with non-significant controlling interests at 31-December-2019 and 2018:

Entity	country	participation	Value participation in equity	Value participation in profits (loss)	Dividends paid during period
December 31-2019					
Fiduciaria de Occidente S.A.	Colombia	4,44	$ 11,397	2,112	83
Ventas y Servicios S.A.	Colombia	19,99	7,889	1.612	-
Banco de Occidente Panamá S.A.	Panamá	5,00	6,704	980	-
			$ 25,990	**4,704**	**83**

Entity	country	participation	Value participation in equity	Value participation in profits (loss)	Dividends paid during period
December 31-2018					
Fiduciaria de Occidente S.A.	Colombia	4,44	$ 8,858	880	311
Ventas y Servicios S.A.	Colombia	19,99	6,277	1,204	64
Banco de Occidente Panamá S.A.	Panamá	5,00	3,998	819	-
			$ 19,133	**2,903**	**375**

The following table shows information about each one of the direct controlled where there is a significant no n-controlled participation at 31-December-2019 and 2018:

Entity	Asset	Liabilities	total Income	Net Profit	Other comprensive income	Cash flow of operation
December 31-2019						
Fiduciaria de Occidente S.A.	$ 329,191	15,218	109,485	35,936	94,268	7,245
Ventas y Servicios S.A.	112,288	72,824	322,257	8,064	-	10,469
Banco de Occidente Panamá S.A.	3,076,811	2,942,736	141,906	19,597	48,640	21,568
	$ 3,518,290	**3,030,778**	**573,648**	**63,597**	**142,908**	**39,282**

Entity	Asset	Liabilities	total Income	Net Profit	Other comprensive income	Cash flow of operation
December 31-2018						
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 Panamá S.A.	2,745,097	2,665,135	118,086	16,374	14,124	153,460
	$ 3,084,598	**2,723,605**	**459,843**	**42,208**	**79,901**	**180,123**

At 31-December-2019, there are no significant transactions made with non-controlled participations of the Holding Company, as well as protecting rights or restrictions in the access of the use of asset or cancelation thereof.

Note 24 – Commitments and contingencies

a. Commitments

Credit commitments

In the development of its normal operations the Holding Company grants guarantees of credit letters to its clients where by the Holding Company irrevocably undertakes to make payments to third parties in the event that the clients fail to accomplish with their obligations to such third parties, with the same credit risk for credit portfolio. The granting of guarantees and letter of credit are subject to the same policies of approval of disbursement of loans concerning the credit quality of the clients and the guarantees considered appropriate to circumstances are obtained.

The commitments to grant credits represent unused portions of authorizations to issue credits in loan way, use of credit cards or letter of credit. Concerning the credit risk on commitments to issue credit lines, the Holding Company is potentially exposed to loss in an amount equal to the total amount of the unused commitments, if the unused amount would be totally retired; notwithstanding, the amount of the loss is smaller than the total amount of the unused commitments, inasmuch as most of the commitments to grant the credits are contingent, once the client maintains the specific standards of credit risk. The Holding Company monitors the maturity terms of the relative commitments of credit quotas, because the long-term commitments have a higher credit risk that the short-term commitments.

The following is the detail of guarantees, letter of credit, and commitments of credits in unused lines, at 31-December-2019 and 2019:

		December 31-2019		December 31-2018	
		Notional amount	**Fair value**	**Notional amount**	**Fair value**
Guarantees	$	849,575	28,993	1,147,658	26,792
Letter of credit unused		147,062	303	228,048	384
Quotas of credit card unused		2,551,188	2,551,188	2,435,808	2,435,808
Open of credit		2,131	2,131	-	-
Credits approved non-delivered		28,610	28,610	21,203	21,203
Other		264,288	264,288	226,545	226,545
Total	$	**3,842,854**	**2,875,513**	**4,059,262**	**2,710,732**

The outstanding balances of the unused credit lines and guarantees not necessary represent future requirement of cash because said coupons can expiry and not to be totally or partially used.

