Consolidated Statement of Financial Situation at December, 2017

Banco de Occidente

Banco de Occidente S.A.
and Subsidiaries
Consolidated Statement of Financial Situation at
December, 2017

Fiduciaria de Occidente S.A.

Banco de Occidente Panamá S.A.

Occidental Bank Barbados Ltd.

Ventas y Servicios S.A.

KPMG **KPMG S.A.S.**
Calle 4 Norte No. 1N-10, Piso 2
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REPORT BY STATUTORY AUDITOR

Shareholders
Banco de Occidente S.A.:

I have audited the separated financial statements of Banco de Occidente S.A., and the Subsidiaries (the group) thereof, comprising the s statement of financial situation at December 31, 2017 and the consolidated statements of results, from other integral results of changes in the patrimony and the cash flows for se semester ended in that date and its respective notes, including a summary of the significant accounting policies and other explanatory information.

Responsibility of management in connection with the consolidated financial statements

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

Responsibility of the Statutory Auditor

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

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

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

Opinion

In my opinion, the consolidated financial statements mentioned, and attached to this report, contain, reasonably, in all the aspects of material significance, the consolidated financial situation of the Group, December 31, 2017, the consolidated results of the operations and separated cash flows for the year ended in that date, in accordance with the Accounting and Financial Information Standards Accepted in Colombia, applied in an uniform manner with the precedent year.

Paragraph of Emphasis

Without qualifying my opinion, I draw the attention about the Note 2.3 to consolidated financial statements indicating that Banco were changed in 2017 concerning to accounting closing established to submit the financial statements, defining an annual period ended at December 31 up to 2016 applied biannual closings ended on June 30 and December 31, each year. For comparison purposes, relevant pro-forma figures for the year ended on December 31, 2016, in the consolidated statements of results, and other integral results, of changes of patrimony and cash-flows, as well as in the relevant notes.

Other Issues

The consolidated pro-forma financial statements at, and for year ended on December 31, 2016, were prepared based on the consolidated financial statement on and for the six months period ended on December 31 and June 30 2016, which I audited, and in my reports dated February 27, 2017 and September 6, 2016, respectively, I issued an unqualified opinion about them.

Signed,

Wilson Romero Montañez
Statutory Auditor, Banco de Occidente S.A.
T.P. 40552-T
Member of KPMG S.A.S.

February 21, 2018

BANCO DE OCCIDENTE S.A. Y SUBSIDIARIAS
CONSOLIDATED STATEMENT OF FINANCIAL SITUATION
(Given in Colombian Pesos)

	Notes		December 31, 2017	December 31, 2016
ASSETS				
Cash and equivalent to cash	6 and 31	$	**2,457,030**	**2,139,606**
Financial asset of investment				
Financial instruments at reasonable value with changes in results				
Investments in debt securities	7		4,657,836	4,063,719
Investments in patrimony instruments	7 and 31		335,654	413,739
Derivatives instruments of negotiation	9 and 30		106,391	155,902
Total financial instruments at reasonable value with changes in results			**5,099,881**	**4.633,360**
Financial instruments at reasonable value with changes in patrimony – OIR	7 and 31		**67,079**	**58,224**
Financial instruments of deb at amortized cost	8		**689,023**	**542,008**
Total financial assets of investment			**5,855,983**	**5,233,592**
Financial asset by credit portfolio at amortized cost, net	10 and 31			
Commercial portfolio and commercial leasing			**20,574,550**	**19,539,099**
Commercial Leasing			19,089,969	19,300,205
Repos and interbank and others			1,484,581	238,894
Consumption portfolio and leasing consumption			6,873,690	6,892,963
Mortgage portfolio and leasing portfolio			1,168,389	1,014,080
Total credit portfolio			**28,616,629**	**27,446,142**
Impairment of portfolio			**(1,135,748)**	**(872,280)**
Commercial portfolio and commercial leasing impairment			(637,634)	(454,641)
Consumption and leasing consumption portfolios			(468,406)	(395,943)
Mortgage and leasing portfolio impairment			(29,708)	(21,696)
Total financial assets by credit portfolio at amortized cost, net			**27,480,881**	**26,573,862**
Other accounts receivable, net	11 and 31		**136,534**	**140,104**
Investments in associated companies and joint business	13		**672,169**	**570,782**
Tangible asset, net	14			
Property and equipment for own use			550,444	552,622
Equipment under operative leasing contract			4,076	2,076
Property of investment			218,164	144,865
Total tangible asset, net			**772,684**	**699,563**
Tangible assets, net	15			
Capital gain			22,724	22,724
Other intangible assets			169,347	146,418
Total intangible asset, net			**192,071**	**169,142**
Total asset for income tax	16			
Current			147,983	-
Deferred			-	25
Total asset for income tax			**147,983**	**25**
Other assets			**49,717**	**56,451**
TOTAL ASSETS		**$**	**37,765,052**	**35,583,127**

BANCO DE OCCIDENTE S.A. Y SUBSIDIARIAS
CONSOLIDATED STATEMENT OF FINANCIAL SITUATION
(Given in Colombian Pesos)

LIABILITIES AND PATRIMONY	Notes		December 31, 2017	December 31, 2016
Financial libailities				
Finacial liabilities at reasonable value				
Isgotiation derivatives instruments				
Total financial liabilities at reasonable value	9 and 30	$	96,765	192,258
Financial liabilities at amortized cost			**96,765**	**192,258**
Clients deposits	17 and 31		**26,169,108**	**24,176,056**
Current accounts			6,035,979	6,087,573
Saving accounts			11,449,504	8,992,828
Term deposits certificates			8,623,959	9,048,180
Other deposits			59,666	47,475
Financial obligations	18 and 31		**5,802,729**	**5,504,607**
Interbank funds and overnights			122,560	678,377
Credits of banks and others			1,295,542	1,027,886
Bonus and investment securities			3,281,965	2,811,593
Obligations with rediscount entities			1,102,662	986,751
Total financial liabilities at amortized cost			**31,971,837**	**29,680,663**
Provisions	20			
Provision for legal contingencies			4,332	4,361
Other provisions			17,955	17,473
Total Provisions			**22,287**	**21,834**
Liability for income tax, net	16			
Current			10,328	46,789
Impairment			327,890	277,664
Total liability for income tax			**338,218**	**324,453**
Benefits to employees	19		**101,927**	**90,816**
Other liabilities	21 and 31		**823,639**	**866,572**
TOTAL LIABILITIES		$	**33,354,673**	**31,176,596**
PATRIMONY				
Controlling interest				
Subscribed and paid capital	22	$	4,677	4,677
Premium in stock placements			720,445	720,445
Reserves	22		2,886,015	2,966,135
Unappropriated profit				
Adoption of IFRS for the first time			295,148	295,148
From previous operational periods			88,658	(337,702)
Total unappropriated retained profit			**383,806**	**(42,554)**
Profit of the operational period			360,712	666,319
Other integral results			35,972	73,913
Patrimony of controlling interest			**4,391,627**	**4,388,935**
Non-controlling interest	23		18,752	17,596
TOTAL PATRIMONY			**4,410,379**	**4,406,531**
TOTAL LIABILITIES AND PATRIMONY			**37,765,052**	**35,583,127**

See notes 1 to 33 that form an integral part of the consolidated financial statements

(SIGNATURE)
LEGAL REPRESENTATIVE (*)

(SIGNATURE)
JULIAN ANDRES DUQUE MOTOA
ACCOUNTANT
P.T. 101343-T

(SIGNATURE)
WILSON ROMERO MONTAÑEZ
Statutory Auditor, Banco de Occidente S.A.
P.T. 40552 –T
Member of KPMG
(See my report of february 21, 2018)

(*) The undersigned legal representative and the public accountant do hereby certify that we have verified the assertions contained in these consolidated financial statement and that they have been properly taken from the accounting books from the company´s accounting books

BANCO DE OCCIDENTE S.A. Y SUBSIDIARIAS
CONSOLIDATED STATEMENT OF FINANCIAL SITUATION
(Given in Colombian Pesos)

	Notes		Years ended on: December 31, 2017	December 31, 2016
Income for interest				
Interest on credit portfolio and financial leasing operations:		$	**3,262,111**	**3,152,276**
Interest on commercial portfolio			2,019,951	2,032,514
Interest on consumption portfolio			1,107,356	1,022,412
Interest on housing portfolio			108,995	90,229
IncIncome for repos and interbank			25,809	7,120
Interest on investments in debt securities at amortized cost			13,391	13,628
Total income for investments			**3,275,502**	**3,165,903**
Expenses for interest and similar				
Current accounts			11,412	12,284
Saving deposits			487,153	485,917
Time deposits certificates			534,843	568,678
Total Interest on deposits			**1,033,408**	**1,066,879**
Financial Obligations			**354,781**	**388,382**
Interbank funds and overnight			22,772	39,415
Credits from banks and other			37,153	37,614
Bonus and investment securities			242,344	263,780
Obligations in rediscount entities			52,512	47,573
Total expenses for interest and similar			**1,388,189**	**1,455,261**
Net income for interest			**1,887,313**	**1,710,642**
Impairment of financial assets			919,794	660,488
Impairment of credit portfolio or interest receivable, net			(95,486)	(90,498)
Recovery of write-off			**824,308**	**569,990**
Loss for financial asset impairment			**1,063,005**	**1,140,652**
Income for commissions	**26 and 31**		**401,829**	**392,372**
Expenses for commissions	**26 and 31**		**94,184**	**99,999**
Net income for commissions			**307,645**	**292,373**
Net income or expenses of assets or liabilities maintained for negotiation			**178,851**	**360,614**
Net profit on negotiable investment			174,958	337,381
Net profit on financial instrument derivatives of negotiation			3,893	23,439
Net loss for hedging activities			-	(206)
Other Income, net	27			
Net profit for exchange difference			52,063	21,233
Profit/ (loss) net in sale of investments			13,588	(2,432)
Profit for sale of non-current asset maintained for sale	12		410	263
Participation in profit of associated companies, and joint business by method of Patrimonial participation	13		141,957	117,625
Dividends			5,864	21,486
Net profit in valuation of properties of investment			32,612	31,296
Income for sale of bonds and services of companies of the real sector			138,566	126,296
Other operation income			46,597	89,563
Total other income, net			**431,657**	**405,303**
Other income	31			
Loss of non-current asset maintained for sale			947	15
Personnel expenses			**631,312**	**582,821**
Indemnities			2,848	6,469
Payments of bonuses			4,537	4,968
Salaries and benefits to employees			623,927	571,384
Administration general expenses	28		**731,965**	**635,435**
Expenses for depreciations and amortization			**77,147**	**75,290**
Depreciation of tangible assets			63,837	60,442
Amortization of intangible assets			13,310	14,848
Other operational expenses			**8,476**	**10,899**
Expenses dor grants			507	213
Other expenses			7,969	10,686
Total other expenses			**1,449,847**	**1,304,460**
Profit before income tax			**531,311**	**894,482**
Expenses of income tax	16		168,792	224,665
Continued operation profit of the operational period			**362,519**	**669,817**
Profit attributable to:				
Controlling interest			**360,712**	**666,319**
Non-controlling interest	23		**1,807**	**3,498**
Net profit per share, in pesos	22		**2,314**	**4,274**

see notes 1 to 33 that form an integral part of the consolidated financial statements

(SIGNATURE)
LEGAL REPRESENTATIVE (*)

(SIGNATURE)
JULIAN ANDRES DUQUE MOTOA
ACCOUNTANT- P.T. 101343-T

(SIGNATURE)
WILSON ROMERO MONTAÑEZ - Statutory Auditor, Banco de Occidente S.A.
Member of KPMG - (See my report of february 21, 2018) - P.T. 40552 –T

(*) The undersigned legal representative and the public accountant do hereby certify that we have verified the assertions contained in these consolidated financial statement and that they have been properly taken from the accounting books from the company´s accounting books

BANCO DE OCCIDENTE S.A. Y SUBSIDIARIAS
CONSOLIDATED STATEMENT OF FINANCIAL SITUATION
(Given in Colombian Pesos)

	Notes		Years ended on: December 31, 2017	December 31, 2016
Profit of continued operations of the operational period		$	**362,519**	**669,817**
Items that may be subsequently reclassified to results			(728)	1,666
Difference in exchange, net, in conversion of foreign operations	9		(85)	(6,905)
Difference in exchange for investments in subsidiaries abroad			85	6,905
Net unrealized profit in foreign hedging			99	-
Adjustments for difference in exchange of subsidiaries abroad	13		2,943	4,966
Adjustment impairment of credit portfolio for consolidated financial statements			(73,493)	76,845
Deferred tax, that may be subsequently reclassified to results	16		31,276	-
Total items that may be subsequently reclassified to results			**(39,903)**	**83,477**
Items that will be reclassified to results				
Profit (loss) net, unrealized in financial instruments measured at reasonable value	5		4,231	(18,476)
(Loss) actuarial profit in planes of deferred benefits	19		(3,743)	1,439
Deferred tax recognized in other integral results	16		1,090	(29,170)
Total items that will to not reclassified to results			**1,578**	**(46,207)**
Total other integral results during operational period, net of tax			**(38,325)**	**37,270**
Integral result total of the operational period		**$**	**324,194**	**707,087**
Integral results attributable to:				
Controlling interest		**$**	**322,771**	**706,524**
Non-controlling interest		**$**	**1,423**	**563**

See notes 1 to 33 that form an integral part of the consolidated financial statements

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BANCO DE OCCIDENTE S.A. Y SUBSIDIARIAS
CONSOLIDATED STATEMENT OF FINANCIAL SITUATION
(Given in Colombian Pesos)

Years ended on December 31, 2017 and 2016		Subscrib. and paid Capital (Note 22)	Premium in placement Shares	Reserve (Note 22)	Adoption IFRS for first time	Of prior Operation Periods	Profit of Operation Period	Other integral results	Total or patrimony of controlling interest	Non-controlling interest	Total net Patrimony
Balance December 31, 2015	**$**	**4,677**	**720,445**	**2,760,686**	**295,148**	**(68,762)**	**226,493**	**37,206**	**3,975,893**	**14,349**	**3,990,242**
Transfer to results		-	-	-	-	226,493	(226,493)	-		-	-
Issue of shares		-	-	-	-	-	-	-		512	512
Constitution of reserves		-	-	314,087	-	(314,087)	-	-		-	-
Release of reserves		-	-	(71,491)	-	71,491	-	-		-	-
Distribution of dividends in shares		-	-	-	-	-	-	-		(512)	(512)
Dividends distribution in cash		-	-	-	-	(304,003)	-	-	(304,003)	(702)	(304,705)
Net movement of other integral results		-	-	-	-	-	-	36,707	36,707	563	37,270
Increment for measure of financial asset measured at reasonable value		-	-	-	-	11,181	-	-	11,181	-	11,181
Wealthy tax		-	-	(37,147)	-	-	-	-	(37,147)	(112)	(37,259)
Sale stock of stocks CIFIN at reasonable value		-	-	-	-	44,235	-	-	44,235	-	44,235
Deferred tax recognized in sale of shares CIFIN		-	-	-	-	(4,250)	-	-	(4,250)	-	(4,250)
Profit of the year		-	-	-	-	-	666,319	-	666,319	3,498	669,817
Balance at Dec. 31, 2016	**$**	**4,677**	**720,445**	**2,966,135**	**295,148**	**(337,702)**	**666,319**	**73,913**	**4,388,935**	**17,596**	**4,406,531**
Performing of OIR and/or adoption for 1st time		-	-	-	-	-	-	(3,673)	(3,673)	-	(3,673)
Transfer to results		-	-	-	-	666,319	(666,319)	-	-	-	-
Effect in initial balance for realization of retained profit		-	-	-	-	(5)	-	-	(5)	(2)	(7)
Issue of shares		-	-	-	-	-	-	-	-	970	970
Constitution of reserves		-	-	240,894	-	(240,894)	-	-	-	-	-
Releasing of reserves		-	-	(305,948)	-	305,948	-	-	-	-	-
Distribution of dividends in shares		-	-	-	-	-	-	-	-	(970)	(970)
Distribution of dividends in cash		-	-	-	-	(308,681)	-	-	(308,681)	(245)	(308,926)
Net movement of other integral results		-	-	-	-	-	-	(34,268)	(34,268)	(384)	(34,652)
Wealthy tax (Note 22)		-	-	(15,066)	-	-	-	-	(15,066)	(20)	(15,086)
Profit of the year		-	-	-	-	-	360,712	-	360,712	1,807	362,519
Effect on retained profit for realization of OIR		-	-	-	-	3,673	-	-	3,673	-	3,673
Balance at December 31,2017	**$**	**4,677**	**720,445**	**2,886,015**	**295,148**	**88,658**	**360,712**	**35,972**	**4,391,627**	**18,752**	**4,410,379**

See notes 1 to 33 that form an integral part of the consolidated financial statements

(SIGNATURE)
LEGAL REPRESENTATIVE (*)

(SIGNATURE)
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ACCOUNTANT
P.T. 101343-T

(SIGNATURE)
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BANCO DE OCCIDENTE S.A. Y SUBSIDIARIAS
CONSOLIDATED STATEMENT OF FINANCIAL SITUATION
(Given in Colombian Pesos)

		Years ended on:	
		December 31, 2017	December 31, 2016
Flows of cash from operation activities			
Profit of the operational period	$	**360,712**	**666,319**
Non-controlling interest		1,807	3,498
Reconciliation of the net profit with the net cash (used in) provided by the operation activities:			
Depreciation of tangible assets		63,837	60,442
Amortization of intangible assets		13,310	11,553
Expense income tax		168,792	224,665
Impairment of credit portfolio and accounts receivable, net		919,794	662,325
Expenses for interest derived from client deposits and financial obligations		1,388,189	1,455,261
Income for interest derived from credit portfolio and financial leasing operations		(3,262,111)	(3,145,155)
Dividends caused		(5,864)	(21,486)
Recovery of investment impairment, net		-	(274)
Loss (net profit) in sale of non-current assets maintained for sale		537	(263)
Profit of sale in associated companies and joint business		-	(471)
Utility for sale of property and equipment for own use		(369)	(7)
Net profit in valuation of derivatives financial instruments		(3,893)	(23,234)
Impairment of tangible impairment, net		3,076	250
Adjustment in exchange		5,075	(26,770)
Patrimonial participation method in investment in associates and joint business		(141,957)	(117,625)
Profit in valuation of financial asset of investment at amortized cost		(13,391)	(13,623)
Adjustment at reasonable value of investment properties		(32,612)	(31,269)
Reversion of expression of bonds		73	-
Net variation in operational assets and liabilities:			
(Increase) diminution of financial instruments derivatives of negotiation		(38,965)	174,026
Increase (diminution) in financial asset at reasonable value		(524,636)	377,146
Increase of credit portfolio		(1,744,344)	(1,461,798)
Increase in accounts receivable		(74,651)	(24,061)
Increase in non-current asset maintained for sale		(8,714)	(8,289)
Diminution (increase) net, in other assets		6,399	(35,252)
Increase deposits of clients		2,025,906	308,918
Increase (diminution) net, in provisions		496	(15,175)
Diminution, net, in other liabilities		(157,192)	(217,957)
Increase of benefits to employees		7,365	200
Diminution of interbank loans and Funds overnight		(553,003)	(364,927)
Interest received from credit portfolio and operations of financial leasing		3,147,224	3,011,037
Interest paid of clients deposits and financial obligations		(1,416,714)	(1,340,169)
Income tax paid		(156,970)	(43,292)
Payment of wealthy tax		(15,086)	(37,356)
Net asset (used in) provisioned for investment activities		**(37,880)**	**27,187**
Cash Flow of investment activities:			
Acquisition property and equipment for own use		(82,470)	(161,678)
Acquisition of assed delivered in operative leasing		(3,100)	(362)
Acquisition of property of investment		(66,712)	(38,045)
Acquisition of financial assets at amortized cost		(703,622)	(543,773)
Acquisition of other intangible assets		(36,238)	(35,656)
Resulting from redemption financial asset of interest at amortized cost		569,903	540,756
Resulting from the sale of property and equipment for own use		22,484	93,420
Resulting from the sale of assets delivered inoperative leasing		314	394
Resulting from the sale of property investment		22,430	33,512
Resulting from the sale of non-current asset maintained for sale		8,177	8,552
Dividends received		75,014	122,817
Net cash provisioned by (used in) financing activities		**(193,720)**	**19,937**
Cash flow of financial activities:			
Acquisition of financial obligations		2,966,721	2,854,057
Payments of financial obligations		(2,577,642)	(3,216,428)
Issuing of investment outstanding securities		1,000,000	647,750
Payments of investment outstanding securities		(526,730)	(459,177)
Dividends paid		(307,767)	(298,445)
Cash flow of financial activities:		**554,582**	**(472,243)**
Effect of the profit or loss in exchange of cash and equivalent to cash		(5,558)	(19,324)
Increase (diminution) of cash and equivalent to cash		317,424	(444,443)
Cash and equivalent to cash at the beginning of year		2,139,606	2,584,049
Cash and equivalent to cash at the end of year		**2,457,030**	**2,139,606**

See notes 1 to 33 that form an integral part of the consolidated financial statements

(SIGNATURE) **LEGAL REPRESENTATIVE (*)**

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

(SIGNATURE) **WILSON ROMERO MONTAÑEZ - Statutory Auditor, Banco de Occidente S.A.** **Member of KPMG - (See my report of february 21, 2018) - P.T. 40552 –T**

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Note 1. - Reporting Entity

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

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

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

At December 31, 2017, the Holding Company has in place an authorized personnel plant consisting of 10,687 employees distributed in 1,055 branch offices with fixed term labor agreement, 7,220 with indefinite term labor agreement, 400 with apprenticeship labor agreement, 1,840 with civil agreement for service supply, and 172 Outsourcing and specialized companies, throughout 248 Attention centers in in Colombian territory, distributed in 224 offices, 5 payment and collection centers, 8 credit centers of vehicles and motor cycles, 7 leasing offices, and 4 credit centers of housing.

The Holding Company holds control situation managed by the society Grupo Aval Acciones y Valores S.A., who is its ultimate controlling entity, and this, in turn, holds control situation on 95,00% of entities abroad in Banco de Occidente Panama S.A. and 100% in Occidental Bank Barbados Ltd. and in the country 94.98% of Sociedad Fiduciaria de Occidente S.A. and 45.00% of Ventas y Servicios S.A.

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

Subsidiaries' Corporate Information

Fiduciaria de Occidente S.A. – Fiduoccidente line of business is to enter into mercantile trust contracts and Fiduciary Mandates non-transfer of domain, according to the legal provisions. The basic purposes are to acquire, alienate, taxation, administer movable and immovable property and intervene as debtor or creditor in any type of credit operations. At December 31, 2017, Fiduciaria de

Occidente S.A., has in place 533 employees distributed in 30 with fixed term labor agreement, 433 with indefinite term labor agreement, 34 with apprenticeship labor agreement and 36 outsourcing, and specialized companies throughout 11 agencies located in Medellin, Cali, Barranquilla, Manizales, Bucaramanga, Cartagena, Pereira, Santa Marta, Monteria, and San Andrés cities.

Banco de Occidente (Panamá) S.A. is an entity incorporated according to República de Panamá legislation, and start the banking operations on June 30, 1982 supported on the international license issued by Comisión Bancaria Nacional de la República de Panamá. At December 31, 2017, Banco de Occidente (Panamá) S.A. has in place total 69 employees distributed in 2 with fixed term labor agreement, 55 with indefinite term labor agreement (19 discharge especial activities to Occidental Bank Barbados), 1 with temporary, occasional or labor agreement (this collaborator discharges especial activities to Occidental Bank Barbados) and 11 Outsourcing and companies specialized operating in any branch office.

Occidental Bank (Barbados) Ltd. was incorporated under the laws of Barbados, on May 16, 1991, with international license allowing supplying financial services to natural persons, companies not domiciled in Barbados. At December 31, 2017, Occidental Bank (Barbados) Ltd. has in place total 16 employees distributed in 1 under fixed term labor agreement and 15 with indefinite term labor agreement, 2 out of which develop their activities directly in Barbados and 14 are located in the representation office in Colombia of Occidental Bank (Barbados) Ltd.

The corporate purpose of Ventas y Servicios S.A. is to supply technical or administrative services to those indicated in the fifth article in Act 45, 1990, such as computer programming, marketing, creation of consultation file organizations and performance of statistic calculations and reports at large. The company Ventas y Servicios S-A- is developed at the administrative level made by the Holding Company itself. At December 31, 2017, Ventas y Servicios S.A. has in place 6,804 total employees distributed in 162 with fixed term labor agreement, 5.316 with indefinite term labor agreement, 1,082 with construction and labor contract and 244 with apprenticeship contract through 18 regionals in Colombian territory.

Note 2. Bases of preparation financial statements, and summary of the most significant accounting policies.

2.1 Declaration of compliance and theoretical technical regulatory framework

The consolidated financial statements have been prepared in keeping the International Financial Reporting Standards (IFRS) accepted in Colombia set forth in Act 1314/2009, regulated under Regulatory Unique Decree 2420/2015 as amended by Decrees 2496/2015, 2131/2016 and 2170/2017. The IFRS applicable in 2017, based on the International Financial Information standards (IFRS) together with their interpretations, issued by International Accounting Standards Board – **IASB** ; the basis of standards correspond to those officially translated into Spanish) and issued by the IASB at December 31, 2015.

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

The article 10 in Act 1739/2014, provided the possibility to levy the wealth tax against patrimonial reserves, rather than the recognition of expense according to provision in IAS 37. The Holding Company and its subsidiaries took in such provision.

According to the External Circular 036/2014, by Colombia Financial Superintendence, the adjustments for impairment of the folio in the consolidated statement in connection with the amount of impairment for separated financial statement status, such adjustments need to be recognized in a patrimony account in the consolidated financial situation statement.

The principal accounting policies applied to the preparation of consolidated financial statements for the years ended at December 31, 2017 and 2016, included below, have been usually applied according to International Accounting Standards (IAS):

2.2. Bases of measurement

The consolidated financial statements have been prepared based on the historical cost, excepting the following important items included in the consolidated financial situation statement:

- The financial instruments derivatives are measured at the reasonable value.
- The investment financial instruments at reasonable value with changes in the result and in other integral results are measured at the reasonable value.
- The property of investment is measured at the reasonable value.

2.3. Comparison of presentation of Financial Statements of closing operational period

In the stockholders general meeting held on September 7, 2016, under minute No. 127, the Holding Company's Articles of Incorporation reform was approved in the articles No. 16, 19, and 43 for the purposes that as from 2017 only one annual operation period of the Holding Company will be made rather than semiannual periods. For the reason above, and taking into account that for 2016, consolidated financial statements were made, at and for the semiannual operational periods ended on June 30 and December 31, 2016, and for comparison purposes to the consolidated financial statements of the operational period 2017, corresponding pro-forma figures for the operational period ended on December 31/2016 in the consolidated statements of results and of the other integral results, of patrimony changes and cash-flows, as well as in the relevant notes.

2.4. Consolidation Bases

a) Subsidiaries

According to International Financial Information standards IAS10, the Holding Company must prepare consolidated financial statements with the entities where the Holding Company holds control. The Holding Company holds control in other entity, if and only if accomplishes with all the elements below:

- Power on the participated entity conferring the present capacity to manage its relevant activities significantly impacting its performance.
- Exposure or right to variable yield, resulting from its intervention in the participate entity.
- Capability to use its power over the participate entity to influence on the investor´s performance returns.

In the consolidation process the Holding Company combines the asset, liabilities and results of the entities where control is made, following the homogenization of its accounting policies and conversion to Colombia Pesos of the entities controlled abroad. In such process, the Holding Company proceeds to the removal of reciprocal transactions and unrealized profits among entities.

The participation of the non-controlling interest in the controlled entities is included in the patrimony in a manner separated from the stockholders' patrimony of the Holding Company.

The financial statements of companies controlled abroad in the consolidation process, their assets and liabilities are converted to Colombian Pesos at the exchange type of the closing, the results statement at the average exchange rate of the period and the patrimony at historical exchange rate. The resulting net adjustment is included in the patrimony as "adjustment for financial statement conversion" in other integral result account.

Financial statements of Subsidiaries are included in the consolidated financial statements from the date when the control begins until the date of the closing thereof.