The following is the detail of the commitments of credit by type of currency:

		December 31-2019	**December 31-2018**
Colombian pesos	$	3,208,043	3,272
Dollar		593,941	728,741
Euro		36,880	56,481
Other		3,990	1,159
Total	$	**3,842,854**	**4,059,262**

Commitments of disbursements of capital expenses

At 31-December-2019 and 31-December 2018 the Holding Company and its subsidiaries had contractual commitments of disbursements of capital expenses (intangible and others) for $159,149 and $104,225, respectively. The Holding Company and its subsidiaries have already assigned the necessary resources to attend these commitments and considers for the net profit and the funds will be sufficient to hedge these and other similar commitments.

b. Contingencies

Legal contingencies

At 31-December-2019 the result of valuations of the claims of the judicial proceedings for civil lawsuits, without including those of remote probability, amounted to $144,372.

From time to time in normal elapse of the operations, occur claims against the Holding Company of any of its subsidiaries, based on its own estimations and with the help of external advisors the top management of the Holding Company considers that it is not provable the occurrence of losses in connection with processes detailed bellow, and for such reason, provisions have not been recognized in the consolidate financial statements.

For 31-December-2019 there are the following proceedings against the company resulting material (equal or higher than $3,047):

Holding Company:

(i) Popular Legal action by Carlos Julio Aguilar against Banco de Occidente and other financial entities in the Eleven Administrative Court Circuit in Cali, under the No. 2004-1924. The proceeding originates against the financial entities that took part in the Performance plan Valle Department in 1998 considering that collection of interests over interests was agreed on. The proceeding is in testing stage and no first-instance ruling has yet been issued, and there is no test about the fact of the lawsuit, for such reason at closing 31-December-2019 it is not required the estimation of provision for this proceeding. The Claims were estimated in the amount $15,900.

(ii) Demarcation and marking proceeding filed by Miss Carmen Capella de Escolar against Mosel SAS and other, to the Second Civil Circuit Judge Specialized **in** Return of Land of Cartagena with the filing No. 0205 on 2014. The Bank appears to this proceeding for complaint in lawsuit made by society Mosel S.A.S. by reason that the entity was owner of the real property subject matter of the proceeding, and in such quality establishes limits of property, which subsequently was sold. The lawsuit was timely answered and it considered that the exceptions of merit proposed by the Bank will be recognized by the judge at the time of taking the decision, in in addition that the indemnity of damages requested by the plaintiff for $4,000 million are not duly supported.

(iii) Event of solidary responsibility filed against the Bank and other bank establishments by MEDICAL DUARTE ZF and other entities, within the executive proceeding promoted by the plaintiffs against a client of the Bank before the Fifth Labor Court of the Circuit of Barranquilla. The incident is supported that the Bank allegedly failed to accomplish with the attachment orders made by the client's deposits, such situation that does not corresponds to the reality, inasmuch that the bank accounts do not show resources and they were previously attached by other judicial authority. The incident was timely answered by the Bank with the factual and juridical relevant arguments. Notwithstanding the court resolved to declare it solidary responsible together with other two financial entities for the amount $70,980 million based on a standard that clearly is not applicable to the event. The Bank submitted appeal for reversal against this decision. By deciding the appeal for reversal, the court confirmed its decision and filing the appeal, which currently is underway, but it is considered that the same shall be rebutted due to absence factual support, in addition that in the legislation there is no provision allowing to declare solidary a Bank for fail to accomplish an attachment order resulting from an executive labor proceeding.

Fiduciaria de Occidente S.A:

(i) A civil proceeding for civil contractual responsibility filed by MEGAPROYECTOS S.A. against FIDUCIARIA DE OCCIDENTE S.A. Before the 30 Civil Court of Bogotá, filing No. 2015-637. In this event UT TRANSVIAL constituted an autonomous administration equity, source of payment and payments in FIDUOCCIDENTE S.A. to which the economic assets rights were transferred, or of collection derived of the work Contract of Calle 26 Bogotá, excepting the advance payments. The plaintiffs state that FIDUOCCIDENTE S.A. committed various breaches of the contract, as Trust spokesperson 3-4-2012 which caused for MEGAPROYECTOS S.A. to assume payments in favor of INVERSUMA and CREDIFACTOR for $25,782 as a party of competition process (reorganization) of MEGAPROYECTOS S.A. Notwithstanding, the affiliate has in place the proper factual and legal supports evidencing that accomplished with its contractual obligations, and, specially that accomplished the instructions of those acting as trustees pursuant to provision in the trust contract. The claims were estimated by MEGAPROYECTOS S.A. for $25,782 million. The lawsuit was timely answered, but it is pendent the notification to all de defendants. According to the strength of the arguments of the affiliate, it is firmly believed that the exceptions proposed will be accepted by the judge at the time to issue the decision. Additionally, within the development of the proceeding the termination of proceeding was decreed for tacit disclaimer, decision against the appeal for reversal were filed. This later, pending of resolution by the Court of Bogotá.

In connection with proceedings against, above indicated, upon the relevant evaluation, it was established that they do not require provision.

Fiscal contingencies

At 31-December-2019 the Holding Company and subsidiaries did not have notice about the existence of tax proceedings in the national and local context involving sanctions in development of its activity as taxpayer entity and that imply the constitution of contingent liabilities for the remote possibility for resources output for such concepts.

Labor Contingencies

In the course of the labor relationship of the Holding Company and its affiliates with their workers, as a result of reasons of termination the labor agreement or the development of contract, occur different claims against them, in respect of which, it is not considered probable the occurrence of significant losses in connection to such claims according to the concept of the lawyers with closing 31-December-2019. On the other hand, the provisions required have been recognized in the financial statements for the relevant events.

Note 25 – Income, costs and expenses of contracts with clients

Below a detail of the income and expenses for commissions, for the years ended 31-December-2019 and 2018:

Income		December 31-2019	December 31-2018
Fees in bank services	$	234,257	227,606
Fees of credit card		109,259	99,520
Trust		72,068	63,889
Fees for drafts, checks and checkbooks		13,895	15,396
Office network services		2,420	2,769
Total	$	431,899	409,180
Expenses			
Bank services	$	16,682	24,052
Operators information processing services		541	701
Collections service of contribution to financial institution		1,718	6,612
Administration and intermediation services		-	(8)
Bank expenses		2	2
Fees for sales and services		6,560	3,867
Banking guarantees		18	16
Fiduciary business		25	6
Collocations		31,726	16,052
Master Card operation costs		3,994	3,695
Other		24,273	16,998
Total		**85,539**	**71,993**
Net income for fees	$	**346,360**	**337,187**

The following table discloses the income for contract with clients at closing 31-December-2019 and 2018:

Income		31-December 2019	31-December 2018
Income of contracts with clients	$	431,899	409,180
Time of recognition of income			
In a point of time	$	431,899	409.180

Note 26 – Other income, net and other expenses

Below the detail of the other income for the years 31-December-2019 and 2018:

Other Income		December 31-2019	December 31-2018
Net profit for difference in exchange of foreign currency	$	56,443	(10,701)
Net profit in sale of investments and/or realization OTI		33,701	10,455
Profit in sale of non-current assets maintained for sale		1,863	433
Participation in net profit of associate companies and joint business		250,848	182,830
Dividends		2,358	2,700
Other operations income		53,759	71,352
Net profit (loss) in valuation of properties of investment		8,938	(2,668)
Total other income, net	$	**407,910**	**254,401**

Other Income		December 31-2019	December 31-2018
Provision other assets	$	6,209	121
Loss sale non-current assets maintained for sale		45	-
Indemnities		4,532	33,592
Bonus payment		5,527	4,653
Salaries and benefits to employees		716,784	657,198
Administration heads (Note 27)		766,889	744,860
Impairment of tangible assets		59,903	68,817
Amortization of intangible assets		21,162	16,192
Expenses for grants		529	166
Depreciation for right of use		44,597	-
Other expenses		7,154	32,113
Total other expenses	$	**1,633,331**	**1,557,712**