The Subsidiaries financial statements used in the consolidation process correspond to the same operational period, and to the same presentation date as that of the Holding Company.
The consolidated financial statements include the subsidiaries listed below:

Subsidiaries	Origin	% participation	No. of shares as December 31, 2017
Fiduciaria de Occidente S.A.	National	94.98%	17,783,086
Ventas y Servicios S.A.	National	45.00%	1,326,879
Banco de Occidente Panamá S.A.	Foreign	95.00%	1,561,001
Occidental Bank (Barbados) Ltd	Foreign	100.00%	2,015

The total amount of asset, liabilities, patrimony, operational income and results as of December 31, 2017 and 2016 of each one the subsidiaries included in the consolidation is as follows:

December 31, 2017		Activos	% Part	Pasivo	% Part	Patrimonio	% Part	Ingresos operacionales	% Part	Results	% Part
Banco de Occidente S.A. (Holding company)	$	34,301,279	89.6%	30,267,399	89.5%	4,033,880	90.9%	6,652,950	93.7%	329,120	89.7%
Fiduciaria de Occidene S.A.		234,733	0.6%	14,795	0.0%	219,938	5.0%	80,146	1.1%	19,048	5.2%
Banco de Occidente Pananá S,A,		2,491,583	6.5%	2,413,992	7.1%	77,591	1.7%	114,071	1.6%	15,116	4.1%
Occidental Bank (Barbados) Ltda		1,174,465	3.1%	1,095,681	3.2%	78,784	1.8%	38,385	0.5%	2,506	0.7%
Ventas y Servicios S.A.		59,601	0.2%	33,906	0.1%	25,695	0.6%	213,618	3.0%	1,025	0.3%
Total	$	38,261,61	100%	33,825,773	100%	4,435,888	100%	7,099,170	100%	366,815	100%
Consolidated Financial Statement		37,765,052		33,354,673		4,410,379		6,994,318		362,519	

December 31, 2016		Activos	% Part	Pasivo	% Part	Patrimonio	% Part	Ingresos operacionales	% Part	Results	% Part
Banco de Occidente S.A. (Holding Company)	$	32,797,344	89.6%	28,703,372	89.3%	4,093,972	91.6%	8,555,634	94.8%	530,124	89.9%
Fiduciaria de Occidente S.A.		235,012	0.6%	17,757	0.1%	217,254	4.9%	89,483	1.0%	27,329	4.6%
Banco de Occidente Panamá S.A.		2,595,361	7.1%	2,534,729	7.9%	60,631	1.4%	131,500	1.5%	12,801	2.1%
Occidental Bank (Barbados) Ltd.		902,549	2.5%	829,500	2.6%	73,050	1.6%	50,864	0.6%	11,927	2.0%
Ventas y Servicios S.A.		65,517	0.2%	40,773	0.1%	24,744	0.6%	199,504	2.2%	14,273	2.4%
Total	$	36,595,783	100%	32,126,131	100%	4,469,651	100%	9,026,985	100%	596,454	100%
Consolidated Financial Statement Banco de Occidente S.A.	$	35,583,127		31,176,596		4,406,531		8,981,899		669,817	

Effect of Consolidation

The effect of consolidation on the structure of financial statements of the Holding Company at the closing December 31, 2017 and 2016 was as follows:

December 31, 2017

		Total Hold. Company	Total Consolidated	Increase (Diminution)
Assets	$	34,301,279	37,765,052	3,463,773
Liabilities		30,267,399	33,354,673	3,087,274
Patrimony		4,033,880	4,410,379	376,499
Results	$	329,120	362,519	33,399

December 31, 2016

		Total Hold. Company	Total Consolidated	Increase (Diminution)
Assets	$	32,797,344	35,583,127	2,785,783
Liabilities		28,703,372	31,176,596	2,473,224
Patrimony		4,093,972	4,406,531	312,559
Results	$	530,124	669,817	139,693

b. Investments in associated companies

Holding Company's investments in entities where the Holding Company does not hold control even though it holds significant influence are named "investments in associated companies" and are accounted for by the patrimonial equity method. It is supposed that the company holds a significant influence on other entity if it holds, directly or indirectly between 20% and 50% of the voting right of the participated company, unless it is possible to document that such influence is inexistent. The participation method is an accounting method, according to which the investment is initially accounted for at the cost, and adjusted from time to time due to the changes of the Investor's participation in the net asset of the participated, after making the necessary adjustments in order to adapt the accounting policies of the companies associated with those of the group. The result of investor period includes its participation in the result of the participated period, and in other integral results of the investor; in the patrimony its participation in the account of other integral results is included. (See Note 13).

c. Joint Agreements

Any joint agreement is that one whereby two or more parties hold joint control in the distribution of the contractual control agreed on in the agreement, existing only when the decisions about the relevant activities require the unanimous consent of the parties sharing the control.

The joint agreements, in turn, are divided into joint operations whereby the parties holding joint control of the agreement are entitled to the assets and obligations with regard to liabilities related to the agreement, and in joint business where the parties holding the joint control of the agreement are entitled to the net asset of the agreement.

The joint operations are included in the consolidated financial statements of the Holding Company based on their proportional and contractual participation of every one of the assets, liabilities and results of the contract, or entity where there is the agreement.

The joint business of the Holding Company is recorded by the patrimonial participation method, in the same way as the investments in associated companies above described, in the literal b) (See Note 13).

d. Transactions removed from the consolidation

The balances and intercompany transactions and any other unrealized income or expense resulting from transactions between the Group Companies, are eliminated when preparing the consolidated financial statements. Unrealized profits resulting from transactions with societies which investment is recognized according to the participation method are eliminated from the investment, in proportion to Group participation in the investment. The unrealized losses are eliminated in the same way as the unrealized profits, but only in the extent that there is no evidence of the impairment.

The consolidated financial statement hereto attached is included taking into account the following issues:

- The consolidated financial situation statement is made showing the several asset and liabilities accounts, arranged taking into account their liquidity, considering that for any financial entity, this presentation manner provides a more relevant and reliable information. Due to above, in the development of each one of the notes of financial assets and liabilities are disclosed in the amount expected to be recovered or paid within twelve months and after twelve month.
- The statement of results and other integral consolidated results are made separately as allowed by IAS 1 (accounting standards). In the same way the statement of results is showed by the “expense function”, such model the mostly used by financial entities.
- The consolidated cash-flows statement is made by the indirect method, where the operation activities begin showing the profit in net terms, the figure amended by the non-monetary transactions effect by all type of items of deferred payment and causations that do not generate cash-flows, as well as by the effect of items of results classified as investment or financing. The income and expenses for interest are presented as components of the operation activities.

2.5 Functional currency and presentation

Holding Company’s primary activity is the granting of credits to clients in Colombia and the investment in securities issued by Republic of Colombia or by national entities, either registered or not registered in National Registry of Securities and Issuers – NRSI – in Colombian currency and in a lesser extent in the granting of credits also to people residing in Colombia, in foreign currency and investment in securities issued by banking entities abroad, equities issued by foreign companies from the real sector the stocks of which are registered in one of several stock exchanges recognized at international level, bonds issued by credit multilateral bodies, foreign governments, or public entities. Such credits and investments are financed mostly with client deposits and obligations in Colombia, also in Col Pesos. The performance of the Holding Company is measured and reported to the stockholders and to the public at large in Colombian currency Due to above, Holding Company administration considers that Col Peso is the currency representing with more loyalty the economic effects of transactions, events and underlying conditions of the Holding Company and for such reason the consolidated financial statements are reported in Colombian Pesos as the functional currency.

The figures reported in individual financial statement of subsidiaries from the Holding Company are given in the currency of the primary economic environment (functional currency) where every entity operates.

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

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

The Holding Company and its subsidiaries perform all the conversion effects of their financial statements under International Accounting Standards (IAS), according to their accounting policies based on the IAS 21.

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

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

a. The asset and liabilities of each one of financial situation statement reported (i.e., including the comparative figures), will be converted to the exchange closing rate on December 31, 2017 and 2016, corresponding to the periods of financial situation statement.
b. The income and expense for every statement reported of period and other integral result (i.e., including the comparative figures), will be converted to average exchange rates at December 31, 2017 and 2016; and
c. Any exchange rates differences resulting will be recognized in other integral result.

At December 31, 2017 and 2016, the exchange rates used for functional currency conversion to reporting currency are the following related to Col Peso (Figures in Pesos):

Type of Currency		December 31, 2017	December 31, 2016
USD Dollars			
At the closing period	**$**	2,984.00	3,000.71
Average of period		2,951.15	3,053.42
Euros (EURO/COP)		3,563.02	3,152.31
At closing period			
Average of period	**$**	3,332.73	3,364.25

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

2.6 Transactions in foreign currency

Transactions in foreign currency are translated to Colombian pesos using the exchange rate prevailing in the date of transaction. Monetary asset and liabilities in foreign currency are converted to functional currency using the exchange rate prevailing in the date of closing the financial statement situation and the non-monetary assets in foreign currency are measured at the historical exchange rate. The profits or loss resulting in the conversion process are included in the statement of results.

2.7 Cash and equivalent to cash

Cash and the equivalent to cash include the cash and bank deposits and other short-term investments with three months or less original maturities since the date of acquisition and Bank overdrafts. Bank overdrafts are showed in the current liabilities in financial statement situation.

2.8 Financial assets of investment in debt securities, patrimony instruments and in credit portfolio

a. Classification

According to IAS 9 the holding company and subsidiaries may classify their financial asset in debt securities, taking into account their business model for them to be managed and the characteristics of the contractual flows of financial cash into two groups: a) at "reasonable value with changes in results"; the non-quoted investments in stock exchange are valued at cost or b) "at the amortized cost. The Holding Company's administration, according to its liquidity and appetite of risk has classified most of its investments in debt securities, in "financial assets at the reasonable value with change in results" and a smaller portion in debt securities "at the amortized cost."

In connection with financial assets by the credit portfolio, the Holding Company administration and its subsidiaries. Banco de Occidente Panamá S.A. and Occidental Bank (Barbados) Ltda. in its strategy as Banks which principal objective is the placing and collection of credit portfolio according to the contractual terms, has made the decision to classify the credit portfolio "at amortized cost".

In the valuation the Holding Company has considered that its credit portfolio classified at amortized cost complies with the contractual conditions allowing, in specified dates to cash flows that are only payments of the principal and interest on the outstanding balance.

The financial assets in patrimony instruments in any case are recorded in the group "at reasonable value with changes in the results and changes in the ORI".

b. Initial Recognition

The regular purchases and sales of investments are recognized in the date of negotiation, the date when the Holding Company undertakes to buy or sell the investment. The financial assets at reasonable value with effects on results and with effect on patrimony, are initially recognized at reasonable value and the transaction costs are carried to expense when they are incurred in the statement of results.

The financial assets classified as at amortized cost are recorded in its acquisition or granting for its transaction value in the event of investments or its nominal value in the event of credit portfolio that, unless contrary evidence, coincide with its reasonable value plus the transaction costs directly attributable to its acquisition or granting, less the commissions received.

c. Subsequent recognition

Following the initial recognition all financial assets classified “at reasonable value with the changes in results” are measured at reasonable value. The profit and loss resulting from the changes in the reasonable value are reported nets in the statement of results within the item “net changes in reasonable value of financial assets of debt”. The patrimonial investments classified at reasonable value with changes in ORI are recorded at its reasonable value.

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

The effective interest method is a method to reckon the amortized cost of any asset and to assign the income of cost for interest during the relevant period. The effective interest rate is that one exactly equaling the future payments or the payments received in cash estimated during the expected life of the financial instrument, o when suitable, for any shorter period, at the net carrying value of cash at the initial time. In order to reckon the effective interest rate, the Holding Company estimates the cash flows taking into account all the contractual terms of financial instrument but the Holding Company does not takes into account the loss of future credits and considering the initial balance of transaction or granting, the transaction costs and the premiums awarded less the commissions and discounts received making integral part of effective rate.

The distributions received from the participation will reduce the value in books of investment as provided in IAS 28 in the paragraph 10.

d. Estimation of reasonable value

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

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

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

e. Impairment

According to IAS 39 the Holding Company and its Subsidiaries Occidental Bank (Barbados) Ltd., Banco de Occidente Panama S.A. and Fiduciaria de Occidente S.A. evaluate at the closing period if there is objective evidence that any financial asset or any group of them, measured at the amortized cost, are impaired. They are considered as indicators that the financial asset is impaired, the significant economic difficulties of the debtor, the probability for the debtor goes bankrupt or financial restructuration and the arrears in payments.

In order to accomplish with this standard, the Holding Company Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A., evaluates in an individual manner the financial assets deemed significant, analyzing the profile of debt from every debtor, the guaranties given and information of the risk centers. The financial assets are considered impaired when, based on accounting information and actual or past events, it is probable that the Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd and Banco de Occidente Panama S.A. cannot recover all the amounts owed in original contract including the interest and fees agreed on in the contract. When any financial asset has been identified as impaired the amount of loss is measured as the difference of the carrying value of the asset and the present value of the future cash flows estimated, (excluding the future credits loss that are not incurred as yet) discounted at the effective original interest rate agreed up. The reckon of the present value of the future cash flows estimated for any asset with guaranty reflect the cash flows potentially resulting from the execution thereof, less the procurement and sale cost of the guaranty regardless of the execution of thereof to be either probable or improbable..

For credits individually not considered significant and for the significant individually credit portfolio that in the individual analysis above described were not considered impaired, Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A., performs and evaluation of impairment in a collective manner, grouping portfolios of financial assets by segments with similar characteristics, using for the evaluation, statistic techniques based on analysis of historical loss in order to determine an estimate percent of loss incurred in such assets in the date of balance sheet, but they have not been individually identified. The percent of historical losses used in such process are updated in order to incorporate the more recent data of the current economic obligations, performance trends of industries or concentration of obligations of every portfolio of other financial assets per segment and any other relevant information potentially impacting the estimation for the loss of financial assets Many factors can impact the estimation of provision for loss of financial assets of the Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A., including the volatility of default, migrations and the severity of loss.

Quantification of loss incurred takes into account three basic factors: the exposure to default probability (“default”) and severity.

- (Exposure at default – “EAD”) is the amount of risk incurred at the time of failure to pay by the counterpart.
- (Probability of default – “PD”) the probability for the counterpart fails to comply its payment obligations of capital and/or /interest. The probability of default is associated to the rating/scoring of each counterpart/operation. Additionally, in the calculations of these PDs four parameters are implicit:
- The parameter “LIP” (acronym of “Loss Identification Period”) or Loss Identification Period, or the time between the moment when the fact occurred generating any given loss and the moment when such loss becomes patent at individual level. The analysis of LIPs is made based on the homogeneous portfolios of risks.
- The adjustment risk-country apply to clients of the subsidiaries abroad developing their economic activity in any country other than Colombia and for such purposes an adjustment percent of is calculated to the PI, depending from the risk level of the country.

- The Macroeconomic Adjustment parameter applies for the purposes to identify the relation and the trend potentially existing between the behavior of macroeconomic variables and the probability of default – PI in order to adjust the later. In the event at hand about the doubtful assets, the PD assigned is 100%. The qualification of any asset as “doubtful” is produced by any default payment equal or longer than 90 days, as well as in those events where even though there is not default of payment, there exist doubts about the solvency of the counterpart (subjective doubtful).
- The qualitative adjustment, allowing taking into account such aspects that cannot be anticipated in the models particulars for every client and may be significant in order to determine the probability of default. Several different aspects are evaluated, such as the development of projects impacting its actual situation, the support of partners, or explanations for the result of any specific figure EEFF influencing the PL reckoned by the model. This adjustment applies to those clients with greater impairment and qualified in AA.
- Severity (Loss given default – “LGD”) is the estimation of the loss in the event of default of payment. It is mainly dependent from the features of counterpart and of the valuation of guarantees, or collateral associated to the operation.

In order to calculate the PDI (loss given the default) in each date of balance sheet, it is necessary to observe the client’s obligations behavior that have been in default in any specific time period. For every event the information is compiled about the credit movements after the default taking into account: the flows of payment, the goods received in dation of payment, the recoveries of punishment, the legal and administrative costs. The estimation of PDI determines the percent (0% - 100%) loss in those events where the client incurs in impairment. In the commercial portfolio it is in function of guaranty and in the consumption of product. This variable measures the risk of operation.

Once a financial asset or a group of similar financial assets have been given any provision as the result of loss due to impairment, the income continues to be recognized for interest using the same original contractual interest rate of the credit over the carrying value of credits after recording the impairment.

Financial assets are withdrawn from the balance sheet charged to the Impairment when they are considered as un-recoverable.

For the subsidiary Fiduciaria de Occidente S.A., the following policies have been defined for the calculations of impairment of the accounts receivable, taking into account the type of accounts therein included, the volume and the risk involved to recover such accounts:

1. For evaluation purposes of individual impairment, as accounts receivable individually significant have been defined those higher than 20 Cop pesos.
2.
3. Independent from the concept the accounts receivable corresponding at the time of granting or the disbursement (sale of goods or services, advances for several different concepts, small loans, etc.). the maturity date or legalization is included
4. It is considered that any account receivable involves impairment problems when any of the situations below will occur:

a. The account is more than 30 days past due
b. The debtor has entered into bankruptcy or any financial insolvency system
c. The debtor has requested any type of agreement with creditors to pay its debts.
d. The debtor has requested extension of terms to accomplish with its obligations due to financial difficulties, or rebates on amount of debt.

e. The debtor to whom the advances have been awarded is no properly complying with the contractual terms of the contract giving rise to the advance.
f. The advances made to the employees withdrawn from the entity and that, for any reason were not discounted at the time withdrawn.

4. Calculation of impairment of individually significant balances of account receivable taking into account that they for very short term (less than 6 months) will be not necessary to determine the impairment by the cash-flows discounted method; i.e. the impairment will correspond to the difference between the balance of account receivable in the date of evaluation and amount expected to be recovered in the future, duly documented without bringing to present value. Accounts receivable with terms longer than six months if it is necessary to made the discount of balances to be recovered.
5. Balances that are not considered individually significant are impaired at the 100% when it is determined that any of impairment problems occurs indicated in item 3 above.
6. For the balances that are not individually significant considered and that at the date of evaluation have any impairment problem, a collective impairment will be made on the balances charged to results determined based on the experience of loss occurred to the subsidiary Fiduciaria de Occidente S.A. in minimal average the three last years duly documented and justified. Should the company has such experience at the initial time, it may use the experience of similar entities or those of consumption of the Holding Company.

The analysis of impairment over the accounts receivable will be made with biannual periodicity.

f. Financial assets restructured with collection problems.

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

g. Transfers and withdrawals of financial assets

The accounting treatment of the transfers of financial assets is dependent on the manner as they are transferred to third parties the risks and benefits associated to the assets transferred, so that the financial assets only will be written off consolidated balance sheet when the cash flows have been extinguished generated or when they have been substantially transferred to third parties the implicit risks and benefits. In the last event, the financial asset is written off from the consolidated balance sheet, recognizing at the same time any right or obligation, retained or created as a result of the transference.

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

- The financial asset transferred is not written off from the consolidated balance sheet and it continued to be valued using the same criteria used before the transference.

- A financial liability is recorded associated by an amount equal to the consideration received, subsequently valued at its amortized cost.
- Both the income associated to the financial asset transferred continues to be recorded (but not written off) and the expense associated to the new financial liability.

h. Compensation of financial instruments in the balance sheet

Financial assets and liabilities are compensated and the net amount reported in the financial situation statement, when legally exists the right to compensate the amounts recognized and there is an attempt of the top management for liquidation over net bases or to execute the asset and liquidate the liability at the same time.

2.9 Operations with financial instruments derivatives

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

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

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

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

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

- Hedge of a net investment in foreign currency which are registered in a similar manner to the previous cash flows speculation. The profits or loss accumulated in the patrimony are included in the statement of results when the net investment in any affiliate abroad is total or proportion when it is partially sold.

  The coverages on any net investment in any business aboard, including the coverage of any monetary item accounted for as portion of a net investment, will be accounted for in a similar manner to the cash-flow coverage; the portion of profit or loss of the instrument of coverage determined as an efficacious coverage will be recognized in other integral result; and the ineffective portion will be recognized in the result. When totally or partially disposing of a business abroad, the profit or loss of the coverage instrument related to the efficacious portion of the coverage that has been recognized in other integral result, it should be reclassified from the patrimony to results as an adjustment for reclassification.

- For coverage purposes, the Holding Company has made the decision to use coverage accounting of its investments in the subsidiaries abroad, as from January 1, 2014 with obligation in foreign currency in the same as it is provided in the paragraphs 72 and 78 of the IAS 39.
- The Holding Company documents at the beginning transaction the relation existing between the speculation instrument and the item hedged as well as the objective or risk and the strategy to undertake the speculation relation. The Holding Company document as well its evaluation both at the date of beginning the transaction and over recurrent bases that the speculation relation is highly effective to compensate the changes in the reasonable value or in the cash flows of the items covered, see detail of coverage in Note 9.
- Financial assets and liabilities, for operations in derivatives are not compensated in the financial situation statement; nevertheless, when the legal and exercisable right sexists to set-off the recognized values, and exists the intent to liquidate over a net basis or to execute the asset and at the same to liquidate the liability, they are included net in the financial situation statement.
- The foreign investments hold a hedge to correct the variances of the exchange type represented in obligation in foreign currency by equal value in Dollars of the investments in every closing, the effect in result and in the ORI originated by these joint operations is neutral.

2.10 Non-current assets maintained for sale

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

2.11 Goods delivered in lease

The goods delivered in lease by the Holding Company are classified at the execution of contract as financial or operative leasing. Any lease is classified as financial lease when all the risks and advantages inherent to the property are transferred. Any lease is classified as operative if it does not transfer substantially all the risks and advantages to the property. The lease agreements classified as financial lease are included in the balance with-in the item of “Credit portfolio and financial leasing” and they are accounted for in the same manner as the other credits granted (See Note 10). The lease contracts classified as operative are included in the property and equipment account and are accounted for and depreciated in the shorter time between the useful-life of the good and the term of leasing contract. (See Note 14).

2.12 Financial Guaranties

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

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

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

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

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

2.13 Property and Equipment for own use

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.14 Investment Properties

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

2.15 Goods Received in leasing

The goods received in leasing, in its initial receipt are classified as well in financial or operative leasing in the same way as the goods given leasing described in the Item 2.11 above. The leasing contracts classified as financial are included in the balance sheet as property and equipment for own use or as investment properties according to its purpose and are initially accounted in the asset and at the same time in the liabilities, for a value equal to the reasonable value of the good received in leasing or for the present value of the minimal payments of the lease, it this later is lower. The present value of the minimal payments of lease is determined using the interest rate implicit in the lease agreement, or if such rate is not available, a mean interest rate of the bonuses placed by the Holding Company in the market. Any initial direct cost of the lessee is added to the amount recognized as asset. The value recorded as liability is included in the account of financial liabilities and accounted for in the same way as those ones. The lease agreements classified as operative are accounted for at the expense.

2.16 Intangible Assets

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

a. Capital Gain

The capital gain recorded by the Holding Company in its financial statements corresponds to a fusion made by the Holding Company in the precedent operating periods with the Banco Unión and Banco Aliadas, to which, according to the transition standard set out in the IFRS 1, the Holding Company filed the exception to account for under IFRS for its carrying value at January 1, 2014. Such capital gain is not amortized but it is subject to evaluation by impairment on an annual basis, and for such purpose the Holding Company performs the valuation through an independent expert of the value of the lines of business which are related to the capital gain (Banco Unión’s Lines of

Business) and based on such valuation it is determined whether any impairment exists, and if so, it is recorded charged to results; subsequent recoveries in valuation of the Holding Company do not reverse the impairment recorded.

b. Other Intangible

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

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

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

2.17 Financial Liabilities

A financial liability is any contractual obligation assumed by the Holding Company y all its subsidiaries to deliver cash or any other financial asset to other entity or individual, or in order to exchange financial assets or financial liabilities in conditions potentially unfavorable to the Holding Company or any contract that will be or may be liquidated using own patrimonial instruments of the entity. The financial liabilities are accounted for initially for its transaction value in the date when they originate, which, unless contrary determined, is similar to the reasonable value, less the transaction cost directly attributable to its issue. Subsequently such financial liabilities are appraised at its amortized cost according to the method of effective interest rate determined at the initial time charged to results as financial expenses.

The financial liabilities related to financial instruments derivatives, are appraised at the reasonable value; see note of accounting policies item 2.8.

The financial liabilities only are written off from the financial consolidated situation statement when the obligations generated or when the obligations assumed were extinguished or when they are acquired (either with intention to be paid, or with the intention to place them again).

2.18 Benefits to Employees

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

a. Short-term Benefits

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

b. Post-employment benefits

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

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

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

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

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

On December 2016, the National Government issued the Decree 2131, whereby some standards were updated as indicated in the attachments included in the Decrees 2420 and 2496, 2015. To determine the calculation of post-employment liabilities in Colombia, including since December, 2016, the Normative Theoretical Framework provided in the Annex 1-1 of Decree 2420, 2015 will be used (using current interest and inflation rates, as required in the IAS 19), disclosing in its financial statements the differences between such calculation versus the calculus made under the Decree 1625, 2016, article 1.2.1.18.47 (inflation and interest rate DTF average of the last 10 years).

c. Other long-term benefits to employees

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

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

d. Benefits for termination of labor agreement with the employees

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

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

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

2.19 Taxation

Current Taxes

The income and complementary tax and the tax for the equity CREE applied up to 2016 is calculated based on the taxation laws prevailing in Colombia in the closing date of the consolidated financial statements or in the country where some of the subsidiaries of Holding Company are domiciled. The management of the Holding Company on a periodical basis evaluates the positions taken in the tax declarations with regard to situations where the fiscal regulation applicable is subject to interpretation and establishes provisions when deemed suitable about the amounts expected to be paid to the tax authorities.

The Holding Company and its subsidiaries Fiduciaria de Occidente and Ventas y Servicios reckon the provision of the income tax based on higher value between the net taxable income and the alternate regime of presumptive income taking as base 3.5% of the net patrimony of the immediate precedent taxable operation period, at a rate for 2017 for 34% and 33% for the years 2018 and subsequent periods. The income and complementary surcharge at 6% for 2017 and 4% for 2018.

For the determination of current tan of income and complementary, in the value of assets, liabilities, patrimony, income, costs and expenses, the recognition and measurement systems apply, according to the technical normative accounting frameworks prevailing in Colombia when the tax law expressly refers to them and in the events when the law does not regulate the matter. In any case, the tax law may provide in an express way a different treatment, pursuant to article 4 in Act 1314, 2009.

Deferred Taxes

Deferred taxes are recognized over temporary differences resulting between the assets and liabilities taxation bases and the amounts recognized in consolidated financial statements, giving rise to deductible or taxable amounts when determining the fiscal profit or loss corresponding to future operational periods when the carrying amount of the asset is recovered or the liability is liquidated. The deferred liability taxes, however, are neither recognized if they results from the initial recognition of Goodwill, nor also is accounted for the deferred tax if it results from the initial recognition of any asset or liability in any transaction different from a business combination that, at the time of transaction does not impact accounting taxable profit or loss. The deferred loss is determined using the tax rates prevailing in the date of balance sheet and are expected to apply when the asset for deferred tax is made or when the liability for deferred tax is set off compensated.

The deferred asset taxes are recognized only in the probable extension that future tax revenues will be available versus the transient differences may be used.

Deferred liability taxes are provisioned over resulting taxable temporary differences excepting for liability deferred tax over investment in subsidiaries, associates and joint business when the opportunity of reversion of temporary difference is controlled by the Holding Company and it is probable that the temporary difference will not be reversed in the near future.

The asset deferred taxes are recognized over resulting deductible temporary differences of investment in subsidiaries, in associates, and joint business only in the potential extent that temporary difference will reverse in the foreseeable future and there exists enough fiscal profit against which the temporary difference may be used.

The expense of deferred tax is recognized in the statement of results. Excepting the portion corresponding to items recognized in the account of other integral result in patrimony, in such event, the tax will be recognized as well in the accounts of Patrimony from other integral result.