Note 27 – Overheads

Below, the detail of the overheads, for the years ended 31-December-2019 and 2018:

Other Income		December 31-2019	December 31-2018
Tax and rates	$	212,318	155,616
Other		64,071	46,524
Leasing[1]		11,708	87,373
Contributions affiliations and transfers		100,629	85,017
Insurance		68,676	67,754
Utilities		32,004	31,203
Fees for consultancy, audit and other		119,431	124,224
Advertising services		41,573	41,041
Maintenance and repairs		378,973	21,652
Transport services		17,080	17,394
Cleaning and vigilance services		14,207	13,145
Transient services		2	9
Data electronic processing		14,729	15,366
Adaptation and installation		5,720	4,442
Travel expenses		8,649	10,152
Advertising expenses		137	-
Supplies and stationery		5,968	4,526
Building administration cost		10,990	10,576
Marketing cardholders		24	8,8456
Total		**766,889**	**744,860**

(1) The diminution in the account of expense for leasing, corresponds to the leasing agreement occurred in the implantation of the IFRS 16. In the Note 2.22 there is the policy and the initial accounting impacts

Note 28 – Analysis of operation segments

The operation segments are component of the Holding Company responsible to develop commercial activities that may generate income or incur in expenses and which operative results are usually reviewed by the Board of Directors and for which financial specific information is available:

a. **Description of products and services of which every reportable segment derives its income:** The Holding Company is organized in four segments of businesses integrated 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. – NEXA BPO All these entities supply services relative to banking and financial activity in Colombia in corporative or commercial banking, consumption and mortgage.

b. Factors used by the management to identify the reportable segments: The operation segments identified above, are based on the strategic organization of the Holding Company to service the different sectors of Colombian economics, Panamá and Barbados taking into account that under the laws of these countries each one of these companies are operating during several years.

The consolidated information of each entity is reviewed by the Board of Directors of the Holding Company that is available to the stock exchange only for the Holding Company taking into account the has its stocks and securities registered in the National Registration of Securities of Colombia.

c. Measuring of the net profit and of the assets and liabilities of the operative segments: The Board of Directors of the Holding Company reviews the consolidate financial information of each one of its operation segments prepared according to NCIF.

The Board of Directors evaluates the performance of every segment based on the net profit of each one of them, and some credit risk indicators

d. Information of net profit, assets and liabilities of the operation segments reportable: the following is the detail of financial information summarized reportable by each segment for the periods ended 31-December-2019 and 2018:

December 31-2019

		Banco de Occidente S.A. (Matriz)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panamá S.A.	Occidental Bank (Barbados) Ltd.	Removals	Total
Assets								
Financial assets at fair value with changes in results	$	2,654,877	72,278	-	1,919	1,292	-	2,730,366
Financial assets at fair value with changes in ORI		1,755,359	207,178	4	1,368,701	693,523	(211,698)	3,813,067
Financial assets in debt securities at mortised cost		691,025	-	-	-	-	(16,385)	674,640
Investments in associate companies and joint business		1,774,675	13,814	-	-	-	(354,243)	1,434,246
Financial assets by credit portfolio at amortized cost		29,726,231	(72)	148	1,654,370	367,045	(836,256)	30,911,466
Other assets		2,442,118	35,919	112,135	51,821	385,307	(113,388)	3,013,912
Total assets	**$**	**39,044,285**	**329,117**	**112,287**	**3,076,811**	**1,447,167**	**(1,431,970)**	**42,577,697**
Clients deposits		24,475,032	-	-	2,919,355	1,340,095	(8,102)	28,726,380
Financial obligations		7,993,940	2,480	36,096	19,859	716	(857,861)	7,195,230
Other liabilities		1,733,831	12,664	36,727	3,522	531	(265)	1,787,010
Total liabilities	$	**34,202,803**	**15,144**	**72,823**	**2,942,736**	**1,341,342**	**(866,228)**	**37,708,620**
Equity	$	**4,841,482**	**313,973**	**39,864**	**134,075**	**105,825**	**(565,742)**	**4,869,077**

		Banco de Occidente S.A. (Matriz)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panamá S.A.	Occidental Bank (Barbados) Ltd.	Removals	Total
Continued Operational Income controlling								
Financial income	$	3,009,288	111	178	94,192	38,434	(21,829)	3,120,374
Fees and commissions		352,664	72,068	-	4,474	2,849	(156)	431,899
Other operative income		7,204,035	37,306	322,079	43,240	6,118	(163,205)	7,449,573
Total income	**$**	**10,565,987**	**109,485**	**322,257**	**141,906**	**47,401**	**(185,190)**	**11,001,846**
Financial expenses								
Provision of impairment of financial assets		861,186	20	-	3,161	2,719	-	867,086
Impairments and amortizations		102,542	4,832	18,935	1,202	264	(2,113)	125,662
Commissions and fees paid		147,645	246	258	1,791	694	(65,095)	85,539
Administration expenses		726,619	22,409	40,933	6,105	3,649	(32,826)	766,889
Other operational expenses		8,112,404	44,599	250,072	110,050	32,776	(22,389)	8,527,512
Income tax		55,661	1,442	3,995	-	-	-	61,098
Total expenses	**$**	**10,006,057**	**73,548**	**314,193**	**122,309**	**40,102**	**(122,423)**	**10,433,786**
Profit of period	**$**	**559,930**	**35,937**	**8,064**	**19,597**	**7,299**	**(62,767)**	**568,060**

December 31-2019

		Banco de Occidente S.A. (Matriz)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panamá S.A.	Occidental Bank (Barbados) Ltd.	Removals	Total
Assets								
Financial 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 mortised cost		703,590	-	-	-	-	(16,323)	687,267
Investments in associate companies and joint business		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**
Clients deposits		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. (Matriz)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panamá S.A.	Occidental Bank (Barbados) Ltd.	Removals	Total
Continued Operational Income controlling								
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 operative 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 of impairment of financial assets	$	1,008,430	231	5	1,704	4,054	-	1,014,424
Impairments and amortizations		74,116	2,488	7,835	424	146	-	85,009
Commissions and fees paid		107,958	287	441	1,045	547	(38,285)	71,993
Administration expenses		709,888	20,149	46,759	6,9196	3,400	(42,255)	744,860
Other operational expenses		6,791,391	40,071	190,611	91,620	25,580	(26,244)	7,113,029
Income tax		(42,501)	3,016	4,031	-	-	-	(35,454)
Total expenses	$	**8,649,282**	**66,242**	**249,682**	**101,712**	**33,727**	**(106,784)**	**8,993,861**
Profit of period	$	**425,859**	**19,811**	**6,022**	**16,374**	**3,797**	**(55,570)**	**416,293**

e. Conciliation of net profit, assets and liabilities, of the operation reportable segments

The following is the detail of conciliations of total income, expenses, assets and liabilities of the segments with the corresponding items consolidated at level of the Holding Company:

1. Income

		December 31-2019	December 31-2018
Total income reportable by segment	$	11,187,036	9,572,508
a. Yields deposits at sight		(20,671)	(23,588)
b. Income real estate activities		(98,491)	(79,795)
c. Dividends		(24,115)	(13,575)
d. Participation Method		(41,703)	(43,575)
e. Other		(210)	(1,821)
Total consolidated income	$	**11,001,846**	**9,410,154**

2. Expenses

		December 31-2019	December 31-2018
Total reportable expenses per segment	$	10,556,209	9,100,645
a. Interest credit of banks		(19,568)	(15,273)
b. Real estate expenses		(98,491)	(79,795)
c. Participation method		-	(1,599)
d. Other		(4,364)	(10,117)
Total consolidated expenses	$	**10,433,786**	**8,993,861**