At December 31, 2017, the Holding Company, Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. made the decision to include in financial statements the current taxes (paragraph 71, IAS 12) and deferred taxes (paragraph 74, IAS 12) compensated between the asset and liabilities for the same concept in connection with the application of IAS 12 taxes to profits, considering that the Holding Company and subsidiaries have recognized legally the right to compensate before the tax authority the taxes recognized in such items. The assets and liabilities for current and deferred taxes are derived from the tax to profits corresponding to the same tax authority.

2.20 Provisions

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

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

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

2.21 Revenues

Revenues are measured by the reasonable value of the consideration received or receivable, and represent amounts to be collected for the goods delivered, net from discounts, devolutions, and the value-added tax. The Holding Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente Panamá S.A. and Occidental Bank (Barbados) Ltd. recognize the revenues when the amount thereof may be measured in reliable manner, is probable for the future economic benefits will flow to the entity and when the criteria specific have been accomplished for each one of the activities of the Holding Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A. and Banco de Occidente Panama S.A. , and Occidental Bank (Barbados) Ltd.as it is indicated below. For the subsidiary of the Holding Company from the real sector in its price of sale determine the estimation of devolutions based on the historical results, taking into account the type of client, the type of operation, and the specific characteristics of every agreement.

a. Interest

The revenues from interest are recorded using the effective interest method for all financial instruments appraised at its amortized cost. The effective interest rate is the rate discounting exactly the payments or collections in cash estimated during the expected life of the financial instrument or a shorter period, when applicable, to the net carrying value of such financial asset of liability. The revenues from interest are recorded as financial revenues in the account of results.

b. Revenues for commissions

Commissions are recognized as income in the consolidated statement as follows:

1. The commissions for bank services when the relevant services are supplied;
2. The annual commissions of credit card are recorded and amortized based on the straight line during the useful-life of the product, and;
3. The income for fiduciary commissions is recognized in the statement of results at the time when the income occurs, and is liquidated according to the provision in each fiduciary agreement and according to the regulations of the collective investment funds and private capital funds.

c. Customer Loyalty Clients Programs

The Holding Company operates a loyalty program, whereby the customers accumulate points for purchases made with the credit cards issued by the Holding Company, entitling the clients to redeem points for rewards according to the policies and the reward plan prevailing in the date of redemption. The points of awards are recognized as an identifiable component in separate of the initial operation of sale, assigning the reasonable value of the consideration received between the points of reward and the other components of the sale, so that the points of loyalty are initially recognized as deferred income at the reasonable value. The income of points of reward is recognized when redeemed.

d. Dividends

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

2.22 Wealthy Tax

On December 2014 the National Government issued the Act 1739, creating the wealthy tax to be pair by those entities in Colombia holding a net patrimony higher than COP1000 millions which is liquidated as below indicated, Such Act provides that for accounting purposes in Colombia, such tax may be accounted for charged to patrimonial reserves.
The Holding Company and Colombian subsidiaries that this wealthy tax applies, made the decision to take advantage of this exception and have recorded the wealthy tax caused on January 1, 2017 charged to patrimonial reserves. The wealthy tax was valid for application up to January 1, 2017.

For 2017 operational period, the conditions to determine the wealthy tax, are as follows:

Patrimonial range	Rate
>0 <2.000	(Taxable base)* 0.05%)
>= 2.000 < 3.000	(Taxable base - 2.000)*0.10% + 1
>= 3.000 < 5.000	(Taxable base - 3.000)*0.20% + 2
> = 5.000	(Taxable base - 5.000)*0.40% + 6

2.23 New Accounting Regulations issued by IASB at international level

i. Standards and amendments applicable as from January 1, 2018

According to the provisions in Decrees 2496, December 2015, 2131 December 2016 and 2170, December 2017, below the standards issued applicable as from 2018. The impact of application of the IRFS 9 and 15, indicated in the item (ii).In connection to the standards, the Holding Company's management and the subsidiaries, do not expect a significant impact on the consolidated financial statements:

Financial Information Standard	Topic of standard or amendment	Detail
IFRS - Instruments	Financial instruments (in its reviewed version 2014)	The replacement project makes reference to the following phases: • Phase 1: Financial Assets and liabilities classification and measurement. • Phase 2: Methodology of impairment • Phase 3: Accounting of coverage On July, 2014, IASB finished the reform of the accounting of financial instruments and IAS 9 was issued - Accounting of financial

		instruments (in the reviewed version 2014), that will replace the IAS 39 – Financial Instruments: recognition and measurement after expiring the validity of the precedent standard.
IFRS 15 - Revenues resulting from contracts with clients	Revenues resulting from contracts with clients	Establishes a five steps model applied to revenues resulting from contracts with clients. This will supersede the following standards and interpretations of income after the date taking force: • IAS 18 – Revenue • IAS 11 – Construction contract • IFRS 13 – Client loyalty programs • IFRS 15 – Agreement to construct real estates • IFRS 18 – Transfers of assets from the clients • SIC 31 – Barter transactions including publicity services.
IAS 7 - Cash Flows Statement	Initiative about Information to be Disclosed	To require for the entities to supply information to be disclosed allowing for the users of financial statements to evaluate the changes of liabilities resulting from financial activities.
IAS 12 – Tax to Profits	Recognition of Assets for Deferred Tax due to Unrealized Loss	To make clear the requirements for assets recognition for deferred tax due to unrealized loss in debt instruments measured at reasonable value.
IRFS 15 – Income of routine activities from contracts with clients	Clarifications	The purpose of these amendments is to make clear the intention of IASB by developing the requirements of the IFRS 15, without changing the underlying principles of IFRS 15

ii. Standards and amendments applicable as from January 1, 2018

The Decrees 2496 of December 2015, 2131 of December 2016, and 2170 of December 2017 introduced to the technical framework of financial information new standards, amendments or changes issued or made by the International Accounting Standard Board (IASB) to the International Financial Reporting Standards between the years 2014 and 2016, in order to evaluate the applications in financial operational periods starting in or after January 1, 2018, even though its application could be made in a previous date.

IFRS 9 Financial Instruments

In July 2014 the International Accounting Standard Board (IASB issued the final version of International Financial Reporting Standard No. 9 (IFRS 9) “Financial Instruments” for the mandatory application in the annual periods beginning or as from January 1, 2018, this standard supersedes the International Accounting Standard No. 39 (IAS 39) and in Colombia supersedes the previous version of the IFRS 9 “Financial Instruments” issued on 2010 that was included in Decree 2420, 2015.

Based on the evaluations made as of the date, the net estimate total adjustment of adoption tax of the new IFRS 9 in the initial balance of consolidated patrimony of the group is of an approx. diminution $153.145 represented in:

- A reduction of $232.478 referred to financial assets impairment.
- There is no any reduction related to the changes in classification and measurement of financial assets different from impairment.
- An increment $79.333 related to the impact on deferred tax.

Above is a preliminary evaluation because not all the work of transition has been ended. The actual impact of the adoption of IFRS 9 may change by reason of:

- IFRS 9 will require for the Group to review its accounting internal processes and controls and such changes have not been made as yet.
- Even though parallel tests have made of the systems in the second semester 2017, the amendments to systems and the associated controls implemented have not been operational for a longer time period.
- The Group has not finished the evaluation and test of the controls of the new technology systems and changes in its control environment.
- The group is refining and finishing its models for the calculation of provisions by the impairment model of expected loss.
- The new accounting policies, assumptions and judges are subject to change until the Group prepares its first consolidated interim financial statements at March 31, 2018 that will include the initial date of application.

i. Classification and Measurement – Financial Assets

The new IFRS 9 contains a new classification approach and measurement of financial assets reflecting the business model where such assets are managed and their cash flows features.

The new IFRS 9 includes three main classification categories for financial assets:
Measured at amortized cost (AC), at the reasonable value with changes in other integral results OIR, and at the reasonable value with changes in results (RVCR).

The new standard complements the two categories existing in the previous IFRS 9 of AC and RVCR currently prevailing in Colombia for consolidated financial statements adding the category of debt instruments at Reasonable Value with changes in patrimony in the account of Other Integral Results (OIR).

A financial asset is measured at amortized cost rather than at reasonable value with changes in results if it accomplishes with both conditions below:

1. The asset is maintained in a business model the purpose of which is to maintain assets in order to obtain contractual cash flows; and;

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

Any debt security is measured to VRCORI only if it accomplishes with both of the following conditions and has not been designed as RVCR:

1. The asset is maintained within a business model the purpose thereof is achieved by collecting contractual cash flows and sell such financial assets; and;

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

During the initial recognition of investment in patrimony securities not held for negotiation, the Group can irrevocably choose to record the subsequent changes in reasonable value as portion from other integral results in patrimony. This election will be made based on instrument by instrument.

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

Additionally, in the initial recognition, the Group may irrevocably designate a financial asset accomplishing with the requirements to measure AC or VRCORI to be measured at RVCR if doing so an accounting asymmetry is removed or otherwise significantly reduced. The Group now is not going to use this option.

A financial asset is classified in one of the categories mentioned at the time of its initial recognition.

Under THE new IFRS 9, the contracts derivatives implicit in other contracts, whereby the principal contract is a financial asset under the scope of IFRS 9, are not separated and instead the financial instrument is measured and recorded jointly with an instrument at the reasonable value with changes through the statement of results.

Evaluation of the business model

The Group will do an evaluation of the business model purposes whereby the different financial instruments are maintained at portfolio level to reflect, in a better manner, the form whereby the Holding Company and each subsidiary manage the business and how the information is supplied to the top management. The information considered included:

- The policies and objectives proposed for each portfolio of financial instruments and the practical operation of such policies. These policies include if the management strategy focusses on collecting the revenues for contractual interest, to maintain a specific interest profile return or coordinate the duration of financial assets with that of the liabilities financing them or the outflows of cash expected or to perform cash flows through the sale of assets;
- How the key staff of management of each subsidiary of the Group about the return in portfolios;
- The risk affecting the returns of business model (and the financial assets maintained in the business model) and the way as such risks are managed;
- How the business managers are compensated (example, if the compensation is based on the reasonable value of the assets managed, or about the contractual cash flows obtained)¸ and.
- The frequency, the value and the schedule of sales in the previous periods, the reasons of such sales and the expectations about future sales activity. However, the information about sale activity is not considered in an isolated manner, but as part of an evaluation about the way to

reach the purposes laid down by the Group to manage the financial assets and how cash flows are made.

The financial assets maintained or managed to negotiate and the return thereof is evaluated based on reasonable value, are measured at the reasonable value with changes in results because such assets are neither maintained together with the business model to collect contractual cash flows nor to obtain contractual cash flows and sell these financial assets.

Evaluation whether contractual cash flows are only paid of principal and interest

For the purposes of this evaluation, "principal" is defined as the reasonable value of financial asset at the time of initial. "Interest" defined as the consideration of the value of money throughout the time and for the risk of credit associated to the principal amount outstanding on any specific time period and for other basic risks of an agreement of loans and other associated costs (e.gr. liquidity risk administrative costs) as well as the profitability margin.

Upon the evaluation whether the contractual cash flows, are only payment of principal and interest, the Group will take into account the contractual terms of the instrument. This will include the evaluation in order to determine whether the financial asset contains a contractual term that may change the period amount of the contractual cash-flows, so that it does not meet this condition. When doing this evaluation, the Grupo will consider:

- Contingent events that will change the amount and periodicity of the cash flows;
- Leverage conditions;
- Terms of advance payment and extension;
- Terms restricting the Group to obtain cash flows of specific assets (for example, agreements assets without resources); and
- Characteristics amending the considerations for the value of money in the time, example periodical revisions of interest rates.

The interest rates for some consumption and commercial loans are based on variable interest rates established at the Group's criterion. The variable interest rates usually are established in Colombia on a permanent manner based on the DTF (DTF set out by the Central Bank (Banco de la República)) and in other countries according to the local practice, plus some additional discretional points. In such events, the Group will evaluate whether the discretional characteristic is consistent with the criterion only payment of principal and interest considering the number of factors included, if:

- The debtors are in conditions to pay in advance the loans without significant penalties. In Colombia it is prohibited, according to legal regulations, make charges for prepayments of credits.
- The market competitive factors ensure that interest rates are consistent among the Banks;
- Any protection regulatory standard in favor the clients in the country, requiring for the Bank to treat clients in a just manner.

All the consumption and commercial credits at fixed rate contain prepayment conditions.

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

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

Evaluation of preliminary impact of financial asset classification.

Based on high-level preliminary evaluation about the potential changes in the classification and measurement of financial assets maintained at December 31, 2017, the results were as follows:

- The negotiable and derivatives assets maintained to manage risk classified as at reasonable value with change in results under the previous IFRS 9, will maintain, mainly this measurement for the new IFRS 9; Financial assets, however, measured at reasonable value with changes in results for $458,953 will be reclassified as at reasonable value with changes in OIR.
- No any debt instrument classified as at amortized cost under the previous IFRS 9 at December 31, 2017 will be measured at reasonable value with changes in OIR under the new IFRS 9, because its business model is to collect the contractual cash flows and sell financial assts.
- Investment in patrimony classified as reasonable value with chances in OIR under the previous IFRS 9, will maintain this measurement under the new IFRS 9.
- The loans to clients of the Group classified as credit portfolio and accounts receivable and measured at amortized cost under the previous IFRS 9,usually will maintain this measurement under the new IFRS 9.

The Group has considered that in the adoption of the new IFRS 9 at January 1, 2018, the effect of those changes, after tax, is a reduction of the patrimony of Group by approx. $153,145.

ii. Impairment of Financial Asset

The new IFRS 9 supersedes the “Loss incurred model” of the IAS 39 by an expected credit loss model (ECL). This new model will require for considerable judgment to apply with regard to the economic factors changes influence the ECL, which will be determined on a weighted average basis.

The new impairment model will be applicable to the following financial assets which are not measured at RVCR:

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

In the scope of the new IFRS 9, the impairment on investments in patrimony instrument is not found.

The new IFRS 9 requires recognizing a provision for impairment of financial asset at reasonable value for OIR for an amount equal to a loss for impairment expected in the twelve month period subsequent to the closing date of financial statements or during the remaining life of the loan. The expected loss during the remaining life of loan is the loss expected to result from all the possible impairment events of the financial instrument expected life resulting from impairment events, while the expected loss in twelve months period are portion of expected loss resulting from possible impairment events during the twelve months after the date of financial statement report.

Under the new IFRS 9, the reserves for loss will be recognized for an amount equal to PCL during the time of the financial asset, excepting the following events where the amount recognized is equivalent to PCL of the subsequent 12 months following the date of measurement:

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

The impairment requirements of IFRS 9 are complex and require estimate judgments and assumptions of the management mainly in the following areas:

- To evaluate if the credit risk has significantly increased since initial recognition and;
- Incorporate prospective information in the measurement of loss for the expected impairment.

Measurement of PCL

PCL is the weighted probability estimated of credit loss and it is measured as indicated below:

- The financial assets that do not represent credit impairment in the date of report: the present value of all the arrears of contractual payments of cash (ex. the difference between the cash flows owed to the Group according to the contract and the cash flows the Group expects to receive);
- Financial assets impaired in the date of report: the difference between the carrying value and the present value of the estimate future cash flows;
- Pending loans commitments: the present value of the difference between the contractual cash flows that are owed to the Group in the event that the commitment is made and cash flows the Group expect to receive; and
- Financial guaranty contracts: the expected payments to be reimbursed to the holder less any amount the Group expects to recover.

The financial assets impaired are defined by the IFRS 9 in a similar manner to financial assets impaired under IFRS 39.

Definition of Default

Under IFRS 9, the Group will consider any financial asset in default when:

- It is somewhat probable for the debtor to completely pay to the Group its credit obligations, without resources of the Group to take actions, such as enforce the guarantee (if available); or
- The debtor is in arrears more than 90 days, about any material credit obligation. The overdrafts are considered as arrears, once the client has exceeded the recommended limit, or a shorter limit has been suggested than the outstanding balance, excepting in the housing portfolios where the 90 days term were rejected
- The financial instruments of fixed income, the objective impairment evidence includes the concepts below, inter alia:

- External qualification of the issuer or the instrument in qualification D.
- The contractual payments are not made in the maturity date, or in the term or period of grace set out.
- There is a virtual certainty of suspension of payments.
- It is likely to go bankrupt or a bankrupt or similar action to be requested.
- Financial asset has not an active market considering its financial difficulties.

Upon the evaluation should any debtor is in default, the Group will consider indicators, such as:

- Qualitative -ex. gr. Default of contractual clauses
- Quantitative -ex. gr. arrears condition and default of payment of other obligation of the same issuer, to the Group; y
- Based in internal data and obtained from external sources

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

Significant increase of credit risk

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

The Group expects to identify, if any significant increase in the credit risk has occurred, by comparing:

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

The evaluation whether the credit risk has significantly increased since the initial recognition of any financial asset requires identifying the initial date of recognition of instrument. For some rotating credits (credit card, overdrafts, etc., the date when the credit was initially delivered could be a long time ago). The modification of contractual terms of any financial asset could also affect this evaluation, which is discussed below.

Rating by Category of Credit Risk

The Group will assign each exposure to a rating of credit risk based on a determined variety of data deemed predicative of PI and applying the judgment of expert credit, the Group expects to use these ratings in order to identify significant increases in the risk of credit under the new IFRS 9. The rating of credit risk is defined using qualitative and quantitative factors indicative of risk of loss. Such factors may vary depending on the exposure nature and the type of the borrower.

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

Generating the structure of the term of PI

It is expected for credit risk ratings to be the principal input to determine structure of term of the PI for the different exposures. The Group intends to obtain the performance information and loss about the exposures to credit risk analyzed by jurisdiction or region, type of product and debtor as well as for the rating of credit risk. For some portfolios, the information purchased to external agencies of credit references also may be used.

The Group will use statistic models to analyze the data collected and generate estimations of impairment probability in the remaining life of the exposures the way as those probabilities of impairment will change throughout the time.

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

For exposures in specific industries and/or regions, the analysis may be comprise relevant products, and/or to prices of real estates.

The approach of the Group to prepare economic prospective information in 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 any financial asset has significantly increased since its initial recognition.
The initial framework is aligned with internal process of the Group to manage the credit risk.

The criterion to determine whether the credit risk has significantly increased will vary by portfolio, and will include limits based on defaults.

The Group will assess whether the credit risk of any specific exposure has significantly increased since its initial recognition, if based on the quantitative model of the Group, the impairment probability expected in the remaining life will significantly increase above the thresholds showed in the Table below for each segment and rating, since the initial recognition. In determining the increment of the credit risk, the loss for impairment expected in the remaining life is adjusted for changes of the maturities.

Segmento	Banda de Rating	Umbral
Great – Medium	R1	0.10
Great – Medium	R2	0.35
Great – Medium	R3	0.30
Great – Medium	R4	0.30
Great – Medium	R30	0.01
Small – Natural Person	R1	0.05
Small – Natural Person	R2	0.05
Small – Natural Person	R3	0.05

Small – Natural Person	R30	0.10
Personal - Loan	R1	0.10
Personal - Loan	R2	0.15
Personal - Loan	R3	0.30
Personal - Loan	R30	0.01
Vehicle	R1	0.25
Vehicle	R2	0.20
Vehicle	R3	0.20
Vehicle	R4	0.20
Vehicle	R5	0.05
Vehicle	R6	0.05
Vehicle	R30	0.01
Draft	R1	0.30
Draft	R2	0.15
Draft	R3	0.25
Draft	R30	0.01
Rotating	R1	0.20
Rotating	R2	0.05
Rotating	R3	0.05
Rotating	R30	0.05
Card	R1	0.109
Card	R2	0.098
Card	R3	0.043

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

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

- The criteria are able to identify significant increments in the credit risk before an exposure is in impairment.
- The criterion does not aligns with the point of time when an asset is more than 30 days past due.
- The average of time in the identification of any significant increment in the credit risk and the default seem reasonable.
- The exposures usually are not directly transferred from the Group of impairment probability expected in the following twelve months of impaired credits.
- There is no any volatility unjustified in the provision for impairment of transferences between the groups with probability of expected loss in the following twelve months and the probability of expected loss in the remaining life of credits.

Modified Financial Assets

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

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

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

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

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

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

Inputs in measuring PCE

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

- Probability of default (PD)
- Loss given the default (PGD)
- Exposure to Default (ED)

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

The PDs are estimated in a given date calculated based on classification statistic models and evaluated using qualification tools adjusted to the different categories of counterpart and exposures. Such statistic models will be based on data internally compiled including both qualifying and quantitative factors. Should any counterpart or exposure migrate between the different qualifications, then this will involve a change of the PD estimated. The PDs will be estimated considering contractual terms of exposure maturity and the estimated prepayment rates.

The PGD is the magnitude of potential loss in the event of any default. The Group will estimate the PGD parameters based on the history of recovery rates of loss versus the parts in default, The PGD models will consider the structure, the collateral and the priority of debt lost, the industry of the counterpart and the recovery cost of any collateral integrated in the financial asset. The loans secured with properties, indexes relative to the value of guarantee in connection with the loan (loan to value “LTV”), probably will be parameters to be used to determine PGD. The PGD estimates will be gaged at different economic scenarios and for loans ensured with real estate variation in the indexes of price in such goods, Such loans will be calculated based on cash flows discounted, using the credit risk effective interest rate.

The EI represents the expected exposure in the event of default. The Group will derive the ED from the actual exposure of counterpart and the potential changes in the actual allowed amount under the contractual terms included the amortization and prepayments. The ED of any financial asset will be the gross value at the time of default. For loans and financial guarantees commitments the ED will consider the amount withdrawn as well as the future potential amounts that could be withdrawn or collected under the contract, which will be estimated based on historical observations and on prospective information projected. For some financial assets, the Group will determine the ED modeling a range of possible results of the exposures to several points in the time using scenarios and statistic techniques. As previously described and subject to use a max. PD of twelve months for which the credit risk has significantly increased the Group will measure the ET considering the risk of default during the maximum contractual period, (including option extension of debt to the client) about which there is an exposure to credit risk, even if, for risk management purposes the Group considers a longer time period. The max. contractual period is extended to the date where the Group is entitled to require the payment of loan or to put an end a loan commitment or guarantee granted.

For overdrafts of consumption, credit card balances and some corporate credits including both a credit and component of commitment of loan non withdrawn by the client, the Group will measure the ETs over a period higher than the maximum contractual period, if the Group contractual ability to require the payment and cancel the non-withdrawn commitment does not limit the exposure of Group to the loss of credit of the contractual period. Such facilities have not fixed term or any collection structure and are managed on a collective base. The Group may cancel them with immediate effect but this contractual right is not forced in the normal time of the day-today management of Group, if not only contractual when the Group finds down of an increase of credit risk at the level of each loan. This higher time period will be estimated taking into account the actions about credit risk management the Group expects to implement and used to mitigate the ET. Such measures include the reduction of limits and credit contracts cancelation.

Where parameters modeling is made on collective bases, the financial instruments will be grouped based on the characteristics of shared risk including:

- Type of instrument
- Ranking of credit risk
- Guaranty
- Date of initial recognition
- Remaining term of maturity
- Industry
- Debtor’s geographic location

The above groupings will be subject to regular revisions in order to ensure for the exposures of a specific Group to remain properly homogenous.

Forecast of future economic conditions

Under the new IFRS 9, the Group will include information with projection of future conditions, both in its evaluation whether the credit risk of an instrument has significantly increased since its initial recognition, as well in its jurisdiction of economic PCE. Based on the recommendations of the Market Risk Committee of the Group, use of economic experts and the consideration of a variety of updated and projected external information, the Group will suggest a “basic case” of the projection of the relevant economic variables, as well as a representative range of the other scenarios projected. This process involves the development of two or more additional economic scenarios and considers the relative probabilities of each result.

The 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 OECD and the International Monetary Fund and academic projection and the private sector.

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

The Group is currently in the process to identify and document key guides of credit risk and loss of credit for each portfolio of financial instruments, and using an analysis of historical data, estimation of relation between macroeconomic variables, credit risk and credit loss.

Preliminary evaluation of the model change impact model due provision of loss for financial instruments impairment

The most significant impact of the Group of implementation of IRFS) it is expected to result from the new requirements of impairment. The Losses for impairment will be increased and will return more volatile for financial assets in the impairment models of IFRS 9.

The Group has estimated that the adoption of IFRS 9 on January 1, 2018, the increment of provisions for impairment of financial assets will be $235,257). The provisions for impairment of the credit products unguaranteed with more expected life, such as overdrafts and credit cards will be the most impacted by the new requirements of impairment.

iii. Hedge Accounting

In the initial application of IFRS 9 the Group may select as accounting policy to follow applying accounting of coverage requirements of the IAS 39 instead of those included in the IFRS 9. The Group made the decision to continue applying the hedge accounting of the IAS 39. Notwithstanding, the Group will supply extended disclosures of hedge accounting introduced by the amendments of IFRS 9 to IFRS 7 “Disclosures of Financial Instruments”, because the election of accounting policies does not supply an exception of these disclosure requirements

iv. Disclosures

IFRS 9 will demand new requirements of extense disclosures, especially hedge accounting, credit risk, and provisions for credit loss expected.

v. Transition

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

- The Group will not issue again comparative information of previous periods with regards to changes of classification and measurement (impairment included); the differences of amounts of financial assets resulting in IFRS 9 adoption usually will be recognized in retained earnings non-appropriated in patrimony at January 1, 2018.
- The following evaluations have been made based on facts and circumstances existing in the date of the initial application:
  - Determination of business models about which the financial assets are maintained.
  - The designation of some investments in instruments of patrimony not maintained to be negotiated at reasonable value with adjustment to OIR.
- If any investment in instrument of debt has low credit risk at January 1, 2018, the Group will determine that the credit risk of the asset has not significantly increased since the initial recognition.

IFRS 15 Income of ordinary activities resulting from contracts with clients.

On July 2014, the IASB issued the IFRS 15 “Income from ordinary activities resulting from contracts with clients”, which will replace several prior standards, and specially the IAS 11 “Construction Contracts” and the IAS 18 “Income from ordinary activities”. This new standard with mandatory application as from January 1, 2018, requires for the income of ordinary activities different from those originated in financial instruments and financial leasing contracts to be recognized with specific standards for its record under IFRS 15 it is established for the income to be recognized in such manner to reflect the control transfer of goods or services committed with the clients in exchange of an amount indicating the consideration to which the Group expect to be entitled. Under this new premise, the Group recognizes the income from ordinary activities different from financial returns, such as: commissions for banking services, sale of goods or services for different concepts, and income from construction contracts by the application of the following stages:

1. Identification of contract with the client.
2. Identification of performance obligations in the contract.
3. Determining the price of transaction.
4. Assignment the price of transaction among the performance obligations.
5. Recognition of income in the extent that the Group satisfies its clients each performance obligation.

According to above criteria, the principal changes applying to the Group in the determination of other income different from financial returns and income for leasing contracts correspond to the evaluation made of the assignment of the price of transaction based on reasonable values of the different services or in cost plus margin of profit instead of using the residual values method, especially in the assignment of income from construction contracts and operation of goods of Colombian State in concession contracts.

The preliminary high level evaluation made by the Group indicates that the implementation of the IFRS 15 will not imply an impact on the opportunity and the amount of recognition of the other income of Group corresponding to the operations above indicated.

The Group intends to adopt the standard using the retrospective modified approach which means that the accumulative impact will be recognized in the retained profit as from January 1, 2018, and that the comparative figures will not be expressed again.

According to above, it is considered that the implementation of the new IFRS 15 in the preparing of consolidated financial statements will not imply an impact at January 1, 2018.

IFRS 16 Leasing

IFRL 16 was issued by the IASB in 2016 with effective application date by the entities as from January 1, 2019, with early application allowed, notwithstanding in Colombia it has not as yet included in the regulatory decrees of accounting standards.

IFRS 16 supersedes the guides existing for leasing accounting, including the IAS 17 leasing. CINIIF 4 determining whether a contract contains a lease agreement. SIC 15 incentives in operative leasing operation and SIC 27 evaluation of the substance of transactions involving the legal form of a leasing.

IAS 16 introduces only one model of accounting record of the leasing contracts in the statement of financial situation for the lessees. Any lessee recognizes an asset by right of use representing the right to use the asset taken in leasing and a liability for leasing representing its obligation to make the payments of the leasing. There are optional exemptions for short-term leasing or lease of goods of quite low value. The accounting treatment of leasing agreements for the lessors remains similar to current accounting standards, where the lessor classifies the leasing contracts as financial or operative leases.