3. Assets

		December 31-2019	December 31-2018
Total reportable asset per segment	$	44,009,668	40,160,642
a. Banks and other correspondent		(8,102)	(9,987)
b. Interbank funds sold		(836,255)	(780,237)
d. Investments		(582,327)	(435,253)
e. Accounts receivable		(265)	(1,967)
f. Other		(5,022)	(11,588)
Total consolidated assets	$	**42,577,697**	**38,921,610**

4. Liabilities

		December 31-2019	December 31-2018
Total liability reportable per segment	$	38,574,850	35,223,898
a. Current accounts		(6,096)	(8,116)
b. Interbank funds purchases		(535,576)	(391,057)
c. Credit of banks		(300,680)	(389,180)
d. Accounts payable		(265)	(1,967)
e. Bonds		(16,389)	(16,252)
g. Other		(7,224)	(1,871)
Total consolidated liabilities		**37,708,620**	**34,415,455**

5. Equity

	December 31-2019	December 31-2018
Total equity reportable per segment	5,434,818	4,936,744
a. Social capital	(47,506)	(54,364)
b. Premium in shares placement	(198,940)	(198,940)
c. ORI	(881,301)	(866,842)
d. Surplus Participation Method	(74,011)	(13,895)
e. Profit or Loss	637,013	715,919
f. Other	(996)	(12,467)
Total Equity	**4,869,077**	**4,506,155**

Country		**December 31-2019**	**December 31-2018**
Colombia	$	4,633,819	4,348,330
Panamá		235,258	157,825
Total Equity	$	**4,869,077**	**4,506,155**

6. Income for Country

Country		December 31-2019	December 31-2018
Colombia	$	10,971,962	9,389
Bahamas		14	-
Barbados		26	274
Belize		15	-
Brasil		2,536	2,767
Cayman		13	-
Chile		2,281	1,159
Costa Rica		2,218	683
Ecuador		603	25
Guatemala		887	731
Honduras		121	113
Mexico		2,410	1,016
Panamá		1,375	1,179
Paraguay		1,753	173
Perú		5,390	2,766
República Dominicana		32	-
Rusia		4	4
Salvador		150	9
Singapur		18	-
Suiza		-	117
USA		9,471	8,611
Venezuela		567	1,201
Total consolidated income		**11,001,846**	**9,410,154**

f. Largest client of the Holding Company

There is not a client representing 10% of the total income of the Holding Company during the periods ended at 31-December-2019 and 2018.

Note 29 – Compensation of financial assets with financial liabilities

The following is the detail of financial instruments subject to compensation contractually required at 31-December-2019 and 2918:

At December 31- 2019

				Amounts related no Compensated in the financial situation statements		
		Financial Gross amounts of assets recognized	Net amount of financial assets Included in the Financial situation	Financial instruments	Collateral guarantee of cash received	Net aumont
Assets						
Derivative financial instruments	$	511,130	511,130	-	-	511,130
Repo and simultaneous operations		207,147	207,147	150,058	-	57,089
Total		**718,277**	**718,277**	**150,058**	**-**	**568,219**
Liabilities						
Derivative financial instruments		525,527	525,527	-	-	525,527
Repo and simultaneous operations		528,700	528,700	402,565	-	126,135
Total		**1,054,227**	**1,054,227**	**402,565**	**-**	**651,662**

At December 31- 2018

				Amounts related no Compensated in the financial situation statements		
		Financial Gross amounts of assets recognized	Net amount of financial assets Included in the Financial situation	Financial instruments	Collateral guarantee of cash received	Net amount
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**

The Holding Company and its subsidiaries Fiduciaria de Occidente S.A. have derivative financial instruments which are legally demandable according to Colombian legislation or the country where the counterpart operates. In addition, the Colombia legal standards allow for the Holding Company to offset derivative instruments of its same passive obligations.