The Group began a potential evaluation of the impacts on its consolidated financial statements; up to date, the most significant impact identified is the recognition of a new asset and a liability in its operative lease contracts, especially of properties used for the operation of offices. In addition the nature of expenses corresponding to operative lease agreements as a tenant will change with IFRS 16, expenses for leases in charges by depreciation of the right to use the asset and financial expenses in the liabilities for leasing. Up to date, the Group has not calculated a preliminary impact of adoption of this new standard but it is expected that there is no a significant impact for the adoption of this new standard, but it is expect that there is no any significant impact on the consolidated financial statements. And it is not expected an early adoption of such standard.

2.24 Net profit per share

The basic profit per share is determined dividing the net result of the period attributable to the shareholders of the Group between the weighted averages of common outstanding shares during the period.

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

The management makes estimates and assumptions affecting the amounts recognized in financial consolidated statements and the carrying value of the assets and liabilities in the following tax period. The judgments and estimates are continuously evaluated and based on the management experience and other factors, including the expectations of future events considered being reasonable in such circumstances. Management makes as well some judgments in addition to those involving estimations in the process to apply accounting policies. The judgments implying the most significant effects on amounts recognized in consolidated financial statements and the estimates potentially involving a significant adjustment in the carrying value of assets and liabilities in the following operational periods are the following:

Going concern: The Group's management prepares the consolidated financial statements based on a going concern. In the performance of this judgment the management considers the financial position, the current intentions, the operations results and the access to financial resources in financial market and analyses the impact of such factors on the Group's future operations. Up to the date, the management does not know about any situation where the Holding Company is not in conditions to continue as an ongoing concern during 2018.

Impairment of credit portfolio: according to IAS 39, the Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A., regularly review their portfolio of loans in order to assess the impairment in the determination whether any impairment has to be recorded charged to results of the operational period. The management does judgments in order to determine whether there is any observable datum indicating any diminution of the cash flow estimated of the credit portfolio before the decrease of such flow may be identified for any specific loan of the portfolio.

The process to calculate the provision includes analysis of specific, historical and subjective components. The methodologies used by the Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A. include the following elements:

- A detailed periodical analysis of loan portfolio
- A qualification system of the credits by risk level.
- A periodical revision of the summary of provisions for loss of loans
- Identification of loans to be evaluated in an individual manner for impairment
- Consideration of internal factors such as size, organizational structure, structure of loans portfolio, administration process to manage the loans, analysis of trends of due portfolio and historical experience of loss
- Consideration of risks inherent to the different types of loans
- Considerations of both local, regional and national external economic factors.

In the process for calculation of credits provisions individually considered significant by the cash flow discounted method, the management of each financial entity makes assumptions concerning the amount to be recovered from every client and the time elapsed to recover such value. Any variation in such estimation may involve significant variations in the value of provision determined. In the calculation of provisions for credits considered individually significant, based on the guaranty, the management makes estimations of the reasonable value of such guaranties making use of independent experts, any variation of price finally obtained to recover the guaranty, in turn may generate significant variations in of provisions value.

In the collective loan provisions calculation process that are no considered individually significant or those credits individually significant that are not impaired and that are collectively evaluated for impairment, the historical loss rates used in the process are periodically updated in order to incorporate the most recent data reflecting the actual economic conditions, trends of performance of industry, geographic considerations or debtors from each portfolio of the segment and any other relevant information potentially affecting the estimation of provision for impairment of loans. Many factors may affect the estimation of provisions for loss of loans of the Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A. including volatilities in the probability of impairment, migrations and estimations of the severity of loss.

To quantify the losses incurred in the portfolios collectively evaluated, the Holding Company and its subsidiaries Occidental Bank (Barbados) Ltd. and Banco de Occidente Panamá S.A. have in place calculation methodologies taking into account four basic factors: the exposure, the probability of default, the period of identification loss and the severity, that are disclosed in Note 2.8 Financial Assets of investment in debt securities, patrimony instruments and credit portfolio, literal and impairment.

The table below shows a sensitivity analysis in the most significant variables influencing the calculation of provision for impairment of loan portfolio, supposing an increment of more or less 10% in most significant variables influencing the calculation of provision:

December 31, 2017

	Sensitiveness		Increase	Decrease
Credits individually evaluated				
Probability of default in future cash flows estimates	10%	$	240,517	(69,798)
Credits collectively evaluated				
Probability of default	10%		27,617	(88,515)
Severity in estimation of loss	10%		56,326	(88,515)
Period of loss identification	1 month	$	15,416	(11,082)

December 31, 2016

	Sensitiveness		Increase	Decrease
Credits individually evaluated				
Probability of default in future cash flows estimates	10%	$	136,925	(17,076)
Credits collectively evaluated				
Probability of default	10%		27,142	(70,820)
Severity in estimation of loss	10%		54,579	(70,820)
Period of loss identification	1 month	$	24,381	(20,362)

The aim of this sensitivity analysis is to determine how every variable affects the provision calculation, although a summation of the effects of each one of the effects of every variable is not made as the set of all variables are not necessarily additive.

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

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

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

The Holding Company considers as observable the market data already available that are regularly distributed or updated, reliable and verifiable, and reflecting the assumptions that would be used by the market participants for the purpose to determine the price of asset or liability.

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

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

- The policies and procedures indicated about the administration of portfolio and the operation of such policies in the actual practice;
- How the administration assesses the portfolio performance;
- Whether the determination strategy is focused on the income for contractual interest;
- The frequency of any expected sale of assets;
- The reason of any sale of assets; and
- If the assets sold are maintained for a long-term period in connection with contractual maturity or the assets are promptly sold after they are acquired or a long-term before the maturity.

Specially, the Holding Company exercises judgment to determine the aim of business model for portfolios maintained for liquidity purposes. The Central Treasury of the Holding Company holds some debt instruments in a separated portfolio to obtain returns at long term and as liquidity reserve. The instruments can be sold to accomplish with the unexpected liquidity deficits although it is not anticipated that such sales will be frequent.

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

When a business model involves the transfer of the contractual rights to the cash flows derived from financial assets to third parties and the assets transferred are not writing-off in accounts, the Holding Company reviews the agreements to determine its impact by evaluating the business model. In this evaluation the Holding Company considers whether, under the agreements, the Holding Company will continue receiving cash flows from the assets, either directly from the receiver, including if it will purchase again |the assets to receiver.

The Holding Company exercises judgment by determining whether the contractual terms of financial assets generated or acquired bring about, in specific dates, cash flows for measurement at amortized cost. In that evaluation, the Holding Company takes into consideration all the contractual terms, including any term of provisions of prepayment to extend the maturity of assets, such terms changing the amount and the opportunity of cash flows and if the contractual terms contain leverage.

For financial assets concerning of which the rights of the Holding Company are limited to debtor's specific assets (assets without resource), the Holding Company evaluates whether the contractual terms of those financial assets limit the cash flows in any inconsistent manner with the payments representing the principal and interest.

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

Other issues of classification

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

- By classifying the financial assets or liabilities at reasonable value with changes in results, the group has determined that it is in compliance with the description of assets and liabilities for the negotiation stated in the accounting policy.
- By designing the financial assets and liabilities at the reasonable value with changes in patrimony, the Holding Company has determined that it has accomplished one of the criteria for this designation exposed in the accounting policy.
- When ranking the financial assets at the amortized cost are classified (maintained up to the maturity), the Holding Company has determined that has the positive intention and the capability to maintain the assets up to the maturity date according to requirements of the accounting policy.

Deferred profit tax: the Holding Company assesses the performance throughout the time of the income deferred tax. Active deferred tax represents recoverable income tax through future deductions of taxable profit and accounted for in the consolidated financial balance sheet. The deferred tax assets are recoverable in the extent that obtainment of tax benefit is probable. The future income tax and the amount of tax benefits probable are based on medium-term plans term prepared by the management. The business plan is based on the management expectations considered reasonable under the circumstances. As prudential measure for the purposes to determine its realization of deferred tax the financial and tax projections of the Holding Company have been accomplished.

At December 31, 2017 and 2016, the Holding Company management estimates that the items of deferred income tax would be recoverable in connection with its estimates future taxable profits.

Initial recognition of transactions with related parties: in the normal run of the business, the Holding Company performs transactions with related parties IFRS 9 requires initial recognition of financial instruments based on its reasonable values, the judgment applies to determine whether the transactions are made at market values of the interest rates when there is no active market for such transactions.

The grounds of judgment consist of valuing similar transactions with non-related parties and an analysis of effective interest rates. The terms and conditions of transactions with related parties are disclosed in the Note 31.

Capital gain: On an annual basis the Holding Company makes an evaluation of the impairment of capital gain accounted for in financial statements; such evaluation is made with closing September 30 annually based on a study conducted for such purpose made by independent experts hired for such purpose. Such study is made based on the valuation of lines of business related to the Capital gain (lines of business of Banco Unión), by the discounted cash flow method, taking into account factors such as economic situation of the country and the sector where the Holding Company operates, historical financial information, and the projected growth of the income and expenses of the Holding Company in the next five years and subsequent growths in perpetuity taking into account its profit capitalization indexes, discounted at free-risk interest rates that are adjusted by premiums of risk requiring in those circumstances. The assumptions used in such valuation are detailed in Note 15.

Valuation of investment properties: The investment properties are reported in the financial balance sheet at the reasonable value determined in reports prepared by independent experts at the end of each reporting period. Due to current conditions of the country, the transactions frequency of property is low, notwithstanding the management estimates that there exist enough activities of the market to provide the comparable prices for transactions ordered of similar properties when reasonable value of investment properties is determined.

In preparing the valuation reports, of the Holding Company's investment properties exclude forced sales transactions. The management has reviewed the assumptions used in the valuation by independent experts and considers that factors such as inflation, interest rates, etc. have been, approx. determined considering the market conditions at the closing period reported; notwithstanding above, the management considers that the valuation of properties of investment is currently subject to high degree judgment and to an increased probability that the current income for sale, such as assets, can differ from the carrying value.

Estimation for contingencies: The Holding Company and its subsidiaries estimate and record a provision for contingencies for the purposes to cover the potential loss for labor events, civil and mercantile legal actions, fiscal objections or other, according to the circumstances that, based on the opinion of external legal advisors and/or internal lawyers, are considered probable of loss, and can be reasonably quantified. Given the nature of lot of claims, events and/or processes, it is not possible in some instances to do an accurate forecast or quantify an amount of loss in a reasonable manner, and therefore, the real amount of disbursements effectively made on occasion of claims and/or processes is completely different from the amounts estimated and initially provisioned, and such discrepancies are recognized in the year when they were identified.

Benefits to employees: The measurement of the pensions, costs and liability obligations are depending on a great variety of long-term premises determined on actuarial bases, including estimates of the present value of the projected future payments of pensions for the participants of the plan, taking into consideration the probability of potential future events, such as increments of the minimum urban salary and demographic experience. Such premises may imply an effect on the amount and the future contributions, if any variation occurs.

The discount rate allows for establishing future cash flows at present value of the measurement date. The Holding Company determines a long-term market representing the market rate of high-quality fixed income investments or for bonds of government in Colombian Pesos, the currency for the benefit to be paid, and considers the opportunity and the amounts of payments of future benefits, to which the Holding Company has selected the government bonds. .

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

Determination of the functional currency of subsidiaries: The determination of functional currency of subsidiaries was made based on the correlative economic conditions of the country where the operations are developed. This determination requires judgment. When this judgment is made the Holding Company evaluates, among other factors, the locations of activities, the sources of income, the risks associated to these activities and denomination of operational currencies of the different entities.

Note 4 – Administration and Risk Management

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

Objective and general guides of risk management

The objective is to maximize the performance to its investors through prudent management of risk; for such purpose the principles guiding the Holding Company in the management of risks are the following:

a) Provide safety and continuity of services to clients.
b) The integration of risk management to the institutional processes.
c) Collegiate decisions at the level of each one of the boards of directors of the Holding Company to make the commercial loans.
d) Knowledge of the depth and external market as a result of our leadership and our stable and experienced management of the banks.
e) Establishing clear policies of risk in a top-down approach with regards to:
    - Compliance with the policies about know-client, and
    - Structures of granting commercial credits based on a clear identification of the sources of risk and the capacity of generation of flow of clients
f) Use of common analytical tools and determination of interest rates of credits.
g) Diversification of commercial portfolio with regards to industry and economic groups.
h) Specialization in niches of consumption products.
i) Extensive use of scoring models and qualification of credits permanent updated to ensure the growth of consumption loans of high credit quality.
j) Conservator policies in connection with:
    - Composition of negotiation portfolio with bias towards instruments of less volatility
    - Operation of negotiation on their own account, and
    - Variable compensation of negotiation personnel

Culture of risk

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

a) In all Holding Company's entities the risk function is independent from the business units
b) The power structure delegation at level of the banks requires for a great number of transactions to be forwarded to decision centers such as risk committees. The great number and frequency of meetings of such committees ensures a high grade of agility in the resolution of proposals and ensures the continuous participation of the top management and the key areas in the management of the several different risks.
c) The Holding Company has in place detailed manuals of action and policies concerning the risk management, the groups of business and risk of the banks hold periodical meetings of guidance with risk approaches in line with the Holding Company's risk culture.
d) Plan of limits: The banks have implemented a system of risk limits that are periodically updated taking into account the market new conditions and the risk they are exposed.
e) Adequate information systems allowing to monitor the exposures to risk in a daily frequency to ensure that the approval limits are accomplished in a systematic manner and to adopt, if deemed necessary, the appropriate corrective actions.
f) The principal risks are analyzed both when the risks originate or when the problems occur in the current line of business and over a permanent basis for all the clients.
g) The Holding Company has in place adequate and permanent training courses at all organization level concerning the culture of risk and compensation plans for some employees according to their adherence to culture of risk.

Corporate structure of the risk function

According to the directives issued by Colombia Finance Superintendence, the corporate structure at level of the banks to manage the different risks, is made up by the levels below:

- Board of Directors
- Committee of Risks
- Vice Presidency of Risks
- Administrative processes to manage the risks
- Internal audit

Board of Directors

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

- Define and approve the general strategies and policies related to the internal control system to manage the risks.
- Approve the entity's policies in connection with the management of the different risks
- Approve the operation and counterpart quotas, according to the attributions defined
- Approve exposures and limits to the different types of risk
- Approve the different procedures and methodologies for risk management
- Approve the allocation of human, physical and technical resources for risk management
- Indicate the responsibilities and attributions assigned to the positions and areas responsible for the risk management
- Creation of the committees necessary to ensure the appropriate organization, control and tracking of the operations generating exposures, and define their functions.
- Approve the internal control system for the risk management
- Require from the Holding Company and its subsidiaries administration different periodical reports about the levels of exposure to the different risks
- Evaluation of recommendation and corrective action proposed about the risk administration processes.
- Require to administration the different periodical reports about the exposure levels to the different types of risks
- Perform follow-up in their ordinary meetings through periodical reports submitted by the Audit Committee about risk management and the actions adopted for the control and mitigation of the most relevant risks.
- Approve the nature, scope, strategic business and markets where the entity will operate.

Committees of Risk

The Holding Company has in place, inter alia, credit risk and treasury committees (financial committee) by members of the Board of Directors, or with analysis made by the plenum Board of Directors periodically deal with discussing, measuring, controlling and analyzing the credit risk management (SARC) and the treasury of bank (SARM). In the same way there exists the assets and liabilities technical committee, or the analysis by the Board of Directors, in order to make decisions about the assets and liabilities management and liquidity through the Liquidity Risk Management System (LRMS); related to the analysis and tracking of the Operative Risk Management System and Business Continuity (ORMS – BC) is developed in the Audit Committee.

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

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

1. Provide the Board of Directors of the relevant entity, with the policies deemed advisable to manage the risks corresponding to each committee and processes and methodologies the management thereof.
2. Conduct systematic revisions of exposure to risk of the entity and implement the corrective actions deemed necessary.
3. Ensure for Holding Company and its subsidiaries actions in connection with the risk management to be consistent with previous levels defined about risk appetite.
4. Approve the decisions in keeping with the faculties established for each committee by the Board of Directors.

Below the risk committees are detailed:

i. Financial Risk Committee, Committee ORMS and Compliance Committee

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

- Measure the entity’s integral risk profile
- Design monitoring and tracking schemes for the exposure levels to the different risks the entity faces.
- Review and propose to the Board of Directors the tolerance levels and the grade of exposure to risk the entity may assume in the development of business. This implies the evaluation of alternatives align the risk appetite of the different risk management system.
- Evaluate the risks involved in the operation in new markets, products, segments, countries, inter alia.

ii. Committee of financial risk (Credit Risk and Treasury)

The aim is to discus, measure, control and analyze the credit risk management (CMRS) and Treasury (SARM). Among the principal duties, the following:

- Monitor the credit risk profile and treasury, for the purpose to ensure for the risk level to be maintained within the parameters established according to the limits of risk policies of the entity.
- Evaluation of incursion in new markets and products
- Evaluation of policies, strategies and actuation rules in commercial activities both of treasury and credit.
- Ensure for the measuring and risk management methodologies to be appropriate, given the entity’s characteristics and activities.

iii. Committees of Assets and Liabilities

The aim is to support the top management in definition of policies and limits, tracking, control and measurement systems accompanying the assets and liabilities management and the liquidity risk management through the different Liquidity Risk Management Systems (LRMS). Among the principal duties the following:

- Establish the appropriate procedures and mechanisms for the liquidity risk management.
- Monitoring the reports about exposure to liquidity risk
- Identify the origin of exposures and through sensitivity analysis to determine the probability of fewer returns or the needs of resources due to movements of the cash flows.
-

iv. Audit Committee

The objective is to evaluate and monitor the Internal Control System. Among the principal duties of control, the following:

- Propose for the approval by Board of Directors, the structure, procedures and methodologies necessary for the operation of the Internal Control System.
- Evaluate the entity's internal control structure, in such a way to establish whether procedures designed reasonably protect the own assets, as well as those of third parties, the bank administers or custodies, and if there are controls to verify for the transactions to be properly authorized and recorded. For such purpose, the areas responsible for the administration of the several different risk systems, the Tax Inspection and the Internal Audit submit to the committee the periodical reports established and the other reports required.
- Perform tracking about the risk exposure levels, the implications for the entity and actions implemented for the control or mitigation.

Vice Presidency of Risks

The vice presidencies of risks appearing in the organizational structure, discharge, among other duties, the following:

a) Ensure the appropriate compliance at the level of the Holding Company and its subsidiaries of the policies and procedures established by the Board of Directors and the different risk committees for the management of risks.
b) Design methodologies and procedures to be followed by the administration of risk management.
c) Issue the procedures for permanent monitoring allowing to timely identify any type of deviation of the policies established for risk management.
d) Prepare periodical reports to the different risk committees, Board of Directors of the Holding Company and subsidiaries about the status of control and vigilance related to the compliance with the risk policies.

Administrative processes of risk management

According to the business models, each subsidiary of the Holding Company holds structures and procedures properly defined and documented in manuals about the administrative processes to be used in order to manage the different risks, and in turn, the existence of different technological tools below detailed, to analyze each risk to monitor and control the risks.

Internal Audit

Internal audits of Holding Company and subsidiaries are independent from the administration; they depend directly from the audit committees and in the development of their duties they conduct periodical evaluations about the compliance with the policies and procedures followed by the Holding Company to manage the risks; their reports are directly submitted to the risks committees and to the audit committees, responsible for the tracking to the Holding Company administration about the corrective actions taken.

Individual analysis of the different risk

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

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

The Holding Company's entities with their businesses in economic sectors different from financial sector, commonly named of "real sector", have a lower exposure to financial risks although they are exposed mainly to operative and legal risks.

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

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 credit risk, which is that the debtor causes them a financial loss to its default to timely accomplish with its obligations and for the total debt. The exposure to credit risk of the Holding Company and its subsidiaries and Occidental Bank (Barbados) Ltd and Banco de Occidente Panamá S.A. occurs as a result of their credit activities and transactions with counterparts giving rise to financial assets.

The maximal 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 balance sheet of the Holding Company at December 31 2017 and 2016, as indicated below:

Consolidated Exposure to credit risk

Account		December 31,2017	December 31,2016
Deposits in banks other than Central Bank	$	848,312	364,901
Financial instruments a reasonable value			
Government		2,679,946	2,120,415
Financial entities		204,659	341,903
Other sectors		1,773,231	1,601,401
Derivatives instruments		106,391	155,902
Investments in patrimony instruments		402,733	471,963
Credit portfolio			
Commercial portfolio		16,007,894	15,019,123
Consumption portfolio		6,863,655	6,879,853
Mortgage portfolio		509,939	440,961
Leasing portfolio		5,235,141	5,106,205
Other accounts receivable		136,534	196,295
Total financial assets with credit risk		**34,768,435**	**32,698,922**
Credit risk off the balance at nominal value			

Financial guarantees and collaterals		896,910	843,550
Commitments of credits		90,857	138,850
Total exposure to credit risk off the balance		**987,767**	**982,400**
Total max. exposure to credit risk	$	**35,756,202**	**33,681,322**

The potential impact of assets and liabilities netting to potentially reduce the exposure to credit risk is not significant. For guaranties and commitments to extend the amount of credits, the maximal exposure to credit risk is the amount of commitment. The credit risk is mitigated by the guaranties and collaterals as described below:

Mitigation of credit risk, guaranties and other improvements of credit risk

In most of the events, the maximal exposure 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 improvements of credit that reduce the credit risk of the Holding Company and its subsidiaries. The existence of guaranties may be a measure necessary although not a sufficient instrument for the acceptance of credit risk. The policies of credit risk from the Holding Company require an evaluation of the debtor´s payment capacity and that the debtor can generate enough sources of resources to allow for the amortization of debts.

Risk acceptance policy is, therefore, organized in three different levels in the Holding Company and subsidiaries:

- Financial analysis risk: in order to grant credits there is in place different credit risk evaluation models: Scoring models for the evaluation of consumption portfolio credit risk. In the client´s initial evaluation logistic regression models apply whereby a score is assigned to client based on socio-demographic variables and some behaviors with sector allowing to establish whether the applicant is subject of credit according to the policy of the Holding Company about the minimum score required. There is in place as well tracking models mainly used client's payment behavior variables and some socio-demographic variables, allowing for ranking the clients and establishing the potential default in the next year.

  For commercial portfolio, there are in place rating models, especially logistic regression models the variables of which are mainly financial indicators. By using such variables, the entry models are defined, and for tracking models payment behavior variables are added as the maximal arrears in the last year, counters of arrears, inter alia. Accordingly, there is in place entry models and tracking, for Industry, Commerce, Services, Constructors, Territorial entities and Financial Entities segments.
- The submission of guarantees with appropriate rates to hedge the debts and accepted according to every bank's credit policies pursuant to the risk assumed in any way such as personal guarantees, cash deposits, securities and mortgage guarantees.
- Evaluation of liquidity risk of the guarantees received

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

Al guarantees need to be evaluated and legally worked out following the constitution parameters according to the provisions applicable.

The following is the detail of the credit portfolio by type of guarantee received to hedge the credits granted by the Holding Company and subsidiaries at consolidated level, on December 31, 2017 and 2016:

December 31, 2017

		Commercial	Consumption	Housing	Financial Leasing	Total
Unguaranteed credits	$	8,510,068	4,894,364	5,886	52,201	**13,462,519**
Credits guaranteed by other banks		350,562	4,284	-	4,803	**359,649**
Collateralized credits						
Housing		35,222	10,678	504,053	-	**549,953**
Other real property		1,130,850	14,527	-	4,410	**1,149,787**
Investment in patrimony instruments		429,509	1,077	-	-	**430,586**
Deposit in cash or equivalent to cash		306,980	2,793	-	-	**309,773**
Goods in leasing		-	-	-	3,236,566	**3,236,566**
No-real property goods		-	-	-	1,743,724	**1,743,724**
Fiduciary contract standby & guarantee funds		2,622,499	4,513	-	160,596	**2,787,608**
Pledging of income		997,062	266	-	10,722	**1,008,050**
Collaterals		453,537	1,891,723	-	488	**2,345,748**
Other assets		1,171,605	39,430	-	21,631	**1,232,666**
Total	$	**16,007,894**	**6,863,655**	**509,939**	**5,235,141**	**28,616,629**

December 31, 2016

		Commercial	Consumption	Housing	Financial Leasing	Total
Unguaranteed credits	$	7,756,930	4,736,425	2,056	42,966	**12,538,377**
Credits guaranteed by other banks		413,049	3,145	-	4,779	**420,973**
Collateralized credits						
Housing		21,014	10,283	438,905	11	**470,213**
Other real property		1,043,713	17,308	-	5,310	**1,066,331**
Investment in patrimony instruments		500,372	1,779	-	-	**502,151**
Deposit in cash or equivalent to cash		308,362	5,639	-	-	**314,001**
Goods in leasing		-	-	-	3,082,312	**3,082,312**
No-real property goods		-	-	-	1,809,342	**1,082,342**
Fiduciary contract standby & guarantee funds		2,475,322	2,625	-	138,002	**2,615,949**
Pledging of income		928,274	400	-	5,741	**934,415**
Collaterals		483,770	2,040,380	-	1,188	**2,525,338**
Other assets		1,088,317	61,869	-	16,554	**1,166,740**
Total	$	**15,019,123**	**6,879,853**	**440,961**	**5,106,205**	**27,446,142**

Policy to prevent credit risk excess of concentration

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

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

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

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

December 31, 2017

		Commercial	Consumption	Housing	Financial Leasing	Total
Colombia	$	15,715,043	6,863,445	509,939	5,235,141	**28,323,568**
Panamá		899	-	-	-	**899**
Estados Unidos		606	127	-	-	**733**
Costa Rica		4,331	-	-	-	**4,331**
Honduras		2,157	-	-	-	**2,157**
El Salvador		40,369	-	-	-	**40,369**
Guatemala		17,112	-	-	-	**17,112**
Other countries		227,377	83	-	-	**227,460**
Total	**$**	**16,007,894**	**6,863,655**	**509,939**	**5,235,141**	**28,616,629**

December 31, 2016

		Commercial	Consumo	Housing	Financial Leasing	Total
Colombia	$	14,657,175	6,879,533	440,961	5,106,205	27,083,874
Panamá		11,912	-	-	-	11,912
Estados Unidos		4,242	130	-	-	4,372
Costa Rica		2,877	-	-	-	2,877
Honduras		2,168	-	-	-	2,168
El Salvador		48,720	-	-	-	48,720
Guatemala		19,866	-	-	-	19,866
Other countries		272,163	-	-	-	272,353
Total	$	**15,019,123**	**6,879,853**	**440,961**	**5,106,205**	**27,446,142**

Below the credit portfolio distribution of Holding Company and subsidiaries by economic destination at December 31, 2017 and 2016:

		December 31, 2017		December 31, 2016	
Sector		**Total**	**%Part**	**Total**	**%Part**
Agriculture	$	828,548	2.9%	710,280	2.6%

Mining and Oil Products	411,014	1.4%	488,103	1.8%
Food, beverage and tobacco	713,406	2.5%	701,838	2.6%
Chemical products	976,426	3.4%	1,051,369	3.8%
Other industrial and manufacture products	1,092,159	3.8%	1,089,317	4.0%
Government	1,143,503	4.0%	1,140,605	4.2%
Construction	3,032,931	10.6%	2,942,379	10.7%
Commerce and tourism	538,541	1.9%	416,742	1.5%
Transport and Communications	1,545,087	5.4%	1,572,177	5.7%
Utilities	674,525	2.4%	730,411	2.7%
Consumption services	9,619,915	33.6%	9,553,778	34.8%
Commercial services	7,116,153	24.9%	5,965,643	21.7%
Other	924,421	3.2%	1,083,500	3.9%
Total by economic destination	$ **28,616,629**	**100%**	**27,446,142**	**100%**

Sovereign Debt

At December 31, 2017 and 2016, the investment in financial assets portfolio in debt instruments is made mainly by securities issued or endorsed by Colombia Government entities representing 99.20% and 99.72% respectively of the total portfolio.