Note 30 – Structured non-consolidated entities

The phrase "Structured non-consolidated entities" makes reference to all structured entities that are not controlled by Fiduciaria de Occidente S.A. this later carries out operations with structured non-consolidated entities within the normal purposes of the business in order to facilitate clients' transactions and for specific opportunities of investment.

The following table shows the total assets of the structured non-consolidated entities where Fiduciaria de Occidente S.A. had a participation at the reporting date and its max. exposure to participation at the reporting date and its max- exposure to loss in respect to such participations:

Funds managed by Grupo Aval		**December 31-2019**	**December 31-2018**
Total assets managed	$	298	676
Investments at fair value with changes in results		32,199	29,160
Other accounts receivable		134	426
The total of assets related to the interests of Grupo Aval in the entities structure unconsolidated		**32,631**	**30,262**
Max. exposure of Grupo Aval	$	**32,631**	**30,262**

Note 31 – Related parties

According to IAS 24, a related party is a person or entity related with the entity preparing its financial statements, which could make control or joint control on the reporting entity, to perform significant influence on the reporting entity, or otherwise, to be considered as member of the key staff of the top management of reporting entity or of any controller of the reporting entity. In the definition of related party, it is included: persons and/or relatives related with the entity (key staff of the top management), entities that are members of the same group (controller and subsidiary), associates or joint business of the entity or entities of the Grupo Aval.

According to above the related parties for 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. – NEXA BPO are classified in the following categories:

1. Natural Persons, exercising control or joint control on the Holding Company, i.e. that hold more than 50% participation on the reporting entity; additionally, includes the relatives that could have any influence to, or were influenced by that person.

2. Key staff of the top management, are included in this category the members of the Board of Directors and President of Grupo Aval, the Holding Company, Fiduciaria de Occidente S.A., General Manager of Ventas y Servicios S.A., - NEXA BPO, Occidental Bank Barbados Ltd. and Banco de Occidente Panamá S.A. plus the key staff of the top management of these entities, i.e. the persons taking part in planning, management and control of such entities.

3. Companies of the same group, in this category the controller company, subsidiaries or other subsidiaries are included of the same controller of Grupo Aval.

4. Associates companies and Joint Business: Companies where Grupo Aval exercises significant influence, which usually is considered when the participation held is 20% to 50% of its capital.

5. In this category the entities controlled by natural persons are included, included in categories 1 and 2.

6. In this item, 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-2019 and 2018, with related party, are included in the following tables, which headings correspond to the definitions of the related parties, recorded in above three categories:

December 31-2019

		Categories					
		1	2	3	4	5	6
		Natural Persons with control on Banco de Occidente	Key staff of the management	Companies belonging to the same group	Associates and joint business	Entities that are controlled by the persons included in category 1 and 2	Entities with significant influence by persons included in categories 1 and 2
Asset							
Cash and equivalent to cash	$	-	-	3,015	-	-	-
Financial assets in investments		-	-	-	310	9	-
Financial asset in credit operations		25	15,306	164,348	137,618	317,031	782
Accounts receivable		-	106	31,169	107	1,907	55
Other assets		-	-	1,684	-	-	-
							-
Liabilities							
Deposits		156,599	30,776	944,895	17,610	410,191	998
Account payable		168	4,677	56,861	132	11,156	-
Financial obligations		-	-	93,980	1,000	49,780	-
Other liabilities	$	-	-	4,249	-	-	15

December 31-2018

		Categories					
		1	2	3	4	5	6
		Natural Persons with control on Banco de Occidente	Key staff of the management	Companies belonging to the same group	Associates and joint business	Entities that are controlled by the persons included in category 1 and 2	Entities with significant influence by persons included in categories 1 and 2
Asset							
Cash and equivalent to cash	$	-	-	16,413		-	-
Financial assets in investments		-	-	-	-	-	-
Financial asset 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
Account payable		20	3,398	50,170	528	5,226	-
Financial obligations	$	-	770	10,906	-	-	-