Below the exposure to sovereign debt by country:

		December 31, 2017		December 31, 2016	
		Monto	Participación %	Monto	Participación %
Degree of Investiment (1)					
Colombia	$	3,688,958	99.20%	3.229.201	99.72%
Mexico		-	0.00%	9.126	0.28%
USA		29,604	0.80%	-	0.00%
Total Sovereign risk	**$**	**3,718,562**	**100%**	**3.238.327**	**100%**

(1) The investment grade includes the Rating of Fitch Ranking Colombia S.A. F1+ to F3, BRC of Colombia from BRC 1+ to BRC 3 and Standard & Poor´s A1 to A3.

Procedure to grant credits and counterpart quotas

The Holding Company’s entities assume the credit risk in two fronts: the properly credit activity, including commercial, consumption and mortgaging operations and the treasury activity, including interbank operations, investment portfolios administration, operations with derivatives and stock negotiations, inter alia. In spite that these are independent business, the insolvency risk nature of the counterpart is equivalent and, hence, the management criteria are the same.

The principles and rules to manage the credit and the credit risk in each financial entity of the Holding Company are included in the Manual of the Credit Risk Management System (CRMS), implemented both for the traditional bank activity and for treasury activity. The credits of evaluation to measure the credit risk follow the instructions given by the Financial Risk Committees.

The top authority on credit is the Board of Directors, who guides the general policy and is empowered to grant the highest levels of credit allowed. In the banking operation, the faculties to grant coupons and credits are dependent on the amount, the term, and guarantees offered by the client. The Board of Directors delegates a portion of its credit faculty in the different status and executives, who process the credit applications and are responsible of the analysis, tracking and result.

On the other hand, in the treasury operations the Board of Directors approves the operation coupons and counterpart. The risk control is made through three essential mechanisms initially: annual assignment of operation and daily control coupons, solvency quarterly evaluations for issues and report of investment concentration by economic group.

Additionally, for the approval of credits, among other considerations the probability of default, the counterpart coupons, the recovery rate of guarantees received, the term of credit, and the concentrations by economic sectors, are taken into account.

The Holding Company has in place a Credit Risk Management System (CMRS), managed by the Credit and Operative Risk Division and takes into account, among others, the design, implementation, and evaluation of policies and tools of risk defined by the Financial Risk Committee of the Board of Directors. The progressions made in the CMRS allowed to obtain significant achievements and in the integration of credit risk measurement tools in the granting credits process of the Holding Company.

The Holding Company, for consumption portfolio has in place scoring models for the evaluation of credit risk. In the initial clients' evaluation logistic regression models apply assigning a score to client, based on the sociodemographic variables and some ones behavior variables with the sector, and allow to determine whether the applicant is subject of credit according to Holding Company's policy concerning the minimum score required. There is in place as well tracking models mainly using client's payment behavior variables and some sociodemographic variables allowing for the client to be qualified and establish the provability of default in the subsequent year.

For the commercial portfolio, there are in place rating models, specifically logistic regression models, the variable of which are mainly financial indicators. With such variables the entry models are obtained and for the tracking models, payment behavior variables are added up such as maxima height of arrears in the last year, counters of arrears, inter alia. Accordingly, there is in place entry and tracking models to follow-up Industry, Service, Constructors, Territorial Entities and Financial Entities segments.

Monitoring process of credit risk

Credit risk and tracking process is made in several steps including a daily tracking and collection management based on the analysis of due portfolio by age, qualification of risk levels, permanent tracking to high risk clients operations restructuring process and reception of goods received in payment.

On a daily basis, the banks produce lists of past due portfolio and based on such analysis, several personnel of the Holding Company perform the collection process by telephone calls, e-mails, or written requirements of collection.

Below the summary of past due portfolio by age of maturity at December 31, 2017 and 2016:

December 31, 2017

		Credit portfolio In force No impaired	From 1 to 30 Days	From 31 to 60 Days	From 61 to 90 Days	Total balances In arrears not impaired	Impaired > 90 days	Total credit Portfolio
Commercial	$	14,439,261	283,142	27,834	13,058	324,034	1,245,179	16,007,894
Consumption		5,720,913	483,450	98,597	57	582,104	560,637	6,863,655
Mortgage		437,302	44,072	10,085	3,086	57,243	15,394	509,939

housing								
Financial leasing		4,489,378	235,504	26,021	16,927	278,452	467,312	5,235,141
Total	$	**25,086,854**	**1,046,168**	**162,537**	**33,128**	**1,241,833**	**2,288,522**	**28,616,629**

December 31, 2016

		Credit portfolio In force No impaired	From 1 to 30 Days	From 31 to 60 Days	From 61 to 90 Days	Total clients In arrears not impaired	Impaired > 90 days	Total credit Portfolio
Commercial	$	13,981,469	164,725	27,941	12,311	204,977	832,677	15,019,123
Consumption		5,924,635	443,336	67,979	111	511,426	443,792	6,879,853
Mortgage housing		384,806	46,142	3,134	1,355	50,631	5,524	440,961
Financial leasing		4,456,886	250,467	19,872	7,323	277,662	371,657	5,106,205
Total	$	24,747,796	904,670	118,926	21,100	1,044,696	1,653,650	27,446,142

For commercial portfolio, the Holding Company and subsidiaries assess on a monthly basis the 20 more representative economic sectors in connection with Gross Portfolio and Past Due Portfolio, for the purpose to monitoring the concentration by economic sector and risk level in every sector.

At individual level, the Holding Company and subsidiaries on a semi-annual basis make an individual credit risk analysis with current balances higher than COP 2,000 based on financial information updated of client, compliance with the terms agreed upon, guarantees received and consulting central of risk; based on such information the classification of clients by risk level is made and the clients classified in Category A- Normal, B- Subnormal, C- Deficient, D- Doubtful collection and E- Unrecoverable. For the consumption, mortgage credits, above qualification by level of risk is made on a monthly basis taking into account mainly the age of maturity and other risk factors. For such purpose, the Holding Company makes as well a consolidation of indebtedness of every client, and determines its probability and calculation of impairment at consolidated level.

The exposure to credit risk is managed by a periodical ability analysis of borrowers or potential borrowers to determine the capital and interest payment capacity. The exposure to credit risk is also partially mitigated by the obtainment of corporate and personal collateral guarantees.

The following is the summary of risk level qualification of portfolio, at December 31, 2017 and 2016:

December 31, 2017

		Commercial	Consumption	Housing	Financial Leasing	Total
A	$	14,261,826	6,150,848	490,540	4,568,507	**25,471,721**
B		585,249	179,140	6,180	282,430	**1,052,999**
C		519,357	166,964	107	120,434	**806.862**
D		442,956	194,121	12,562	187,965	**837,604**
E		198,506	172,582	550	75,805	**447,443**
TOTAL	**$**	**16,007,894**	**6,863,655**	**509,939**	**5,235,141**	**28,616,629**

December 31, 2016

Commercial	Consumption	Housing	Financial Leasing	Total

A	$	13,773,940	6,280,251	433,704	4,605,739	**25,093,634**
B		525,645	158,979	1,968	195,376	**881,968**
C		293,418	139,485	-	118,124	**551,027**
D		315,010	181,478	5,289	130,922	**632,699**
E		111,110	119,660	-	56,044	**286,814**
TOTAL	**$**	**15,019,123**	**6,879,853**	**440,961**	**5,106,205**	**27,446,142**

Based on above qualifications each bank prepares a list of clients potentially involving a significant impact of loss to the Holding Company and subsidiaries and based on such list some persons are assigned to implement an individual follow-up to every client, including meetings with the client to determine the potential reasons of risk and look for joint solutions to obtain the compliance with the debtor's obligations.

Restructuring the credit operations due to debtor's financial issues

The Holding Company and subsidiaries perform, periodically the debt restructurings of clients with difficulties to comply with the credit obligations to the Holding Company and its subsidiaries, requested by the debtor. Such restructurings usually consist of the extension of term, reduction of interest, or partial forgiveness of debts, or a combination thereof.

The basic policy to grant such restructuring at the level of the Holding Company is to provide the client with a financial viability allowing for adapting the payment conditions of debts to a new situation for generation of funds. The use of restructurings with the sole purpose to delay the constitutions of provisions is prohibited at Holding Company level.

When any credit is restructured due to debtor's financial difficulties, such debt is signaled within the files from each financial entity of the Holding Company as restructured credit according to regulations issued by Colombia Finance Superintendence. The risk qualification made at the time of restructuring only is improved when the client is satisfactorily compliant during a prudential period with the terms of the agreement and its new financial situation is appropriate.

According to provisions in IAS 39 – paragraph 39C, the restructured credits are included for impairment evaluation and determination of provisions, nevertheless, the marking of a loan as restructured does not necessarily imply its qualification as impairment credit , because in most of the events new guarantees supporting the obligation are obtained.

The following is the detail of restructured credits with closing December 31, 2017 and 2016:

Restructured credits		December 31, 2017	December 31, 2016
Local	**$**	**464,652**	**455,909**
Commercial		390,715	401,736
Consumption		73,751	53,679
Restructured credits	$	186	494

Receipt of goods given in payment

When persuasive collections or credit restructuring processes fail to be successful within the prudential terms, it is proceeded to make the collection by legal actions or otherwise reach to an agreement with the client for the receipt of goods given in payment. The Holding Company has clearly established policies to receipt the goods in payment and has in place separated specialized departments to manage such situation, receipt the goods in payment and the subsequent sale.

The following is the detail of goods received in payment and sold during the operational periods ended on December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Goods given in payment	$	24,613	55,680
Goods sold		(10,105)	(4,610)
	$	**14,508**	**51,070**

Financial assets other than credit portfolio by credit risk qualification

Below the detail of financial assets different from credit portfolio for risk qualification issued by Independent Risk Qualification Agency:

- **Cash and equivalent to cash**

Below the detail of credit quality determined by independent risk raters of the principal financial institutions where the Holding Company and subsidiaries maintain cash funds:

Credit quality		December 31, 2017	December 31, 2016
Degree of investment	$	**1,785,707**	**1,583,059**
Banco Central		938,864	1,219,883
Financial entities		846,843	363,176
With no qualification or unavailable		**1,469**	**1,724**
Banco Central		1,469	1,724
Total cash and equivalent to cash with third parties		**1,787,176**	**1,584,783**
Cash held by the entity (1)		**669,854**	**554,823**
Total	**$**	**2,457,030**	**2,139,606**

(1) Corresponds to the cash held by the Bank kept in vaults ATMs and Cash boxes

- **Financial Assets in debt securities and patrimony instruments at reasonable value**

Below the detail of the credit quality determined by independent risk raters of the principal counterparts in debt securities and investments in patrimony instruments where the Holding Company and subsidiaries hold financial assets at reasonable value:

		December 31, 2017	December 31, 2016
Degree of investment			
Sovereigns	$	3,718,562	3,239,529
Other public entities		76,843	-
Corporate		344,287	597,113
Financial entities		641,319	629,265
Multilateral		45,117	-
Total investment degree		**4,826,128**	**4,465,907**
Speculative		6,108	-
Corporate		141,938	6,300
Financial entities		190	-
Other		**148,236**	**6,300**
Total speculative		**86,205**	**63,475**
Without qualification or unavailable	$	**5,060,569**	**4,535,682**

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

Below the detail of the credit quality determined by independent risk qualified agents, of the principal counterparts in debt securities where the Holding Company and subsidiaries hold financial assets at amortized cost.

Credit quality		December 31, 2017	December 31, 2016
Issued or guaranteed by nation and/or Banco Central	$	689,023	542,008

- **Financial derivative instruments**

Below the detail of the credit quality determined by independent risk raters agents, of the principal counterpart's instruments derivative assets for the Holding Company and subsidiaries at December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Degree of f investment	$	60,420	94,854
With no qualification or unavailable		45,971	61,048
Total	$	106,391	155,902

4.2 Market risks

The Holding Company takes part in the exchange monetary and capital markets attempting to satisfy its needs and those of the clients according to the policies and level of risk established. In this connection, the Holding Company and subsidiaries manage different portfolios of financial assets within the limits and risk levels allowed.

The market risk results from Holding Company open positions in debt securities investment portfolio, derivative instruments and patrimony instruments accounted for at reasonable value, due to adverse changes in risk factors, such as: interest rates, inflation, type of foreign currency exchange, prices of shares, credit margins of instruments and the volatility thereof, as well as in the liquidity of markets where the Holding Company operates.

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

4.2.1 Risk of Financial Instruments

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

- Offer product according to the clients' needs, accomplishing, inter alia, with the function of financial risks hedge.
- Structuring portfolios in order to take advantage of arbitrages between different curves, assets and markets and obtainment of profitability with appropriate patrimonial consumption

- Performing operations with derivatives, for intermediation purposes with clients or to capitalize arbitration opportunities, both of exchange rates, and interest rates in the local and foreign markets.

In carrying out these operations, the Holding Company incurs in risks within the limits defined or otherwise mitigations thereof with the use of operations from other financial instruments, derivatives or not.

As of December 31, 2017 and 2016, the Holding Company held the following financial assets and liabilities subject to market risk:

Account		December 31, 2017	December 31, 2016
Investment in debt securities at reasonable value	$	4,657,836	4,063,719
Investments in securities at amortized cost		689,023	542,008
Derivatives negotiation instruments		106,391	155,902
Total Assets		**5,453,250**	**4,761,629**
Liabilities Derivatives negotiation instruments		(96,765)	(192,258)
Total liabilities		**(96,765)**	**(192,258)**
Net position	$	**5,356,485**	**4,569,371**

Description of Objectives, policies, and processes to manage the negotiation risk

The Holding Company takes part in the monetary, stock exchange and capital markets attempting to meet is needs and the needs of clients according to the policies and risk levels set forth. In this connection, the Holding Company manages different financial asset portfolios within the limits and levels of risk allowed.

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

The business strategies are set forth according to the approved limits, looking for an equilibrium in the profitability/risk ratio. In the same way, there is in place a structure of limits congruent with banks general philosophy, based on the capital level, the obtainment of profits and the entity's tolerance of risk.

The market risk Administration System MRAS allows for the entities to identify, measure, control and monitor the market risk the entity is exposed to, in connection with the positions assumed in the development of its operations.

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

- Interest rate: the Holding Company's portfolios are subject to this risk when the variation of market value of active positions versus the passive position do not match with the variation of the market value of passive positions and this difference has not been compensated by the variation in the market value from other instruments or when the future margin, due to pending operations, depend from the interest rates.

- Exchange rate: The Holding Company's portfolios, are subject to exchange risk when the actual value of active positions in each foreign currency does not match with the actual value of passive positions in the same foreign currency and the difference is not compensated, positions in derived products are taken whose underlying is exposed to the exchange risk and the sensibility of the value versus the variations in the types of exchange has not been immunized, exposures to risk of interest rates are taken in foreign currencies different from its foreign currency of reference, that may alter the equality between the value of the active positions and the value of passive positions in such foreign currency, generating loss or profit, or when the margin is directly depending on the types of exchange.

Risk management

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

In the same way, the analysis and following up of the different risks incurred by the Holding Company in its operations, it is essential for the making decisions and for the evaluation of results. On the other hand, a permanent analysis of the macroeconomic conditions, is essential for the achievement of an optimal risk, profitability and liquidity combination.

The risks assumed in carrying out the operations are reflected in a structure of limits for the positions in several different instruments according to the specific strategy, the depth of the markets where the company operates, the impact on the weighting of assets for risk and level solvency as well as balance sheet structure.

Such limits are daily managed and weekly reported to Finance Committee and regularly to the Board of Directors.

In addition, and for the purpose to minimize the risks of interest rate and exchange rate of some items of balance sheet, the Holding Company implements coverage structures strategies by taking positions in instruments derivatives such as forward operations, futures and swaps.

Methods used to measure risk

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

The Parent Company uses the standard model for the measurement, control and risk management of the market of interest rates and exchange rates in the of treasury and bank books. Such measurements are made on a daily basis in the Holding Company and on a monthly basis for each of subsidiaries for the purpose to measuring and monitoring the conglomerate risk.

At present the active and passive positions of the treasury book, in the zones and bands are mapped according to the duration of portfolios, the investments in participation securities and the net position (asset minus the liability) in foreign currency, both of the bank book and treasury book in line with the standard model recommended by the Basel Committee.

In the same way, the Holding Company has in place parametric and non-parametric models of internal management based on the methodology of the Value in Risk (ViR).which have allowed to implement the market risk management based on the identification and the analysis of variations in the risk factors (interest rates, exchange rates and price index) over the value of the different instruments contained in the portfolios. Such models are Risk Metrics of JP Morgan and historical simulation.

The use of these methodologies has allowed the estimation of profits and the capital in risk, thereby facilitating the resources allocation to the several different units of the business, as well as to compare activities in several different markets and identify the positions with a higher contribution to the risk of the treasury business. In the same way, such tools are used to determine the limits to the position of negotiators and to quickly review positions and strategies in the extent of the changes of market conditions.

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

Additionally, limits have been established by “Type of Risk” associated to every instrument of the different portfolios (sensibilities or effects on the value of portfolio as a result of movements of interest rates or corresponding factors - impact of variations of specific risk: Interest rates (Rho), Exchange rate (Delta), Volatility (vega), inter alia.

Similarly, the Holding Company has established counterpart quotas and negotiation by the operator for each one of market negotiation platforms where the company operates. Such limits and quotas are controlled on a daily basis by the Back Office and the Middle Office of the Holding Company. The negotiation limits by operator are allocated to the different hierarchy levels of the treasury in function of the expertise of the official in the market, in the negotiation of this type of products and in portfolio management.

Also, there is in place a tracking process to clean prices and valuation inputs published by the supplier of prices “Infovalmer” where the prices with significant differences are identified between the supplied by the supplier and the observed in alternate suppliers of information such as Bloomberg, Brokers, inter alia.

This tracking is made for the purpose to feedback the suppler of prices about the most significant differences of prices and for they to be reviewed.

This process is complemented with the valuation methodologies periodical revision of Fixed and Derivatives interest investment portfolios.

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

Finally, within the monitoring activity of operations, different aspects of negotiations are controlled, such as conditions agreed on, unconventional or off-the market operations with linked, etc.

According to the standard model, the value in risk (ViR) at December 31, 2017 and 2016 was as follows:

	December 31, 2017	December 31, 2016

Entity		Value	Basic points of technical Patrimony	Value	Basic points of technical Patrimony
Holding Company	$	147,015	(78)	107,702	(54)
Occidental Bank (Barbados) Ltd.		11,374	-	10,753	-
Banco de Occidente Panamá S.A.		22,779	-	20,723	-
Fiduciaria de Occidente S.A.	$	3,055	(1)	2,616	(2)

The indicators of ViR submitted by the Holding Company and subsidiaries during the operation periods ended on December 31, 2017 and 2016 are summarized below:

		December 31, 2017			
		Minimum	Average	Maximum	Latest
Interest	$	140,044	162,463	184,209	174,379
Exchange rate		1,424	3,119	7,034	7,034
Collective protfolios		2,580	2,702	2,811	2,811
VeR Total	$	**145,108**	**168,284**	**190,502**	**184,224**

		December 31, 2016			
		Minimum	Average	Maximum	Latest
Interest	$	131,840	142,184	160,711	137,221
Exchange rate		1,628	2,203	2,680	2,029
Collective protfolios		2,545	3,622	3,898	2,545
VeR Total	$	**137,343**	**148,009**	**167,153**	**141,795**

As a result of the behavior in ViR, the assets of the Holding Company weighted by the market risk were in average around 5.09% of the total asset weighted by risk during the operation period ended on December 31, 2017 and 4.71% at December 31, 2016

As management tool for investment portfolio administration, several sensitivity analyses are made to such portfolios at different basic points.

Below the sensibility results at December 31, 2017 and 2016:

		December 31, 2017				
		Portfolio value	25 PB	50 PB	75 PB	100 PB
Reasonable value Holding Company	$	2,875,668	(15,283)	(30,406)	(45,392)	(60,228)
Reasonable value Occidental Bank (Barbados) Ltd		566,912	(3,638)	(7,239)	(10,805)	(14,335)
Reasonable value Banco de Occidente Panamá S.A.		1,204,522	(7,269)	(14,462)	(21,582)	(28,628)

Reasonable value Fiduciaria de Occidente S.A.		10,734	(27)	(53)	(80)	(106)
Total	$	**4,657,836**	**(26,217)**	**(52,160)**	**(77,859)**	**(103,297)**

		December 31, 2016				
		Portfolio value	**25 PB**	**50 PB**	**75 PB**	**100 PB**
Reasonable value Holding Company	$	2,334,943	(11,386)	(22,646)	(33,786)	(44,800)
Reasonable value Occidental Bank (Barbados) Ltd		496,778	(3,594)	(7,146)	(10,657)	(14,126)
Reasonable value Banco de Occidente Panamá S.A.		1,229,953	(6,838)	(13,599)	(20,284)	(26,894)
Reasonable value Fiduciaria de Occidente S.A.		2,045	(8)	(16)	(24)	(32)
Total	$	**4,063,719**	**(21,826)**	**(43,407)**	**(64,751)**	**(85,852)**

Sensitivity Analysis

Below the impact sensitivity analysis is included, in the results of the average of negotiable debt securities portfolio during the operation periods ended on December 31, 2017 and 2016, if the interest rates would been increased by 25 or 50 basic points “BP”.

		December 31, 2017				December 31, 2016		
		PROMEDIO DE PORTAFOLIO	**25 PB**	**50 PB**		**PROMEDIO DE PORTAFOLIO**	**25 PB**	**50 PB**
Holding Company	$	2,629,525	6,574	13,148	$	2,480,958	6,202	12,405
Occidental Bank (Barbados) Ltd.		502,263	1,256	2,511		405,265	1,013	2,026
Banco de Occidente Panamá S.A.		1,095,226	2,738	5,476		1,439,899	3,600	7,199
Fiduciaria de Occidente S.A.		5,498	14	27		1,912	5	10
Ventas y Servicios S.A.	$	-	-	-	$	10	-	-

4.2.2 Risk of price of investments in patrimony instruments

Patrimonial investments

The Holding Company has mainly exposures to price risk of financial assets in patrimony instruments for adverse variations of the market prices of such investments. The most significant risks are concentrated in the investments in shares held in Compañía Corficolombiana, subsidiary of Grupo Aval, also holding company of Banco de Occidente S.A., where, at December 31, 2017 and 2016 held 4.64% and 4.61% participation respectively.

The Holding Company classifies its investments in patrimony instruments where the company holds neither control nor significant influence on the category financial assets at reasonable value with changes in OIR when its basic purpose is not to obtain profits for price fluctuations in the market, are not listed in the stock exchange or are of low marketability, nor expecting maturity of investment, nor makes part of the portfolio supporting its liquidity in the financial intermediation nor expects to use as guaranty in passive operations, inasmuch as the raison d’étre is strategic, directly coordinated by the Holding Company.

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

- The investment stop fulfilling the investment policy conditions of the Holding Company (e.g. the credit rating of the asset falls below the required by the Holding Company's investment policy);
- When it is required to do some significant adjustments in the assets maturity structure to attend unexpected changes in Holding Company's liability maturity structure.
- When the Holding Company needs to do significant capital investments, for example, the acquisition of other financial entities.
- When significant disbursements are required to be made for the acquisition or construction of property and equipment and there is not liquidity for such purpose.
- In business reorganization processes of Grupo Aval.
- To attend unusual requirements or needs of disbursement of credits.

In addition to above, the Holding Company is exposed to the price risk in investment properties, which are accounted for at the reasonable value, and the purpose of which is to obtain income from the leasing. The Holding Company biannually updates the reasonable value of such assets, based on appraisals made by independent experts.

Risk of variation in the exchange type of foreign currency

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

The risk of type of exchange in foreign currency results mainly from asset and liabilities recognized and investments in subsidiaries and branches 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 Republica to negotiate foreign currencies and maintain balances of foreign currency in accounts abroad. The legal provisions in Colombia oblige the Holding Company to maintain an own daily position in foreign currency, determined the difference between the rights and obligations denominated in foreign currency recorded inside and outside of financial situation statement which average is three business days, and shall not exceed twenty percent (20%) of the technical patrimony; in the same way, such average of three business days in foreign currency may be negative without exceeding five percent (5%) of the technical patrimony in US dollars.

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

Additionally must accomplish with the limit of gross position of leverage, defined as the summation of the rights and obligations in contracts with future compliance denominated in foreign currency with compliance between one banking day (t+1) and three banking days (t+3) and other derivatives over the type of exchange. The three days average of the gross position of leverage, will not exceed five hundred fifty percent (550%) of the amount of the entity's adequate patrimony

Determining the maximum or minimum amount of daily own position and the own foreign cash currency position shall be established based on Holding Company's technical patrimony the last day of the second precedent calendar month, agreed at exchange rate established by Colombia Finance Superintendence at the immediately preceding closing month.

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

The following is the detail of asset and liabilities in foreign currency given in Col. Pesos maintained by the Holding Company and its subsidiaries at December 31, 2017 and 2016:

December 31, 2017

	Million			
	US Dollar	Euros	Other currencies Given in US dollars	Total Colombian Pesos
Asset				
Cash and equivalent to cash	287,90	0,87	-	848,499
Investments in debt securities at reasonable Value	702,68	-	-	2,063,543
Investment in debt securities at amortized cost	0,01	-	-	35
Investment in patrimony instruments	1,92	-	-	5,634
Financial asset by credit portfolio at cost	956,90	-	-	2,810,090
Amortized	3,36	0,03	-	9,960
Other accounts receivable	(730,46)	-	-	(2,145,132)
Instruments derivatives of negotiation	0,39	-	-	1,141
Tangible assets	0,50	-	-	1,473
Other assets	**1,223,19**	**0,90**	**-**	**3,595,243**
		-	-	
Liabilities	(385,03)	-	-	(1,130,707)
Derivatives instruments of negotiation	1,198,85	-	-	3,520,622
Clients deposits	463,71	-	-	1,361,749
Financial obligations	1,34	-	-	4,013
Benefits to employees	0,98	-	-	2,935
Other liabilities	2,10	-	-	6,280
Total liabilities	**1,281,96**	**-**	**-**	**3,764,892**
Net active position (liabilities)	**(58,76)**	**0,90**	**-**	**(169,649)**

December 31, 2016

	Million						
	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar	US Dollar
Assets							
Cash and equivalent to cash	70,87		46,16		0,15		358,613
Investments in debt securities at reasonable Value	644,06				-		1,932,650
Investment in debt securities at amortized cost	0,01				-		31
Investment in patrimony instruments	1,29				-		3,874
Investments in controlled companies, associated and Joint Business	(2,99)				-		(8,983)
Financial Assets by credit portfolio at cost amortized	718,87		3,83		0,49		2,170,650
Other accounts receivable	1,12		1,20		-		7,077
Derivatives instruments of negotiation	(1,345,32)		(15,26)		-		(4,085,023)
Tangible assets	0,51				-		1,540
Other assets	0,43				-		1,305

Total Assets	**88,85**	**35,93**	**0,64**	**381,734**
Liabilities				(3,890,851)
Derivatives instruments of negotiation	(1,282,99)	(13,00)	-	3,342,728
Clients deposits	1,074,73	37,28	0,08	1,110,640
Financial obligations	358,69	10,03	0,90	2,720
Benefits to employees	0,91	-	-	9,645
Other liabilities	**3,05**	0,15	0,01	
Total liabilities	**154,39**	34,46	**0,99**	**574,882**
Active net position (liabilities)	**(65,54)**	**1,47**	**(0,35)**	**(193,148)**

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

The Holding Company's top management has issued policies requiring for the subsidiaries to manage their risk of exchange type in foreign currency versus their functional currency. The subsidiaries of the Holding Company are required to economically cover their exposure of the type of exchange using, for such purposes operations with derivatives especially with forward contracts. The net position in foreign currency of the Holding Company is daily controlled by the treasury divisions of each subsidiary who are responsible to close the positions adjusting them to the established tolerance levels.

The estimated effect by the increase or decrease of each 0.10/US1 with regard to the type of exchange at December 31, 2017, would be 96% increase of profit and at December 31, 2016 would be $659 diminution of profit.

4.3 Risk of interest rate structure

The Holding Company has exposures to fluctuations effects in the market of interest rates influencing its financial position and its future cash flows. The risk occurs as a result of making placements in investments and credit portfolio's at variable interest rates and put down them with liabilities with cost at fixed interest rate or vice versa. The interest margins can increase as a result of the changes of the interest rates, and also can reduce and involve loss in the event that unexpected movements occur in such rates.

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

The following table summarizes the Holding Company exposure to changes of interest rates. The table includes the accrued amounts of assets and liabilities of the Holding Company for the carrying value, classified by contractual overdue of reprice of interest rates at December 31, 2017 and 2016:

December 31, 2017

Detail of account	Average of period	Income / expense for Interest	Interest rate Average	Variation of 50 PB in the Interest rate

Financial asset accruing interest					Favorable	Unfavorable
Monetary Market active operations in Colombia Pesos	$	471,502	17,325	7.35%	11,788	(11,788)
Monetary Market active operations in foreign currency		390,235	3,261	1.67%	9,756	(9,756)
		861,737	**20,586**	**4.78%**	**21,543**	**(21,543)**
Investments in debt securities at reasonable value in Colombian pesos		2,362,681	200,089	16.94%	59,067	(59,067)
Investments in debt securities at reasonable value in foreign currency		1,998,097	816	0.08%	49,952	(49,952)
		4,360,778	**200,905**	**9.21%**	**109,019**	**(109,019)**
Investments in debt securities at amortized cost in Col. Pesos		615,482	11,808	3.84%	15,387	(15,387)
Investments in debt securities at amortized cost in foreign currency		33	59,013	357654.55%	0,83	(0,83)
		615,515	**70,821**	**23.01%**	**15,388**	**(15,388)**
Credit portfolio in Colombian pesos		25,065,137	2,562,971	20.45%	626,628	(626,628)
Credit portfolio in foreign currency		2,104,511	88,637	8.42%	52,613	(52,613)
		27,169,648	**2,651,608**	**19.52%**	**679,241**	**(679,241)**
Total financial assets accruing interest in Colombian pesos	$	28,514,802	2,792,193	19.58%	712,870	(712,870)
Total financial asset accruing interest in foreign currency		4,492,876	151,727	6.75%	112,322	(112,322)
Total financial assets Accruing interest	$	**33,007,678**	**2,943,920**	**17.84%**	**825,192**	**(825,192)**
Financial liabilities with financial cost						
Monetary market passive operations in Colombian pesos	$	363,698	12,577	6.92%	9,092	(9,092)
Monetary market passive operations in foreign currency		36,770	123	0.67%	919	(919)
		400,468	**12,700**	**6.34%**	**10,012**	**(10,012)**
Deposits of clients in saving account, and CDAT in Colombian pesos		9,967,906	485,820	9.75%	249,198	(249,198)
Deposits of clients in saving account, and CDAT in foreign currency		253,259	764	0.60%	6,331	(6,331)
		10,221,165	**486,584**	**9.52%**	**255,529**	**(255,529)**
Deposits of clients in certificates of fixed term CTD in Colombian pesos		6,183,729	296,045	9.57%	154,593	(154,593)
Deposits of clients in certificates of fixed term CTD in foreign currency		2,652,341	546	0.04%	66,309	(66,309)
		8,836,070	**296,591**	**6.71%**	**220,902**	**(220,902)**
Financial obligation in Colombian pesos		4,053,775	310,133	15.30%	101,344	(101,344)
Financial obligations in foreign currency		1,199,424	21,876	3.65%	29,986	(29,986)
		5,253,199	**332,009**	**12.64%**	**131,330**	**(131,330)**
Total financial liabilities with financial cost in Colombian pesos		**20,569,108**	**1,104,575**	**11%**	**514,228**	**(514,228)**
Tota financial liabilities with financial cost in foreign currency		**4,141,794**	**23,309**	**1%**	**103,545**	**(103,545)**
Total financial liabilities with financial cost	$	**24,710,902**	**1,127,884**	**9%**	**617,773**	**(617,773)**
Total Financial net assets subject to risk or interest in Colombian pesos	$	**7,945,694**	**1,687,618**	**42%**	**198,642**	**(198,642)**
Total financial net assets subject to interest rate in foreign currency		**351,082**	**128,418**	**73%**	**8,777**	**(8,777)**
Total financial asset net, subject to risk of interest rate	$	**8,296,776**	**1,816,036**	**44%**	**207,419**	**(207,419)**

December 31, 2016

Detail of account		Average of period	Income / expense for Interest	Interest rate Average	Variation of 50 PB in the Interest rate	Average of period
Financial asset accruing interest						
Monetary Market active operations in Colombia Pesos	$	77,633	6,308	16,25%	1,941	(1,941)
Monetary Market active operations in foreign currency		89,366	874	1,96%	2,234	(2,234)
		166,999	**7,182**	**8,60%**	**4,175**	**(4,175)**
Investments in debt securities at reasonable value in Colombian pesos		2,236,098	364,747	32,62%	55,902	(55,902)
Investments in debt securities at reasonable value in foreign currency		2,041,559	130,335	12,77%	51,039	(51,039)
		4,277,657	**495,082**	**23,15%**	**106,941**	**(106,941)**
Investments in debt securities at amortized cost in Col. Pesos		533,559	(90,216)	-33,82%	13,339	(13,339)
Investments in debt securities at amortized cost in foreign currency		18	16,188	179866,.67%	0,45	(0,45)
		533,577	**(74,028)**	**-27,75%**	**13,339**	**(13,339)**
Credit portfolio in Colombian pesos		24,492,280	2,468,835	20,16%	612,307	(612,307)
Credit portfolio in foreign currency		2,274,152	85,984	7,56%	56,854	(56,854)
		26,766,432	**2,554,819**	**19,09%**	**669,161**	**(669,161)**
Total financial assets accruing interest in Colombian pesos	$	**27,339,570**	**2,749,674**	**20,11%**	**683,489**	**(683,489)**
Total financial asset accruing interest in foreign currency		**4,405,095**	**233,381**	**10,60%**	**110,127**	**(110,127)**
Total financial assets Accruing interest	$	**31,744,665**	**2,983,055**	**18,79%**	**793,617**	**(793,617)**
Financial liabilities with financial cost						
Monetary market passive operations in Colombian pesos	$	704,189	32,756	9,30%	17,605	(17,605)
Monetary market passive operations in foreign currency		160,181	95	0,12%	4,005	(4,005)
		864,370	**32,851**	**7,60%**	**21,609**	**(21,609)**
Deposits of clients in saving account, and CDAT in Colombian pesos		9,256,263	484,682	10,47%	231,407	(231,407)
Deposits of clients in saving account, and CDAT in foreign currency		280,902	1,188	0,85%	7,023	(7,023)
		9,537,165	**485,870**	**10,19%**	**238,429**	**(238,429)**
Deposits of clients in certificates of fixed term CTD in Colombian pesos		5,477,989	281,210	10,27%	136,950	(136,950)
Deposits of clients in certificates of fixed term CTD in foreign currency		2,719,588	25	0,00%	67,990	(67,990)
		8,197,577	**281,235**	**6,86%**	**204,939**	**(204,939)**
Financial obligation in Colombian pesos		3,603,114	328,661	18,24%	90,078	(90,078)
Financial obligations in foreign currency		1,358,588	20,307	2,99%	33,965	(33,965)
		4,961,702	**348,968**	**14,07%**	**124,043**	**(124,043)**
Total financial liabilities with financial cost in Colombian pesos		**19,041,555**	**1,127,309**	**12%**	**476,039**	**(476,039)**
Tota financial liabilities with financial cost in foreign currency		**4,519,259**	**21,615**	**1%**	**112,981**	**(112,981)**
Total financial liabilities with financial cost	$	**23,560,814**	**1,148,924**	**10%**	**589,020**	**(589,020)**
Total Financial net assets subject to risk or interest in Colombian pesos	$	**8,298,015**	**1,622,365**	**39%**	**207,450**	**(207,450)**
Total financial net assets subject to interest rate in foreign currency		**(114,164)**	**211,766**	**-371%**	**2,854**	**2,854**
Total financial asset net, subject to risk of interest rate	$	**8,183,851**	**1,834,131**	**45%**	**204,596**	**(204,596)**

At December 31, 2017 if interest rates would be 50 basic points higher all other variables servatis servandi, the profit of the Holding Company operational period would be increased $207.419 (December 31, 2016 $204.596), mainly as a result of the lower expense for interest on the variable liabilities interest.

At December 31, 2017, if interest rate would be 50 basic points lower with all other variables unchanged, the profit of the Holding Company operational period wound be decreased $207.419 (December 31, 2016 $204.956), mainly as a result of the lower expense for interest on the variable liabilities interest, a diminution of the reasonable value of the investment of financial assets classified at reasonable value with adjustment to results.

Below the expiry dates structure of changes of interest rate of assets and liabilities (re-price) with closing date December 31, 2017 and 2016:

December 31, 2017

Assets		Less that Month	Between one and 6 months	From six to twelve months	More than one year	With no interest	Total
Cash and equivalent to cash	$	1,516,697	-	-	-	940,333	2,457,030
Investment of debt securities at reasonable value		143,868	1,944,972	151,783	2,417,213	-	4,657,836
Investment in debt securities at amortized cost		635,953	53,070	-	-	-	689,023
Commercial portfolio and commercial leasing		516,446	18,199,923	896,475	961,706	-	20,574,550
Consumption portfolio and leasing consumption		31,607	2,024,436	67,612	4,750,035	-	6,873,690
Mortgage portfolio and mortgage leasing		308	63,114	375	1,104,592	-	1,168,389
Other accounts receivable		-	-	-	29,091	107,443	136,534
Total Asset	$	**2,844,879**	**22,285,515**	**1,116,245**	**9,262,637**	**1,047,776**	**36,557,052**
Liabilities		**Less that month**	**Between one and 6 months**	**From six to twelve months**	**More than one year**	**With no interest**	**Total**
Current accounts	$	1,513,220	-	-	-	4,522,759	6,035,979
Time deposit certificates		1,487,601	4,748,337	1,020,161	1,367,860	-	8,623,959
Saving accounts		11,449,504	-	-	-	-	11,449,504
Other deposits		-	-	-	-	59,666	59,666
Interbank funds		122,560	-	-	-	-	122,560
Credits of banks and other		188,065	946,769	153,188	7,520	-	1,295,542
Bonds and investment securities		-	2,586,325	45,050	650,590	-	3,281,965
Obligations with rediscount entities		2,942	31,302	44,930	1,023,488	-	1,102,662
Total Liabilities	$	**14,763,892**	**8,312,733**	**1,263,329**	**3,049,458**	**4,582,425**	**31,971,837**

December 31, 2016

Assets		Less that Month	Between one and 6 months	From six to twelve months	More than one year	With no interest	Total
Cash and equivalent to cash	$	919,723	-	-	-	1,219,883	2,139,606
Investment of debt securities at reasonable value		385,274	1,364,325	218,555	2,095,565	-	4,063,719
Investment in debt securities at amortized cost		533,429	8,579	-	-	-	542,008
Commercial portfolio and commercial leasing		588,232	17,120,528	864,167	966,172	-	19,539,099
Consumption portfolio and leasing consumption		18,742	2,165,146	55,456	4,653,619	-	6,892,963
Mortgage portfolio and mortgage leasing		360	64,265	557	948,898	-	1,014,080
Other accounts receivable		-	140,104	-	-	-	140,104
Total Asset	$	**2,445,760**	**20,862,947**	**1,138,735**	**8,664,254**	**1,219,883**	**34,331,579**
Liabilities		**Less that Month**	**Between one and 6 months**	**From six to twelve months**	**More than one year**	**With no interest**	**Total**
Current accounts	$	4,871,985	-	-	-	1,215,588	6,087,573
Time deposit certificates		1,832,797	4,497,112	1,820,837	897,434	-	9,048,180
Saving accounts		8,992,828	-	-	-	-	8,992,828
Other deposits		-	47,475	-	-	-	47,475
Interbank funds		678,377	-	-	-	-	678,377
Credits of banks and other		1,524	994,723	26,598	5,041	-	1,027,886
Bonds and investment securities		289,581	2,052,212	205,950	263,850	-	2,811,593
Obligations with rediscount entities		1,794	32,474	144,597	807,886	-	986,751
Total Liabilities	$	**16,668,886**	**7,623,996**	**2,197,982**	**1,974,211**	**1,215,588**	**29,680,663**

The Holding Company is exposed to the risk of loans prepayment granted at fixed interest rate including mortgage loans for housing, with the debtor's right to re-pay the loans in advance with no any sanction. The profits of the Holding Company for periods ended on December 31, 2017 and 2016, would not be changed in a significant manner due to changes in prepayments index because the credit portfolio and the right of prepayment is for an amount similar to that of the credits.

Below the fourth type of interest rate of financial instruments of debt with closing December 31, 2017 and 2016 is detailed:

December 31, 2017

		Less than a year		More than a year			
Assets		Variable	Fixed	Variable	Fixed	Without interest	Total
Cash and equivalent to cash	$	-	1,516,697	-	-	940,333	**2,457,030**
Investment of debt securities at reasonable value		17,338	483,637	1,739,648	2,417,213	-	**4,657,836**
Investment in debt securities at amortized cost		689,023	-	-	-	-	**689,023**
Commercial portfolio and commercial leasing		8,772,643	2,272,735	9,130,223	398,949	-	**20,574,550**
Consumption portfolio and leasing consumption		599,918	1,542,720	1,360,877	3,370,175	-	**6,873,690**
Mortgage portfolio and mortgage leasing		9,668	98,362	53,112	1,007,247	-	**1,168,389**
Other accounts receivable		-	-	29,091		107,443	**136,534**
Total	$	**10,088,590**	**5,914,151**	**12,312,951**	**7,193,584**	**1,047,776**	**36,557,052**

		Less than a year		More than a year			
Liabilities		Variable	Fixed	Variable	Fixed	Without interest	Total
Current accounts	$	-	1,513,220	-	-	4,522,759	**6,035,979**
Time deposit certificates		282,437	4,865,507	2,108,232	1,367,783	-	**8,623,959**
Saving accounts		83,165	11,366,339	-	-	-	**11,449,504**
Other deposits		-	-	-	-	59,666	**59,666**
Interbank funds		-	122,560	-	-	-	**122,560**
Credits of banks and other		1,288,022	-	7,520	-	-	**1,295,542**
Bonds and investment securities		121,555	45,050	2,464,770	650,590	-	**3,281,965**
Obligations with rediscount entities		68,594	348	1,030,200	3,520	-	**1,102,662**
Total	$	**1,843,773**	**17,913,024**	**5,610,722**	**2,021,893**	**4,582,425**	**31,971,837**

December 31, 2016

		Less than a year		More than a year			
Assets		Variable	Fixed	Variable	Fixed	Without interest	Total
Cash and equivalent to cash	$	-	919,723	-	-	1,219,883	**2,139,606**
Investment of debt securities at reasonable value		686,817	781,161	506,522	2,089,219	-	**4,063,719**
Investment in debt securities at amortized cost		542,008	-	-	-	-	**542,008**
Commercial portfolio and commercial leasing		9,348,956	820,570	8,921,111	448,462	-	**19,539,099**
Consumption portfolio & leasing consumption		624,641	1,493,425	1,488,952	3,285,945	-	**6,892,963**
Mortgage portfolio and mortgage leasing		9,466	82,477	54,845	867,292	-	**1,014,080**
Other accounts receivable		-	-	27,790	-	112,315	**140,105**
Total Asset	$	**11,211,888**	**4,097,356**	**10,999,220**	**6,690,918**	**1,332,198**	**34,331,580**

		Less than a year		More than a year			
Liabilities		Variable	Fixed	Variable	Fixed	Without interest	Total
Current accounts	$	-	6,087,573	-	-	-	**6,087,573**
Time deposit certificates		516,116	6,246,158	1,395,661	890,245	-	**9,048,180**
Saving accounts		70,783	8,922,045	-	-	-	**8,992,828**
Other deposits		-	-	-	-	47,475	**47,475**
Interbank funds		678,377	-	-	-	-	**678,377**
Credits of banks and other		1,022,845	-	5,041	-	-	**1,027,886**
Bonds and investment securities		360,331	205,950	1,981,463	263,849	-	**2,811,593**
Obligations with rediscount entities		31,727	722	916,956	37,346	-	**986,751**
Total Liabilities	$	**2,680,179**	**21,462,448**	**4,299,121**	**1,191,440**	**47,475**	**29,680,663**

4.4 Liquidity risk

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

The Holding Company manages the liquidity risk according to the standard model established in Chapter IV of the Basic Accounting and Financial Circular by Colombia Finance Superintendence and concordant with the regulations related to liquidity risk management by applying the basic principles of the Liquidity Risk Management System (LRMS), that establishes the minimum prudential parameters to be implemented by the entities in the operations to efficiently manage the exposure to liquidity risk.

To measure the liquidity risk, the Holding Company calculates on a weekly basis a Liquidity Risk Indicator (LRI) for the terms 7, 15, and 30 days, as indicated in the standard model of Colombia Finance Superintendence and quarterly for its subsidiaries to measure the liquidity risk of the group.

As part of liquidity risk analysis, the Holding Company measures the volatility of deposits, the indebtedness levels, the asset and liability structure, the grade of assets liquidity, the availability of financing lines and general effectiveness of assets and liabilities management; above for the purpose to maintain enough liquidity (including net assets, guarantees, and collaterals) to face with possible scenarios of the own and systemic stress.

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

Once the sources of resources have been established they are allocated to the different businesses according to the budget, the nature and the depth of markets.

On a daily basis, the availability of resources is monitored both to accomplish with the reserve requirements and to foresee and/or /anticipate the potential changes in the liquidity risk profile of the Holding Company and this way, to make strategic decisions to be implemented as applicable. In this sense the Holding Company has in place alert liquidity indicators allowing to establishing and determining the scenario at hand, as well as the strategies to be implemented as applicable. Such indicators include, among others, the LRI, the deposit concentration levels, the use of liquidity coupons of the Central Bank (Banco de la Republica), inter alia.

Through the technical committees of assets and liabilities, financial committee, the top management of the Holding Company gets to know the liquidity situation and make the necessary decisions taking into account the high-quality liquid assets to be maintained, the tolerance in the liquidity or minimum liquidity management, the strategies to grant the loans and capture of resources, the policies about placement of surplus of liquidity, the changes of characteristic of products existing as well as the new products, the diversification of the sources of funds in order to prevent the concentration of deposits 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 in the asset and liabilities, the Holding Company conducts statistical analysis allowing the quantification with a predetermined level of confidence, the stability of deposits with and without contractual maturity.

In order to accomplish with requirements of Banco de la Republica and Colombia Finance Superintendence, the Holding Company needs to maintain cash available in the banks restricted as part of the legal reserve required and calculated on daily average of the different deposits of clients, the current percent is 11% on the requeriments excepting the term deposits certificates with term less than 180 days which percentage is 4.5% and 0% when exceeds such term. The Holding Company has properly accomplished with this requirement.

The following is the summary of liquid assets available projected in a 90 days period of the Holding Company, according to the provisions for such purposes by Colombia Finance Superintendence, on December 31, 2017 and 2016:

December 31, 2017

Description		December 31, 2017	From 1 to 7 days	From 8 to 15 days	From 16 to 30 days	From 1 to 30 days	From 31 to 90 days
Assets							
Liquid assets (1)							
Cash and bank deposits	$	2,276,411	-	-	-	-	-
Monetary market operations		-	620,466	-	-	620,466	-
Investment in debt securities at reasonable value		3,704,419	-	73,729	84,767	158,496	114,616
Investments in debt securities at amortized cost		641,170	-	-	98,939	98,939	343
Other liabilities and credit contingencies		562,470	-	-	-	-	-
Subtotal		**7,184,470**	**620,466**	**73,729**	**183,706**	**877,901**	**114,959**
Contractual active maturities							
Interbank ordinary funds sold		-	484,879	102,373	69,487	656,739	704,325
Transfer investment rights		-	52,063	-	-	52,063	-
Credit portfolio		-	404,776	454,765	1,021,823	1,881,363	2,700,014
Derivatives financial instruments		-	81,604	160,629	227,493	469,726	568,851
Other		-	50,542	57,762	108,303	216,607	831,098
Flow of income with contractual maturity of the assets and off-balance positions FVIC		-	**1,073,864**	**775,529**	**1,427,106**	**3,276,498**	**4,804,288**
Contractual passive maturities							
Monetary market operations		-	76,328	-	-	76,328	194,633
Time deposit certificates CDT and CDAT		-	364,537	191,641	823,320	1,379,498	2,019,979
Derivatives financial instruments		-	85,196	-	383,700	468,896	565,732
Financial obligations		-	47,678	64,000	162,294	273,972	620,542
Other liabilities		-	106,592	106,592	2,411	441,595	1,032,447
Expenses outflows with contractual maturity of off-balance liabilities and positions - FEVC		-	**680,331**	**362,233**	**1,597,725**	**2,640,289**	**4,433,333**
Net flow (estimated) with non-contractual Maturity – FNVNC		17,922,816	418,199	477,942	896,141	1,792,282	3,584,563
Net flow		-	**586,287**	**(75,333)**	**(1,090,773)**	**(579,819)**	**(3,277,058)**
Requirement of estimate net requirement – RLN (2)	$	-	**274,632**	**210,044**	**1,090,773**	**1,108,143**	**3,277,058**
IRL partial			**6,909,838**	**6,699,794**	**5,609,021**	**6,076,327**	**2,799,269**
Reason IRL partial			**2616.0%**	**1482.3%**	**456.0%**	**648.3%**	**163.8%**

December 31, 2016

Description		December 31, 2016	From 1 to 7 days	From 8 to 15 days	From 16 to 30 days	From 1 to 30 days	From 31 to 90 days
Assets							
Liquid assets (1)							
Cash and bank deposits	$	2,122,954	-	-	-	-	-
Monetary market operations		-	4,545	-	-	4,545	-
Investment in debt securities at reasonable value		2,843,772	1,434	11,785	388,159	401,377	124,598
Investments in debt securities at amortized cost		504,225	-	-	111,744	111,744	111
Other liabilities and credit contingencies		985	-	-	-	-	-
Subtotal		**5,471,936**	**5,979**	**11,785**	**499,903**	**517,666**	**124,709**
Contractual active maturities							
Interbank ordinary funds sold		-	526,586	272,457	121,938	920,981	525,142
Transfer investment rights		-	615,581	20,494	-	636,075	21,470
Credit portfolio		-	399,783	429,421	1,022,035	1,851,240	2,926,732
Derivatives financial instruments		-	99,917	114,338	276,154	490,410	572,791
Other		-	147,802	168,917	316,719	633,439	1,628,603
Flow of income with contractual maturity of the assets and off-balance positions FVIC		-	**1,789,669**	**1,005,627**	**1,736,846**	**4,532,145**	**5,674,738**
Contractual passive maturities							
Monetary market operations		-	828,193	140,850	30,091	999,135	60,412
Time deposit certificates CDT and CDAT		-	489,509	346,690	576,292	1,412,491	2,469,133
Derivatives financial instruments		-	94,022	-	418,109	512,131	621,300
Financial obligations		-	32,727	80,281	128,240	241,248	628,734
Other liabilities		-	137,042	137,042	293,661	567,744	278,829
Expenses outflows with contractual maturity of off-balance liabilities and positions - FEVC		-	**1,581,493**	**704,863**	**1,446,393**	**3,732,749**	**4,058,408**
Net flow (estimated) with non-contractual Maturity – FNVNC		**15,438,021**	**360,220**	**411,681**	**771,901**	**1,543,802**	**3,087,604**
Net flow	$	**-**	**(151,695)**	**(115,424)**	**(492,178)**	**(759,297)**	**(1,502,006)**
Requirement of estimate net requirement – RLN (2)		**-**	**485,428**	**279,136**	**554,573**	**1,319,138**	**1,786,603**
IRL partial			**4,986,508**	**4,707,372**	**4,152,798**	**4,152,798**	**2,366,295**
Reason IRL partial			**1127.2%**	**715.7%**	**414.8%**	**414.8%**	**176.2%**

Below the details of summary chart of liquid assets available and projected with closing December 31, 2017 and 2016:

December 31, 2017

Net available balances subsequent

Entity		Net asset available at the closing of period (1)	From 1 to 7 days (2)	From 8 to 15 days Subsequent (2)	From 16 to 30 days subsequent (2)	From 31 to 90 days subsequent (2)
Holding Company	$	5,685,570	5,470,184	5,277,254	4,552,769	1,346,442
Occidental Bank (Barbados) Ltd		604,116	555,969	543,303	468,116	374,425
Banco de Occidente Panamá S.A.		894,784	850,472	837,326	546,225	629,655
Total	**$**	**7,184,470**	**6,876,625**	**6,657,883**	**5,567,110**	**2,350,522**

December 31, 2016

Net available balances subsequent

Entity		Net asset available at the closing of period (1)	From 1 to 7 days (2)	From 8 to 15 days Subsequent (2)	From 16 to 30 days subsequent (2)	From 31 to 90 days subsequent (2)
Holding Company	$	3,882,244	428,936	295,285	519,107	1,599,120
Occidental Bank (Barbados) Ltd		528,426	8,182	12,098	27,238	97,504
Banco de Occidente Panamá S.A.		1,061,266	53,939	20,175	23,597	152,364
Total	**$**	**5,471,936**	**491,057**	**327,558**	**569,942**	**1,848,988**

(1) The liquid assets correspond to the sum of those assets existing at the closing of each period that due to the characteristics can be quickly become cash. Among these assets those in cash and in banks, the securities or coupons transferred to the entity in development active operations of the 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 reasonable value and the investments at amortized cost, provided that in this last event this is a mandatory investment subscribed in the primary market and it is allowed to make with them operations in the monetary market. For calculation purpose of liquid assets, all the investments indicated, with no exception, compute for its reasonable price of exchange in the date of evaluation.

(2) The balance corresponds to the residual value of the net assets of the entity in the days subsequent to close of period, after discounting the net difference between the flows of income and expenses of cash of the entity in such period. This calculation is made through the analysis of mismatch of flows of contractual and non-contractual of cash, liabilities and off-balance positions in the lapse of time 1 to 90 days.

The above calculations of liquidity are prepared assuming a liquidity normal situation according to the contractual flows and historical experience of the Holding Company. For extreme events of liquidity for withdrawal of deposits, the Holding Company has in place contingency plans including the existence of credit line of other entities and access to especial credit lines with Banco de la República according to regulations in force, which are given at the time required with the support of securities issued by Colombian Nation and with portfolio of loans of high quality credit pursuant to Banco de la República rules. During the periods ended on December 31, 2017 and 2016 the Holding Company did not need to use such credit coupons as the last resource.

The Holding Company has made at consolidated level an analysis of the maturities for financial liabilities showing the following remaining contractual maturities:

At December 31, 2017

Description		Up to one month	More than More than 1 month and no more than 3 months	More than 3 months and no more than 1 year	More than 3 months and no more than 1 year	More than 5 years	Total
Financial liabilities at reasonable value							
Derivatives instruments	$	28,993	22,658	21,563	21,182	2,369	96,765
		28,993	**22,658**	**21,563**	**21,182**	**2,369**	**96,765**
AT AMORTIZED COST							
Interbank funds and overnight		122,165	-	395	-	-	122,560
Clients deposits		18,874,729	1,941,384	1,914,088	2,600,148	838,759	26,169,108
Credits of banks and other		188,047	488,654	611,321	7,520	-	1,295,542
Bonds and investments securities		36,653	-	129,953	1,438,610	1,676,749	3,281,965
Obligations with rediscount enties		2,942	10,176	61,286	530,890	497,368	1,102,662
		19,224,536	**2,440,214**	**2,717,043**	**4,577,168**	**3,012,876**	**31,971,837**
Total financial liabilities	**$**	**19,253,529**	**2,462,872**	**2,738,606**	**4,598,350**	**3,015,245**	**32,068,602**

At December 31, 2016

Description		Up to one month	More than More than 1 month and no more than 3 months	More than 3 months and no more than 1 year	More than 3 months and no more than 1 year	More than 5 years	Total
Financial liabilities at reasonable value							
Derivatives instruments	$	53,823	45,390	84,455	7,932	658	192,258
		23,823	**45,390**	**84,455**	**7,932**	**658**	**192,258**
AT AMORTIZED COST							
Interbank funds and overnight		678,377	-	-	-	-	678,377
Clients deposits		16,530,122	2,394,290	2,923,148	1,439,921	888,575	24,176,056
Credits of banks and other		187,033	307,945	527,032	5,876	-	1,027,886
Bonds and investments securities		-	150,030	376,700	2,284,863	-	2,811,593
Obligations with rediscount enties		395	2,919	29,709	389,031	564,697	986,751
		17,395,927	**2,855,184**	**3,856,589**	**4,119,691**	**1,453,272**	**29,680,663**
Total financial liabilities	$	**17,449,750**	**2,900,574**	**3,941,044**	**4,127,623**	**1,453,930**	**29,872,921**

4.5 Operative risk

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

Thanks to ORMS the Holding Company has reinforced the understanding and control of the risks in processes, activities, products, and operative lines, has achieved the reduction of errors and to identify enhancement opportunities supporting the development and operation of new products and/or services.