The most representative transactions for the years ended at 31-December-2019 and 2018 with related parties, include:

a. Sales, services and transferences

December 31-2019

		Categories					
		1	2	3	4	5	6
		Natural Persons with control on Banco de Occidente	Key staff of the managemen t	Companies belonging to the same group	Associates and joint business	Entities that are controlled by the persons included in category 1 and 2	Entities with significant influence by persons included in categories 1 and 2
Income for interest	$	67	1,026	13,343	973	14,351	81
Financial expenses		162	915	26,660	379	14,755	13
Income for fees and commissions		2	199	8,326	28,543	590	6
Expense for fees and commissions		-	482	88,575	9,627	162	-
Other operation income		7	578	166,968	4,439	5,176	-
Other expenses	$	-	117	4,170	19,987	10,584	-

December 31-2018

		Categories					
		1	2	3	4	5	6
		Natural Persons with control on Banco de Occidente	Key staff of the managemen t	Companies belonging to the same group	Associates and joint business	Entities that are controlled by the persons included in category 1 and 2	Entities with significant influence by persons included in categories 1 and 2
Income for interest	$	20	1,091	121,333	1,122	29,940	80
Financial expenses		206	1,049	28,692	250	11,278	9
Income for fees and commissions		2	126	9,395	21,204	362	5
Expense for fees and commissions		-	536	69,104	15,115	122	5
Other operation income		4	935	2,669	4,827	5,501	-
Other expenses	$	-	703	10,920	14,745	13,098	-

The amounts pending are not guaranteed and will be liquidated in cash. Guarantees have neither given not received. No any expense has been recognized in the current year nor in other prior years with respect of irrecoverable of doubtful accounts related to the due amounts by related parties.

b. Compensation **of the key staff of the top management**

The compensation received by the key staff of the top management include the following for the periods ended at 31-December-2019 and 2018:

Concepts		**December 31-2019**	**December 31-2018**
Salaries	$	20,339	22,683
Benefits to employees at short time		707	17,257
Post-employment benefits		-	10
Other benefits at long-time		398	1,041
Benefits for termination		**-**	**205**
Total	$	**21,444**	**41,196**

Note 32 – Events after the closing date of preparation of financial consolidated statements

The following is the list of the events occurred during the closing date at 31-December-2019 and 28-February-2020, date of the report by the statutory auditor, influencing on the financial consolidated statements at such closing date and that may impact the results and equity of Holding Company.

On 30-August-2019, through the Minutes of the Board of Directors No. 1530 the mobilization or real estate assets to the Private Capital Fund Nexus Real Estate Compartment Real Properties of the Holding Company, Managed by Nexus Capital Partners SAS" and managed by "Fiduciaria de Occidente", the authorization of the Board of Directors indicated that such mobilization would be made through sale of 12 real properties in 2020 and 18 real properties in 2021, as consideration to the sale the Holding Company would receive units of participation of the Fund of Capital.

On December 17-2019 the documents of constitution were filed in the Colombia Finance Superintendence, reporting the constitution of said compartment of portion of the Private Fund of Capital Nexus Inmobiliario, for the purpose to start operations 15 days after the filing, as provided in the framework established in Article 3.3.2.2.1 of the part 3 of Decree 2555 – 2010, concordant with the item 1.3, Chapter VI Title VI Part III of the Basic Legal Circular issued by this Superintendence (External Circular 029-2014), where the constitution of the Funds of Private Capital and its regulations do not require previous authorization by the Finance Superintendence, on January 13-2020, as not any observation was received against the constitution of compartment, the operations thereof started, and therefore the Holding Company made the sale of a real property through the signature of the commitment of investment in kind, which corresponded to a contribution for $2,490.

The real properties matter of the sale was re-classified on January-2020 of the category Property and Equipment for own use to other assets available for sale.

Note 33 – Approval of Financial Statements

The consolidated financial statements and the notes attached, were approved by the Board of Directors and the legal representative, according to Minutes No. 1543 dated 28-February-2020, to be submitted to the Stockholders General Meeting for the approval, and the stockholders may approve or amend.