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

The Holding Company keeps a detailed record of its Operative Risk events, supplied by information systems and the Risk Managers. This record is accounted for in the accounts of expenses assigned for the proper accounting follow-up.

In a monthly and quarterly basis, the ORMS Committee, and the Board of Directors, respectively, are reported about the most relevant aspects occurred in connection with operative risk, such report including the following-up to the implementation of corrective actions aimed at mitigating the risks qualified in the extreme and high zones, the evolution of loss for operative risk, the action plans based on the materialized events, inter alia. In the same way, the changes in the risk profile, as from the identification of new risks and controls in current and new processes.

The Operative Risk Unit is managed by the Directorate of Operative Risk and Business Continuity reporting to the Credit and Operative Risk Management and the last in turn reporting to Risk and Collection Vice-Presidency. The Operative Risk Unit contains three analysts of Continuity of Business and one Operative Risk Coordination with seven analysts of Operative Risk.

The evolution of figures for the Holding Company and its subsidiaries, resulting from every Operative Risk profile updating, during the operative periods ended December 31, 2017 and 2016 are shown below:

	December 31, 2017	December 31, 2016
Processes	290	272
Risks	1,219	1,665
Failures	3,130	4,302
Controls	3,971	5,072

The net loss recorded due to operative risk events during 2017, were $4,490 itemized as follows: Other Assets (50%), Operative Risk (30%), Personal Expenses - Operative Risk (9%), Other Lawsuits, in Legal Administrative or Arbitration Process (7%) and other accounting items (4%).

According to Basle risk classification, the events were the result of External Fraud (44,90%, $2,016), Execution and Administration of Processes (22.43%, $1,007), Technologic failures (17.54%, $787), Legal (7,74%, $347), and Internal Fraud (5,31%, $238), Others (2.08%, $94).

In the external fraud, the most influent events are the result of frauds with debit and credit cards ($748), under the modality non-contact shopping, forgery or copied of magnetic strip, substitution, lost card, and stolen card.

Other relevant events in the external fraud are: theft of cash money Fontibon Bogota branch office ($300), payment in exchange of fraudulent check, mechanical erasing ($143), two events for holder substitution in the addition of permanent third party to receive checkbook from which fraudulent checks were cashed ($258).

In technological failures, the events correspond to failures in implementation of Core Pasivas project ($758).

The errors in the execution and administration of processes, the main events were the result of default in the payment of pension contribution of ex-employee for 12 months period ($364) and for fine imposed by Master Card to the Holding Company due to the generation of more than 10% of the rejections with wrong code debit card transactions in electronic stores, according to electronic stores, as stated in the service agreement levels by the franchise and the Holding Company ($59).

In legal risk, the most relevant events correspond to sentence in second instance judgment for extra-contractual civil responsibility against the Holding Company for the default to fully comply with two (2) sequestration orders and retention of moneys from current accounts, saving accounts and TD from the client sued under the terms given by the second labor court in Buenaventura ($159) and sentence in second instance judgment. For contractual civil responsibility against the Holding Company for deposit made in quick cash that was not credited to the client’s current account. The adulterated check and deposited in the account of other Bank ($83).

Business Continuity Plan

The Business Continuity Plan makes reference to the set of detailed actions describing the procedures, the systems and the resources necessary to take back and continue the operation in the event of interruption.

The Holding Company is working in the implementation and maintenance of continuity of both technological and operative schemes allowing, in event of any critical condition to implement the critical processes of the business. This way tests are implemented in a permanent manner allowing for identifying enhancements to the plans developed.

4.6 Risk of laundry asset and financing terrorism

Within the regulation framework by Colombia Finance Superintendence, and specially following the instructions given in the Legal Basic Circular, Part I, Title IV, Chapter IV, the Holding Company exhibits some satisfactory results in the management made in connection with the appropriate operation of the Laundry Asset Risk Management System and Financing of Terrorism (LA/FT), which are in line with regulations in force, and with the policies and methodologies implemented by the Board of Directors and the recommendations of international standards related to this scourge.

The activities implemented aimed at preventing the laundry asset risk and financing of terrorism, were developed taking into account the methodologies implemented by the Holding Company, allowing to continue with the mitigation of risks to which the entity is exposed, such results achieved as a result of the application of controls designed for each of the risk factors defined in the Legal Basic Circular Part I, Title IV, Chapter IV by Colombia Finance Superintendence (Client, Product, Channel and Jurisdiction), maintaining a low Consolidate Risk Level, such aspect supported on the absence of events or situations contrary to the proper regulation implemented by the Holding Company related to the compliance.

Following the recommendations given by international bodies and the national legislation about the LARMSFT, the risks of Laundry Asset and Financing of Terrorism LA/FT identified by the Holding Company are properly managed by the concept of continuous enhancement and addressed to reasonably minimize the existence of such risk in the organization.

For the continuous development of this management, the Holding Company has in place technological tools allowing to implement the policy know the client, now the market, client transactional customs, inter alia, for the purpose to identify unusual operations and timely report the suspect operations to the Information and Financial Analysis Unit (IFAU). It shall be highlighted that our entity performs continuous enhancement of functions supporting the development of LARMSFT in the Division of Compliance, related to the different application and analytical methodologies, allowing the mitigation of potential risks of Laundry Assets and Financial of Terrorism.

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

On the other hand, the Holding Company operates its training institutional program addressed to the employees whereby guidelines are given related to the regulatory framework and the control mechanisms about the prevention of LA/FT, this way promoting the compliance culture at satisfaction in the organization and in accordance with the program.

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

The Holding Company holds the policy whereby the operations shall be made by applying the highest ethical and control standards, preferring the ethics and moral principles over the achievement of the commercial goals, such aspects from the practical standpoint have been translated in the implementation of criteria, policies and procedures used for the risk management of laundry asset and financing of terrorism and the related crimes, that have been given to mitigate those risks reaching the minimum possible exposure level.

According to the results of the different stages related to the Laundry Asset Risk Management System and Financing of Terrorism and the reports of the controlling entities, Internal Audit and Statutory Audit, as well as the guidelines of the Board of Directors, in connection with the quarterly reports submitted by the Compliance Official, the Holding Company maintains a proper LA/FT risk management.

During the operation period 2017, follow-up was made to the reports submitted by the Internal Audit and the Statutory Audit, with regards to laundry asset risk management and financing of terrorism, in order to apply the recommendations focused to the optimization of System. Pursuant to the reports received, the results of the management of the Compliance Official, are deemed satisfactory and do not imply Material Enhancement.

4.7 Legal Risk

The Legal Vice Presidency of the Holding Company supports the work of the legal risk management in the operations made by the Holding Company and the processes instituted against the Holding Company. Specially, defines and analyzes the procedures necessary to properly control the legal risk of the operations, ensuring for them to comply with the legal standards, analyzes and write the contracts supporting the operations made by the different business units. The Finance Vice Presidency supports the legal tax risk management, as well as the Vice Presidency of Human Resources the labor legal risk of the Holding Company.

The Holding Company in compliance with the instructions given by Colombia Finance Superintendence, valued the claims of the processes against the Holding Company based on the analysis and concepts of lawyers in charge and in the actions required, the respective contingencies are duly provisioned.

In connection with the copyrights, the Holding Company makes use only of the software or licenses legally acquired and does not allow for its equipment to use programs different from those officially approved.

In the Note 20 to financial statements the provisions for legal contingencies, and other provisions, are detailed.

Note 5 - Estimation of reasonable values

The reasonable value of financial assets and liabilities negotiated in active markets (such as financial assets in debt and patrimony securities and derivatives actively quotes in stock exchange or in interbank markets) is based on prices supplied by the supplier of prices Infovalmer, that determines prices through weighted averages of transactions occurred during the day of negotiation.

An active market is that one where the transactions of assets or liabilities are made with the enough frequency and volume for the purposes to provide information of price on a continued manner.

The reasonable value of financial assets and liabilities which are not negotiated in an active market is determined by using technical valuation made by the supplier. The valuation techniques used for non-standardized financial instruments such as swaps options, of foreign currency and derivatives of the over the counter market include the use of valuation curves of interest rate or currencies constructed by the suppliers of prices based on data of market and extrapolated to the specific conditions of instrument valuated, cash flow discounted, models of prices of options and other valuations techniques usually used by market participants using mainly data of market and trust the least possible on entities' specific data.

The Holding Company and subsidiaries can use models internally developed for financial instruments that do not have the active markets. Such models usually are based on models and techniques valuations usually standardized in financial sector. The valuation models are used mainly to value patrimony financial instruments not quoted in the stock exchange, the debt securities and other debt instruments to which the markets were or have been quiescent during the financial operational period. Some inputs from these models may not be observed in the market and hence, are valued based on assumptions.

The output of any model is always an estimate or approximation of any value that cannot be certainly estimated and the valuation techniques used may not reflect completely all the relevant factors to the Holding Company's positions. For such reason, the valuations are adjusted if deemed necessary, to allow additional factors, including the country risk, liquidity risk and counterpart risks.

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

The hierarchy of reasonable value has the following levels:

- The entries level 1 are prices quoted (not adjusted) in active markets of assets or liabilities identical to those the entity can access at the date of measurement.
- The entries level 2 are those different from the prices quoted included in the level 1 observable for the asset or liability, either directly or indirectly.
- The entries level 3 are the non-observable entries for the asset or liability.

The level in the hierarchy of reasonable value amount which the measurement of the reasonable value is totally classified, is determined based on the entry of the lowest level significant to the measurement of the total reasonable value. For such purpose, the significance of any entry is evaluated with regards to measurement of the entirety reasonable value. If any measurement of reasonable value uses observable entries requiring significant adjustments based on observable entries, such measurement is a measure level 3. The evaluation of the significance of an entry specific to the measurement of the reasonable value in its entirety requires judgment, taking into account the specific factors of the asset or liability.

Determining what constitutes an "observable" requires a significant judgment by Holding Company. The Holding Company considers data observable the data of market already available that are regularly distributed or updated, that are reliable and verifiable, that have no property rights and are supplied by independent sources taking active part in the relevant market.

a) Measurements of reasonable value over recurrent base

Methods of reasonable value over recurrent bases are those ones that the IASs require or allow in the statement of financial situation at the closing of each accounting period.

The following table analyzes, among the hierarchy of reasonable value the assets and liabilities (by class) of the Holding Company measured at reasonable value on December 31, 2017 and 2016 over recurrent bases.

December 31, 2017

		Reasonable value reckoned using internal models						Effect of assumptions	
		Level 1	Level 2	Level 3	Total valuation	Technique of For levels 2 & 3	Principal entry data	More favorable	Less Favorable
ASSET RECURRENT MEASURES AT REASONABLE VALUE									
Investment in debt securities at reasonable value									
Issued or secured by Colombia government	$	2,458,649	1,230,310	-	3,688,959	Interest rates	Transactional Systems	44,739	(43,828)
Issued or secured by other financial Colombian institutions		-	146,790	-	146,790	Interest rates	Transactional Systems	1,500	(1,462)
Issued or secured by Colombian entities from the real sector		-	76,843	-	76,843	Interest rates	Transactional Systems	1,048	(1,028)
Issued or secured by Foreign Governments		29,604	-	-	29,604	Interest rates	Transactional Systems	697	(679)
Issued or secured by other financial institutions abroad		221,656	429,723	-	651,379	Interest rates	Transactional Systems	4,715	(4,645)
Issued or secured by entities of the real sector abroad		-	27,411	-	27,411	Interest rates	Transactional Systems	313	(305)
Other		-	36,850	-	36,850	Interest rates	Transactional Systems	309	(305)
Investments in patrimony instruments (1)		321,795	-	80,938	402,733	**Unit value**	Transactional Systems	4,027	(4,027)
Derivatives of negotiation									
Forward of currency		-	67,029	-	67,029	Interpolation	Transactional Systems	(799)	798
Swap interest rate		-	21,613	-	21,613	Interpolation	Transactional Systems	(10,060)	10,060
Swap currency		-	7,842	-	7,842	Interpolation	Transactional Systems	307	(302)
Other		-	9,907	-	9,907	Interpolation	Transactional Systems	73	(72)
Properties of investment at reasonable value		-	218,164	-	218,164	**Market focus**	Construction maintained and used	2,182	(2,182)
TOTAL ASSET AT REASONABLE VALUE RECURRENT		**3,031,704**	**2,272,482**	**80,938**	**5,385,124**			**49,051**	**(47,977)**
LIABILITIES									
Derivatives of negotiation									
Forward of currency		-	56,363	-	**56,363**	Interpolation	Transactional Systems	759	(758)
Swap interest rate		-	22,178	-	**22,178**	Interpolation	Transactional Systems	7,334	(7,334)
Swap currency		-	390	-	**390**	Interpolation	Transactional Systems	(2)	2
Others		-	17,834	-	**17,834**	Interpolation	Transactional Systems	43	(42)
Total liabilities at reasonable value and recurrent	$	-	**96,765**	-	**96,765**			**8,134**	**(8,132)**

December 31, 2016

			Reasonable value reckoned using internal models					Effect of assumptions	
		Level 1	Level 1	Level 1	Total For levels 2 & 3	Technique of valuation	Principal entry data	More favorable	Less Favorable
ASSET									
RECURRENT MEASURES AT REASONABLE VALUE									
Investment in debt securities at reasonable value									
Issued or secured by Colombia government	$	1,792,750	1,086,759	-	2,879,509	Interest rates	**Transactional Systems**	30,415	(29,733)
Issued or secured by other financial Colombian institutions		9,804	178,005	-	187,809	Interest rates	**Transactional Systems**	2,989	(2,907)
Issued or secured by Colombian entities from the real sector		12,144	405,677	-	417,821	Interest rates	**Transactional Systems**	6,085	(5,941)
Issued or secured by Foreign Governments		-	7,707	-	7,707	Interest rates	**Transactional Systems**	210	(203)
Issued or secured by other financial institutions abroad		3,151	401,420	-	404,571	Interest rates	**Transactional Systems**	2,533	(2,498)
Issued or secured by entities of the real sector abroad		-	160,117	-	160,117	Interest rates	**Transactional Systems**	2,232	(2,180)
Other		-	6,186	-	6,186	Interest rates	**Transactional Systems**	6	(6)
Investments in patrimony instruments (1)		396,412	-	75,550	471,962	**Unit value**	**Transactional Systems**	4,720	(4,720)
Derivatives of negotiation							**Transactional Systems**		
Forward of currency		-	133,484	-	133,484	Interpolation	**Transactional Systems**	744	(745)
Forward of interest rate		-	7,088	-	7,088	Interpolation	**Transactional Systems**	(43)	43
Swap of interest rate		-	6,866	-	6,866	Interpolation	**Transactional Systems**	(146)	150
Swap currency		-	8,464	-	4,464	Interpolation	**Transactional Systems**	(67)	68
Properties of investment at reasonable value		-	144,865	-	144,865	**Market focus**	**Construction maintained and used**	1,449	(1,449)
TOTAL ASSET AT REASONABLE VALUE RECURRENT	$	**2,214,261**	**2,546,638**	**75,550**	**4,836,449**			**51,126**	**(50,120)**
LIABILITIES									
Derivatives of negotiation									
Forward of currency		-	163,410	-	163,410	Interpolation	**Transactional Systems**	(547)	547
Swap interest rate		-	6,837	-	6,837	Interpolation	**Transactional Systems**	38	(38)
Swap currency		-	6,089	-	6,089	Interpolation	**Transactional Systems**	(84)	85
Others		-	15,922	-	15,922	Interpolation	**Transactional Systems**	(32)	32
Total liabilities at reasonable value and recurrent		-	**192,258**	**-**	**192,258**			**(625)**	**626**

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

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

As above indicated, the reasonable value of investment properties are determined based on the appraisal made by independent experts at December 31, 2017, prepared using comparative approach methodology of sales (market approach), determining the value of assets as per the comparison with other similar currently transacting or already transacted in the real estate market, this comparative approach considers the sale of similar or substitutive goods, as well as the data obtained in market, and establishes an estimate value using processes including the comparison.
The table below shows the transferences between levels 1 and 2 for the periods ended on December 31, 2017 and 2016:

		December 31, 2017			December 31, 2017	
		Level 1 to Level 2	Level 2 to Level 1		Level 1 to Level 2	Level 2 to Level 1
Measurements at reasonable value for recurrent						
Investment at reasonable value fixed interest	$	13,620	174,538	$	208,468	2,046

The table below shows the movement of patrimony instruments of less participation (less than 20%) ranked in the level 3, valued at reasonable value for the years ended December 31, 2017 and 2016:

		Patrimony Instruments
Balance at December 31, 2015	**$**	**71,544**
Adjustment of valuation with effect on OIR		1,182
Additions (No valuation)		37,727
Profit for valuation and sale of Cifin S.A.		(11,324)
Withdrawals / Sales		(11,367)
Reclassifications		(12,206)
Difference in exchange		(6)
Balance at December 31, 2016	**$**	**75,550**
Adjustment of valuation with effect on results		1,799
Adjustment of valuation with effect on OIR		6,508
Withdrawals / Sales		(2,918)
Difference in exchange		(1)
Balance at December 31, 2017	**$**	**80,938**

In the OIR It is recognizing during the year 2017 for $4,185 corresponding to the valuation of financial instruments measured at reasonable value level 3 for $6,508. Stock exchange of Colombia level 1 for $138, and exchange of stocks between BVC – Deposito Centralizado de Valores de Colombia Deceval S.A. for ($2,461) and for December 31, 2016 the value $1,182.

On December 14, 2017, was made between Bolsa de Valores de Colombia S.A. - BVC and Deposito Centralizado de Valores de Colombia Deceval S.A. announce that they are a unique organization after the successful closing of the transaction and the exchange of shares. As a result of the integration, Deceval is now the principal affiliate of the group Bolsa de Valores de Colombia S.A. and will be responsible for negotiating completely the solutions of the post-negotiation of capital market.

For the Holding Company in the operation of exchange BVC – Deceval S.A., delivered 6,093 shares and received 204,115,500 shares, for a participation in the entity 0.7% generating an income for $4,670, itemized as follows: from OIR by Deceval S.A. for $3,672 and profit by operation of exchange of shares from BVC through shares from Deceval S.A. for $998.

The investment of BVC at the closing December 2017 records a balance of $5,265, corresponding to the acquisition cost for $5,127 and valuation $138.

(1) Patrimony Instruments Valuation Level 3

The investments classified in Level 3 for $80,938 have non observable significant deposits. The Instruments Level 3 include mainly investments in instruments of patrimony that are not listed in stock exchange.

The Holding Company has some patrimonial investments in several different entities with less than 20% participation of entity's patrimony, some of them received in payment of obligations from clients in the past time, and other acquired because they are necessary for the development of operations, such as 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. In general all those companies are not listed their shares in any public securities market and hence, the determination of the reasonable value at December 31, 2017 has been made with the help of an external expert to the Holding Company that has used for such purpose the cash flow discounted method, constructed based on projections used by the valuator of income and expenses of each valuable entity in a five years period taking as a base for them some historical information obtained from the companies and residual values determined growth rates in perpetuity established by the valuator according to his expertise. Such projections and residual values were discounted based on interest rates construed with curves taken from suppliers of prices, adjusted by risk premiums estimated based on the risks associated to each entity valued.

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

Variable	Range
Income (% growth during 10 years)	6.5% - 13.0%
Income (% of Growth of 5 years min-max.)	IPC; IPC + 1%
Growth in residual values after 10 years	3.1%
Growth in residual values after 5 years	3.0%
Equity cost rate	14.2% - 15.2%
Discount interest rates – WACC	14.1%

The following chart includes a sensitivity analysis of changes in such variables used in the valuation of investment, taking into account that reasonable value variations of such investments are recorded in the patrimony as they correspond to investments ranked as patrimony instruments at reasonable value with changes in patrimony:

Methods and variables	Variation	Favorable impact	Unfavorable impact
Assets net adjusted value	+/-10%	1.04	0.87
More relevant values in the asset	+/-1%	6,317	6,192
Present value adjusted by discount rate, income			
Growth in residual values after 5 years	+/-1%	36,859	35,645
Equity cost rates	+/-1% of the gradient	38,364	34,573
Discount interest rates	+/-30 PB	11.64	11.31
Assets net adjusted value	+/-50 PB	37,909	34,724
More relevant values in the asset	+/-50 PB	11.86	11.15

According to variations and impacts shown in the chart above, a favorable effect in Holding Company's patrimony would occur for $597, and unfavorable for $551. Such amounts were reckoned valuing the investment with the favorable and unfavorable price according to variations occurred and the number of stocks held by the Holding Company in each entity.

The following table shows the summary of Bank's financial assets and liabilities accounted for at amortized cost on December 31, 2017 and 2016 compared with the values made at reasonable value and for such purpose is suggested the reasonable value:

		December 31, 2017		December 31, 2016	
		Carrying value	Estimate reasonable value	Carrying value	Estimate reasonable value
Assets					
Cash and equivalent to cash	$	2,457,030	2,457,030	2,139,606	2,139,606
Fixed income investments at amortized cost		689,023	689,430	542,008	542,008
Credit portfolio (1)		26,597,529	29,866,277	26,775,266	29,461,932
Other accounts receivable		136,534	136,534	140,104	196,295
	$	**29,880,116**	**33,149,271**	**29,596,984**	**32,339,841**
Liabilities					
Clients deposits and 8saving accounts current accounts and other deposits)	$	17,545,149	17,545,149	15,127,876	15,127,876
Certificates of deposits		8,623,959	9,058,117	9,048,180	9,447,159
Interbank funds		122,560	122,560	678,377	678,377
Financial obligations		2,398,204	2,547,881	2,014,637	2,016,932
Bonds issued		3,281,965	3,419,518	2,811,593	2,852,057
	$	**31,971,837**	**32,693,225**	**29,680,663**	**30,122,401**

(1) For credit portfolios at amortized cost include only the capital

The reasonable value estimated of credit portfolio, is calculated as follows:

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

Portfolio ranked in D or E: Calculated on carrying value in percentage expected to be recovered from such obligations.

The discount rate includes the following:

Discount Rate: Cost of capital

- **Credits ranked in A, B, o C:** Free-risk rate + Points for risk + portfolio administration expenses
- **Credits ranked in D or E:** free-risk rate + Points for risk.

The Discount Rate is defined as the sum of the free-risk rate, the points for risk 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 the points for risk are taken into account.

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

Methodologies of reasonable value for the fixed-interest securities at the time zero correspond to the adjustment of the difference between the purchase price (TIR purchase) and the market price published by price supplier INFOVALMER. For subsequent measurement, this reasonable value over each one of the investments is determined with the daily valuation using the market price published by the same price supplier.
For the item Other Accounts Receivable, the maturity thereof are due a time period equal or less than one year, and for such reason it is not considered necessary to do any calculation of reasonable value, understanding that this value is the better estimated because this is a short period.
The methodology of reasonable value of Holding Company's liabilities (TCs and Bonds) is made using the applicative named PWPREI, that values at market prices Holding Company's standardized liabilities in Col Pesos, using the information published by the price supplier INFOVALMER.

For the Financial Obligations the calculation is manually made, and the valuation is made using the curve of discount calculated in the Holding Company´s Risk Division of Treasury.

Note 6. - Cash and equivalent to cash

The balances of cash and equivalent to cash at December 31, 2017 and 2016, include the following:

		December 31, 2017	December 31, 2016
In Colombian pesos			
Cash	$	662,624	548,947
In Banco de la Republica de Colombia		938,864	1,219,883
Bank and other financial entities		5,574	10,439
Exchange		1,469	1,724
		1,608,531	**1,780,993**
In Foreign currency			

Cash		7,230	5,876
Bank and other financial entities		841,269	352,737
		848,499	**358,613**
Total cash and equivalent to cash	$	**2,457,030**	**2,139,606**

Banking reserve required

At December 31, 2017 the legal reserve in Colombia is 11% of the deposits in current and saving accounts, and 4.5% for certificates of deposit less than 18 months.

At November 28, 2017 the legal reserve required to accomplish with the liquidity requirements of certificates of deposits less than 18 months is $2,378,110.$1,790,485 and $102,515, respectively.

At November 28, 2917 the legal reserve required to accomplish with the liquidity requirements of certificates of deposits at 18 months is $2,278.110.

Cash and equivalent to cash in Banco de la República for $1,945,718 at December 19, 2017 make part of legal reserve required to accomplish with the liquidity requirements ($1,219,853 at December 31, 2016).

There is no restriction about cash and equivalent to cash in the Holding Company and subsidiaries at December 31 2017 and 2016.

Concept		**December 31, 2017**	**December 31, 2016**
Reserve 4.5%	$	102,515	155,242
Reserve 11%		1,790,485	1,580,830
Total Reserve	**$**	**1,893,000**	**1,736,072**

Qualification of cash and equivalent to cash risk disclosed in Note 4, item 4.1 credit risk (financial assets other than credit portfolio for credit risk qualification).

Note 7.- Financial assets of investment in debt securities and patrimony instruments at reasonable value.

The balance of financial assets in debt securities and investments in patrimony instruments at reasonable value include the following at December 31, 2017 and 2016:

DEBT SECURITIES	**December 31, 2017**	**December 31, 2016**
In Colombian Pesos		
Issued or secured by Colombia Government	2,563,351	2,089,879
Issued or secured by other Colombian financial institutions	30,753	42,819
Others	189	135
	2,594,293	**2,132,833**
In foreign currency		
Issued or ensured by Colombian Government	1,125,608	789,630
Issued or ensured by other Colombian financial institution	116,037	144,990
Issued or ensured by Colombia real sector	76,843	417,821
Issued or ensured by foreign currency	29,604	7,707
Issued or ensured by other financial institutions abroad	651,379	404,571
Issued o ensured by entities of the real sector abroad	27,411	160,117

	December 31, 2017	December 31, 2016
Others	36,661	6,050
	2,063,543	**1,930,886**
Total debit securities	**4,657,836**	**4,063,719**

PATRIMONY INSTRUMENTS WITH ADJUSTMENT TO RESULTS	**December 31, 2017**	**December 31, 2016**
In Colombia pesos		
Corporate shares	316,528	396,411
Collective investment funds	19,126	17,328
Total patrimony instruments with adjustment to results	**335,654**	**413,739**
Total financial instruments at reasonable value with changes in results	**4,993,490**	**4,477,458**
PATRIMONY INSTRUMENTS WITH ADJUSTMENT TO PATRIMONY OIR		
In Colombian Pesos		
Corporate shares	67,079	58,224
Total patrimony instruments	**402,733**	**471,963**
Total financial assets in debt securities and investment in Patrimony instruments at reasonable value	**5,060,569**	**4,535,682**

The financial assets at reasonable value are given at reasonable value based on market observable data which reflects as well the credit risk associated to the asset, therefore, the Holding Company analyses or monitors impairment indicators.
Below the detail of patrimony instruments are shown with changes in other integral results:

Entity		December 31, 2017	December 31, 2016
Redeban Multicolor S.A.	$	7,091	6,801
Depósito Centralizado de Valores de Colombia – Deceval S.A. (*)		-	2,918
ACH Colombia S.A.		11,440	8,520
Cámara de Compensación de Divisas de Colombia S.A.		916	593
Cámara de Riesgo Central de Contraparte de Colombia S.A.		497	471
Bolsa de Valores de Colombia S.A. (*)		5,267	-
Mastercard Inc.		5,634	3,875
Credibanco		31,848	30,767
Aportes en Línea S.A. (Management and contact)		1,044	471
Casa de Bolsa S.A. Sociedad Comisionista de Bolsa		2,388	2,298
Pizano S.A. en Reestructuración		954	1,240
TOTAL	**$**	**67,079**	**58,224**

The financial asset in patrimony instruments at reasonable value with adjustments to other integral results have been designed taking into account that they are strategic investments for the Holding Company and hence, it is not expected to be sold in a near future and there is a degree of more uncertainty in the determination of reasonable value generating significant fluctuations from one to other period. During the year ended on December 31, 2017 dividends have been recognized in the statement of results for such investment by $1,619 ($1,118 during the year ended on December 31, 2016),

(*) Summary of the principal dates of the exchange operations of share from BVC and Deceval S.A. in the Holding Company:

- March 24, 2017: Extraordinary meeting of Stockholders General Assembly of Deceval for the purpose to reform the statutes and remove the preference right.

- March 28, 2017: Ordinary meeting of the stockholders General Meeting of BVC where the issue of common stocks of the company was approved.
- April: Formal filing of the SFC to approve the rules
- May 26, 2017: as from this date the acceptance and signature of the subscription master contract shall be submitted.
- May: Approval of rules by SFC
- Deadline to sign the subscription contract: 3 business days after approval of rules by SFC
- Term to accept the offer: 15 business days after launching the bid by BVC
- June 1, 2017: Filing SFC to approve Deceval participation increment
- December 14, 2017: Approval of SFC and closing of the operation
- December 14, 2017, held between Bolsa de Valores de Colombia S.A., BVC and Depósito Centralizado de Valores de Colombia, Deceval S.A., announces that they are a single organization after the successful closing of the transaction and the exchange of stocks. As a result of the integration, Deceval now is the principal affiliate of the group Bolsa de Valores de Colombia S.A. and will be responsible for the integral management the solutions of post-negotiation of capital market.

For the Holding Company in the exchange BVC-Deceval delivered 6,093 shares and received 204,115,500 shares, as a participation in the entity for 0.7%, generating an income for $4,670, itemized as follows: Performance of OIR by Deceval for $3.672 and profit for the operation of exchange of shares from BVC through Deceval shares for $998. The BVC investment at the closing December 2017 remaining a balance for $5,266, corresponding to the acquisition cost $5,127 and valuation $138.

Guaranteeing repo operations

Below the financial assets are listed at reasonable value that are guaranteeing repo operations, which have been delivered in guaranty of operations with market operations with financial instruments and those ones delivered as collateral guaranties to third parties to support financial operations with other banks (See Note 18).

		December 31, 2017	December 31, 2016
Delivered in monetary market operations			
Issued of guaranteed by Colombia Government	$	51,989	635,764
Issued of guaranteed by other financial institutions		-	2,045
		51,989	**637,809**
Delivered in guarantee of derivatives instruments operations			
Issued of guaranteed by Colombia Government		100,224	95,423
Total operations in guarantee	**$**	**152,213**	**733,232**

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

At December 31, 2017 and 2016, the Holding Company considers that there is no any significant loss in the reasonable value of financial assets for credit risk impairment conditions of such assets.

The sensitivity analysis to interest rates of financial assets at reasonable value is disclosed in Note 4, item 4.1 Credit Risk. The information about investments at reasonable value with related parties is disclosed in Note 5.

The chart of credit quality by independent risk rater's agents, is disclosed in Note 4, Item 4.1 Credit Risk (Financial Assets of investment at amortized cost.)

Note 8 – Financial assets in debt securities at amortized cost

The balance of financial assets in debt securities at amortized cost Include the following at December 31, 2017 and 2016:

DEBTS SECURITIES		**December 31, 2016**	**December 31, 2016**
In Colombian pesos			
Issued or secured by other entities of Colombia Government	**$**	689,023	542,008
Total financial assets in debt securities at amortized cost	**$**	**689,023**	**542,008**

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

		December 31, 2016	**December 31, 2016**
UP TO 1 MONTH	$	95,438	107,719
More than 3 months and no more than 1 year		593,585	434,289
Total	$	**689,023**	**542,008**

The chart of credit quality is disclosed in Note 4, item 4.1 Credit Risk (Financial Assets of investment at amortized cost.

Note 9 - Instruments Derivatives and hedge accounting

a. **Financial instruments derivatives of negotiation**

The following table indicates the reasonable values at December 31 2017 and 2016 of forward contracts, futures, options, swaps of interest rate and of foreign currency the Holding Company is committed:

	December 31, 2017		**December 31, 2016**	
	Notional Amount	**Reasonable Value**	**National Amount**	**Reasonable Value**
Assets				
Forward Contracts				
Forward contracts purchase foreign currency	1,858,371	177	1,009,524	3,350
Forward contracts Sale of foreign currency	4,487,187	66,810	4,320,056	130,134
Forward contracts of securities	44	43	-	-
Subtotal	**6,345,602**	**67,030**	**5,329,580**	**133,484**
Swap				
Swap contract of foreign currency	110,954	7,842	52,258	6,866
Swaps contract of interest rate	564,844	21,613	666,399	7,088
Subtotal	**675,798**	**29,455**	**718,657**	**13,954**
Futures contracts				
Futures contract of national bonds sale	-	-	21,470	-
Subtotal	**-**	**-**	**21,470**	**-**
Purchase of options				
Purchase options of foreign currency	6,325	9,906	405,403	8,464
Subtotal	**6,325**	**9,906**	**405,403**	**8,464**
Total Assets	**7,027,725**	**106,391**	**6,475,110**	**155,902**
Liabilities				
Forward contracts				
Forward contracts purchase foreign currency	4,110,642	55,951	4,518,279	160,530
Forward contracts Sale of foreign currency	1,684,148	197	1,852,454	2,879
Forward contracts of securities	222	216	-	-
Subtotal	**5,795,012**	**56,364**	**6,370,733**	**163,409**
Swap				

Swap contract of foreign currency	15,620	390	28,309	6,089
Swap contract of interest rate	882,661	22,179	686,080	6,837
Subtotal	**898,281**	**22,569**	**714,389**	**12,926**
Purchase of options				
Sale options of foreign currency	18,438	17,832	355,519	15,923
Subtotal	**18,438**	**17,832**	**355,519**	**15,923**
Total Liabilities	**6,711,731**	**96,765**	**7,440,641**	**192,258**
Net Position	**315,994**	**9,626**	**(965,531)**	**(36,356)**

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

At December 31, 2017, there are no any derivatives contracts in other contracts that need to be separated, accounted for and disclosed according to provision in IAS 39.

The maturities for term of instruments derivatives of negotiation at December 31, 2017 and 2016 are the following:

LESS THAN ONE YEAR

Concept		December 31, 2017		December 31, 2016	
		Notional Amount	Reasonable Value	Notional Amount	Reasonable Value
Assets					
Forward Contracts					
Forward contracts purchase foreign currency	$	1,858,371	177	1,004,878	3,350
Forward contracts Sale of foreign currency		4,455,530	64,983	4,271,033	128,876
Forward contracts of securities		44	43	-	-
Subtotal		**6,313,945**	**65,203**	**5,275,911**	**132,226**
Swap					
Swap contract of foreign currency		86,446	6,118	7,568	259
Swap contract of interest rate		471,266	17,939	594,558	1,523
Subtotal		**557,712**	**24,057**	**602,126**	**1,782**
Futures contracts					
Futures contract of national bonds sale		-	-	21,470	-
Subtotal		**-**	**-**	**21,470**	**-**
Purchase of options					
Purchase options of foreign currency		3,142	3,962	339,755	5,484
Subtotal		**3,142**	**3,962**	**339,755**	**5,484**
Total Assets	$	**6,874,799**	**93,222**	**6,239,262**	**139,492**
Liabilities					
Forward contracts					
Forward contracts purchase foreign currency	$	4,100,990	39,165	4,511,210	160,190
Forward contracts Sale of foreign currency		1,663,653	198	1,822,889	2,466
Forward contracts of securities		222	216	-	-
Subtotal		**5,764,865**	**39,579**	**6,334,099**	**162,656**
Swap					
Swap contract of foreign currency		15,620	390	12,614	5,889

Swap contract of interest rate	732,581	18,408	645,100	2,520
Subtotal	**748,201**	**18,798**	**657,714**	**8,409**
Purchase of options				
Sale options of foreign currency	12,975	12,483	292,986	11,508
Subtotal	**12,975**	**12,483**	**292,986**	**11,508**
Total Liabilities	**$ 6,526,041**	**70,860**	**7,284,799**	**182,573**
Net Position	**$ 348,758**	**22,362**	**(1,045,537)**	**(43,081)**

MORE THAN ONE YEAR

Concept		December 31, 2017		December 31, 2016	
		Notional Amount	Reasonable Value	Notional Amount	Reasonable Value
Assets					
Forward Contracts					
Forward contracts purchase foreign currency	$	-	-	4,646	-
Forward contracts sale of foreign currency		31,657	1,826	49,024	1,258
Subtotal		**31,657**	**1,826**	**53,670**	**1,258**
Swaps					
Swaps contract of foreign currency		24,508	1,725	44,690	6,609
Swaps contract of interest rate		93,578	3,674	71,840	5,563
Subtotal		**118,086**	**5,399**	**116,530**	**12,172**
Purchase of options					
Purchase options for currencies		3,183	5,944	65,648	2,980
Subtotal		**3,183**	**5,944**	**65,648**	**2,980**
Total Assets	$	**152,926**	**13,169**	**235,848**	**16,410**
Liabilities					
Forward contracts					
Forward contracts purchase foreign currency	$	9,653	16,785	7,069	342
Forward contracts Sale of foreign currency		20,494	-	29,565	411
Subtotal		**30,147**	**16,785**	**36,634**	**753**
Swaps					
Swaps contract of foreign currency		-	-	15,695	200
Swaps contract of interest rate		150,080	3,770	40,981	4,317
Subtotal		**150,080**	**3,770**	**56,676**	**4,517**
Purchase of options					
Sale options of foreign currency		5,463	5,350	62,533	4,415
Subtotal		**5,463**	**5,350**	**62,533**	**4,415**
Total Liabilities	$	**185,690**	**25,905**	**155,843**	**9,685**
Net Position	$	**(32,764)**	**(12,736)**	**80,005**	**6,725**

Financial instruments derivatives of negotiation contain the component CVA/DVA associated to the credit component of these contracts, at December 31, 2017 the effect of CVA/DVA in statement of results was an income by $95.

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

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

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

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

b. Financial instruments and hedge accounting

In developing its operations the Holding Company owns the following investments in affiliates abroad at December 31, 2017 and 2016 which financial statements in the consolidation process generate adjustment by conversion recorded in the account other integral results in patrimony, as follows:

December 31, 2017

		Thousand US dollars		Thousand Col. Pesos	
Detail of investment		**Value of Investment hedged**	**Value of hedge in obligations In foreign currency**	**Adjustment for conversion of financial statements**	**Difference of exchange of obligations in foreign currency**
Occidental Bank (Barbados) Ltd.	$	26,396	(26,396)	18,740	18,740
Banco de Occidente Panamá S.A.		25,044	(25,044)	29,979	29,979
Total	**$**	**51,440**	**(51,440)**	**48,719**	**48,719**

December 31, 2016

		Thousand US dollars		Thousand Col. Pesos	
Detail of investment		**Value of Investment hedged**	**Value of hedge in obligations In foreign currency**	**Adjustment for conversion of financial statements**	**Difference of exchange of obligations in foreign currency**
Occidental Bank (Barbados) Ltd.	$	24,139	(18,239)	18,925	(18,925)
Banco de Occidente Panamá S.A.		19,195	(28,179)	29,879	(29,879)
Total	$	**43,334**	**(46,418)**	**48,804**	**(48,804)**

Since such investments are in dollars, the functional currency of the prior affiliates, the Holding Company is subject to risk of variation in the type of exchange of Col. Pesos, the functional currency, of the Bank related to dollar. To cover this risk, the Holding Company has entered in debt operations in foreign currency and as such, has designed obligations in foreign currency for USD $51,440 at December 31, 2017 and USD $46,418 at December 31, 2016 hedging_ 100% of the investments in force in those affiliates, the financial obligations have a short-term maturity, and therefore, upon the maturity such obligations, the Holding Company management designs new obligations in foreign currency to maintain the hedge 100% OF the investments.

These obligations being in the same currency as investments are recorded abroad, the hedge is considered perfect and hence, no any ineffectiveness in the hedge is recorded; according to above, no any inefficacy of hedge was recognized in the statement of results. In OIR were recognized at December 31, 2017 and 2016 ($85) and ($6,905), respectively, as a result of the efficacy of hedge.

Concerning credit quality, in Note 4 Item 4.1 the credit risk is disclosed (financial instruments derivatives).

Note 10 – Financial Assets by credit portfolio at amortized cost, net

1. Credit portfolio by modality

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

		December 31, 2017	December 31, 2016
Ordinary loans	$	18,349,759	18,842,093
Loans with resources from other entities		943,596	829,282
Letter of credit hedged		96,981	92,581
Overdraft in Bank current account		94,213	84,723
Discounts		84,856	76,628
Credit cards		1,387,004	1,381,371
Mortgage letter for housing		506,138	438,591
Credits to employees		18,587	17,898
Real property given in leasing		3,167,967	3,030,913
Chattels given in leasing		1,989,674	2,021,308
In transit remittances		1,840	1,319
Monetary market and related operations		1,479,595	234,683
Interest of portfolio		439,554	352,143
Interest financial component, financial leasing operations		65,456	47,638
Payment by consumption clients		24,883	21,511
Payments to commercial clients		17,715	10,663
Letter of cred of deferred payment		1,365	2,296
Advance income of interest		(2,322)	(2,477)
Advance income from commissions		(9,991)	(8,862)
Credits to apply to payment obligations		(40,885)	(28,479)
Others		644	319
Total gross credit portfolio		**28,616,629**	**27,446,142**
Impairment of credit portfolio		(1,135,748)	(872,280)
Total credit portfolio, net	$	**27,480,881**	**26,573,862**

2. Credit portfolio by impairment movement

The following is the impairment movement of credit portfolio during the years ended at December 31, 2017 and 2016:

Balance at December 31, 2015	$	353,662	308,900	2,319	125,454	790,335
Write-off period		(95,113)	(327,463)	-	(44,704)	(467,280)
Provision of period		386,618	647,184	4,266	122,773	1,160,841
Recovery of provisions		(216,169)	(238,537)	(998)	(74,982)	(530,686)
(Recovery) charge of provisions with Balancing entry in OIR of period		(73,184)	5,349	(808)	(11,830)	(80,473)
Difference in exchange		(298)	(140)	-	(19)	(457)
Balance at December 31, 2016	$	355,516	395,293	4,779	116,692	872,280
Write-off period		(181,064)	(467,341)	-	(34,738)	(683,143)
Provision of period		448,323	711,093	4,923	137,672	1,302,011
Recovery of provisions		(164,863)	(201,498)	(1,632)	(62,176)	(430,169)
(Recovery) with balancing entry of period in OIR (*)		66,564	29,665	2,487	(25,184)	73,532
Difference in exchange		1,181	-	-	56	1,237
Balance at December 31, 2017	$	**525,657**	**467,212**	**10,557**	**132,322**	**1,135,748**

(*) Adjustment by impairment of credit portfolio for consolidated financial statement for $73,493 reflected in the statement of other integral results include the concept of (Recovery) charge of provisions with counterpart in OIR of period for $73,532 and (Recovery) charge of contingent provisions with counterpart in OIR of period for $39.

3. Credit portfolio individually and collectively evaluated

The following is the detail for credit risk impairment at December 31, 2017 and 2016, taking into account the way they were determined, in an individual manner for credits more than $2,000 and collectively for the other credits.

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

December 31, 2017

		Commercial	Consumption	Mortgage of Housing	Financial Leasing	Total
Provision for impairment						
Credits individually evaluated	$	277,458	-	-	33,034	310,492
Credits collectively evaluated		248,199	467,212	10,557	99,288	825,256
Total provision for impairment	$	**525,657**	**467,212**	**10,557**	**132,322**	**1,135,748**

Gross balance of financial assets for credit portfolio		**Commercial**	**Consumption**	**Mortgage of Housing**	**Financial Leasing**	**Total**
Credits individually evaluated (1)	$	11,069,181	10,549	4,246	3,062,070	14,146,046
Credits collectively evaluated		4,938,713	6,853,106	505,693	2,173,071	14,470,583
Total provision for impairment	$	**16,007,894**	**6,863,655**	**509,939**	**5,235,141**	**28,616,629**

December 31, 2017

Provision for impairment		**Commercial**	**Consumption**	**Mortgage of Housing**	**Financial Leasing**	**Total**
Credits individually evaluated	$	155,898	-	-	23,489	179,387
Credits collectively evaluated		199,618	395,293	4,779	93,203	692,893
Total provision for impairment	$	**355,516**	**395,293**	**4,779**	**116,692**	**872,280**

Gross balance of financial assets for credit portfolio		**Commercial**	**Consumption**	**Mortgage of Housing**	**Financial Leasing**	**Total**
Credits individually evaluated (1)	$	11,393,350	24,049	2,584	3,050,235	14,470,218
Credits collectively evaluated		3,625,773	6,855,804	438,377	2,055,970	12,975,924
Total provision for impairment	$	**15,019,123**	**6,879,853**	**440,961**	**5,106,205**	**27,446,142**

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

4. Credit card individually evaluated

The following is the detail of credits individually evaluated for impairment at December 31, 2017 and 2016:

	December 31, 2017 Credits individually evaluated impaired			December 31, 2016 Credits individually evaluated impaired		
	Gross Value Recorded	Collateral Guarantees	Provision Made	Gross valued Recorded	Collateral Guarantees	Provision Made
Impairment no recorded						
Commercial	$ 485,064	184,136	-	$ 175,020	137,896	-
Financial leasing	173,921	538,948	-	136,251	474,258	-
Subtotal	**658,985**	**723,084**	**-**	**311,271**	**612,154**	**-**
Impairment recorded						
Commercial	1,866,061	57,747	277,458	801,908	47,591	155,898
Financial leasing	190,621	72,761	33,034	152,692	103,523	23,489
Subtotal	**2,056,682**	**130,508**	**310,492**	**954,600**	**151,114**	**179,387**
Totals						
Commercial	2,351,125	241,883	277,458	976,928	185,487	155,898
Financial leasing	364,542	611,709	33,034	288,943	577,781	23,489
Total	$ **2,715,664**	**853,592**	**310,492**	$ **1,265,871**	**763,268**	**179,387**

5. Credit portfolio maturity period

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

December 31, 2017

	Up to 1 year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years	Total
Commercial	$ 9,681,664	3,783,102	1,342,782	1,200,346	16,007,894
Consumption	2,139,049	2,981,332	1,387,582	355,692	6,863,655
Housing	42,001	74,748	71,177	322,013	509,939
Financial leasing	1,433,332	1,707,124	913,547	1,181,138	5,235,141
Total portfolio	$ **13,296,046**	**8,546,306**	**3,715,088**	**3,059,189**	**28,616,629**

December 31, 2016

	Up to 1 year	Between 1 and 3 Years	Between 3 and 5 Years	More than 5 Years	Total
Commercial	$ 8,860,117	3,543,890	1,370,882	1,244,234	15,019,123
Consumption	2,113,764	3,053,661	1,422,352	290,076	6,879,853
Housing	34,155	62,789	60,627	283,390	440,961
Financial leasing	1,371,499	1,701,600	897,199	1,135,907	5,106,205
Total portfolio	$ **12,379,535**	**8,361,940**	**3,751,060**	**2,953,607**	**27,446,142**

6. Credit portfolio by type of currency

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

	December 31, 2017			December 31, 2016		
	Colombian Pesos	Foreign Currency	Total	Colombian Pesos	Foreign Currency	Total
Commercial	$ 13,244,902	2,762,992	**16,007,894**	$ 12,900,073	2,119,050	**15,019,123**
Consumption	6,811,011	52,644	**6,863,655**	6,825,847	54,006	**6,879,853**
Housing	509,939	-	**509,939**	440,961	-	**440,961**
Financial leasing	5,235,141	-	**5,235,141**	5,105,403	802	**5,106,205**
	$ **25,800,993**	**2,815,636**	**28,616,629**	$ **25,272,284**	**2,173,858**	**27,446,142**

7. Credit portfolio by financial leasing

The following is the reconciliation between gross investments in financial leasing and the present value of the minimum payments receivable with closing December 31, 2017 and 2016:

	December 31, 2017	December 31, 2016
Total rent fees of leasing to be received in the future	$ 7,519,477	7,588,258
Plus residual value estimate of assent delivered in Leasing (Unguaranteed)	734	1,129
Gross investment in leasing contracts	**7,520,211**	**7,589,387**
Less financial income unrealized	(2,285,070)	(2,483,182)
Net investment in financial leasing contracts	**5,235,141**	**5,106,205**
Impairment of net investment in financial leasin contracts	$ **(132,322)**	**(116,692)**

Below the detail of gross investment and net investment in financial leasing contracts receivable at December 31, 2017 and 2016 in each of the following operational years:

	December 31, 2017		December 31, 2016	
	Gross investment	Net investment	Gross investment	Net investment
Up to 1 year	$ 1,691,621	1,185,471	1,718,345	1,146,135
Between 1 and 5 years	3,606,027	2,424,817	3,701,955	2,396,975
More than 5 years	2,222,563	1,624,853	2,169,087	1,563,095
Total	**$ 7,520,211**	**5,235,141**	**7,589,387**	**5,106,205**

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

11. - Other Accounts Receivable, Net

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

Detail		December 31, 2017	December 31, 2016
Sale of goods and services	$	24,223	13,063
Deposits		1,262	1,267
Servibanca and other networks		12,861	16,193
DIAN credit income tax		256	-
Forwards without delivery		5,519	6,195
Payment automatic system		(1,463)	60
Mastercard pending drafts		3,020	3,019
SIIF Condonations		4,435	2,797
Others		33,432	22,530
Debtors		658	71
Expenses paid in advance		15,392	21,405
Prepayment to suppliers		1,202	2,005
Commissions		8,977	8,904
Claims to ensuring companies		1,637	2,567
Promising sellers		1,376	1,376
Dividends		9,768	8,355
Prepayment of Industry and Commerce		9,529	9,122
Rental fees		259	237
Fees of goods given in operational leasing		147	197
Abandonment accounts – ICETEX		29,091	27,790
		161,581	**147,153**
Impairment of other accounts receivable		(25,047)	(7,049)
Total other accounts receivable	$	**136,534**	**140,104**

The following is the movement of impairment for the years ended on December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Balance at beginning of period	$	**7,049**	**6,588**
Impairment charged to results		48,342	32,656
Recovery of other accounts receivable		(391)	(750)
Write-off		(29,953)	(31,445)
Balance at the closing period	$	**25,047**	**7,049**

Note 12 – Non-current assets maintained for sale

Below the detail of profit and/or loss is included, resulting from the goods ranked as maintained for sale during the years ended on December 31, 2017 and 2016:

December 31, 2017	December 31, 2016

		Carrying Value	Amount of sales	Profit and/or (Loss)	Carrying value	Amount of sale	Profit and/or (loss)
Real Property	$	3,447	2,500	(947)	-	-	-
Chattels		5,267	5,677	410	8,289	8,552	263
	$	**8,714**	**8,177**	**(537)**	**8,289**	**8,552**	**263**

Note 13 – Investments in associated and joint ventures, and joint operations

1. Investments in associated and joint ventures and joint operations

Bellow the percent of participation are shown in associates and joint venture at December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Associates	$	670,572	570,782
Joint Business		1,597	-
Total	**$**	**672,169**	**570,782**

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

	December 31, 2017			December 31, 2016		
	Pariticpation %		Carrying value	Particpation %		Carrying value
Associates						
A toda hora S.A.	20.00%	$	1,655	20.00%	$	1,520
Porvenir S.A. (*)	33.09%		668,917	33.09%		569,262
		$	**670,572**		**$**	**570,782**
Joint business						
A toda hora S.A.	25.00%	$	1,597	25.00%	$	-
		$	**1,597**		**$**	**-**

(*) The carrying value and the investment in Porvernir S.A. include the mercantile credit for the acquisition of the Sociedad Administradora de Fondos de pension funds and severance – Porvenir S.A. on December 2013 for $64,724.

The line of business of the Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. is the management of Pensions and Severance authorized by law, as well as the management of Autonomous patrimonies of territorial entities, heir decentralized bodies and private companies, according to article 16, Decree 941, 2002, for the purpose to provide resources to pay their pension obligations such as pensions, quotas parts of pension bonds, quotas parts of pensions, under the terms in article 23, Decree 1299, 1994, regulated by the Decrees 810, 1998 and 941, 2002, which constitute Autonomous Patrimonies Independent from the Society's patrimony.

The line of business of A Toda Hora S.A. is the generation of services referred to in article 5 of Act 45, 1990 and the other complementary regulations, especially the computer programming, the marketing of programs, the representation of domestic or foreign companies producing or marketing of programs, the organization and administration of teller machines network to perform the transactions or operations, data processing and information management in the own or third parties equipment for the management of accounting, the creation and organization of files and conducting the calculations, statistics and information at large, as well as the communication and electronic transfer of data.

Below the movement of investments is shown of the investments in associated companies and joint ventures for the years ended on December 31, 2017 and 2016:

Associated Companies		December 31, 2017	December 31, 2016
Balance at the beginning of year	$	570,782	487,459
Participation in the results of the year		139,782	118,918
Participation in other integral results		2,943	4,972
Dividends received in cash and shares		-	43,308
Balance at the end of the year		(42,935)	(83,875)
	$	**670,572**	**570,782**

Joint Business		December 31, 2017	December 31, 2016
Balance at the beginning the year	$	-	3,049
Participation of the results of year		2,175	(1,293)
Participation in other integral results		-	5
Adjustment of investments		(578)	(1,761)
Balance at the end of the year	**$**	**1,597**	**-**

The abridged information of the investments in associate companies recorded based on the participation method, is as follows:

December 31, 2017		Asset	Liabilities	Patrimony	Revenues	Expenses	Result
A toda hora S.A.	$	9,317	1,041	8,275	11,091	10,399	692
Porvenir S.A.		2,792.006	966,246	1,825,759	1,440,841	1,018,863	421,978
	$	**2,801,323**	**967,287**	**1,834,034**	**1,451,932**	**1,029,262**	**422,670**

December 31, 2016		Asset	Liabilities	Patrimony	Revenues	Expenses	Result
A toda hora S.A.	$	8,104	506	7,598	10,265	9,959	306
Porvenir S.A.		2,428,156	903,534	1,524,622	782,871	616,246	166,625
	$	**2,436,260**	**904,040**	**1,532,220**	**793,136**	**626,205**	**166,931**

Below the detail of dividends received from the associate companies during the years ended on December 31, 2017 and December 31, 2016:

Porvenir S.A.		December 31, 2017	December 31, 2016
Cash	$	42,935	40,600
Stocks		-	43,275
	$	**42,935**	**83,875**

Below the abridged financial information of investments in joint ventures recorded based on the participation method:

		December 31, 2017					
		Asset	Liabilities	Patrimony	Revenues	Expenses	Result
A toda hora S.A.	$	47,986	41,598	6,387	207,848	199,148	8,700

		December 31, 2016					
		Asset	Liabilities	Patrimony	Revenues	Expenses	Result
A toda hora S.A.	$	39,515	41,828	(2,313)	172,990	174,431	(3,590)

During the years ended on December 31, 2017 and December 31 2016, dividends from joint ventures were not received.

For the development of its operations ATH has entered into an agreement of participation accounts with other financial entities of Grupo Acval for the purpose to develop all the mercantile operations related to the centralized management of electronic transfer of data operations through automatic teller machines, internet or any other electronic means.

ATH takes part in its capacity as manager of such agreement to develop in its name and under its personal credit the purpose of agreement.

2. Joint controlled operations

Any joint operation is a joint agreement whereby the parties holding the joint control of the agreement are entitled to the assets and obligations with regards to the liabilities, related to the agreement. Such parties are named joint operators.

Such joint operations are recognized in each item of financial statement of the entity in a proportional manner of participation in the assets, liabilities, income and expenses from every joint operation in force during the period.

Below the summary of participation in the joint operations, where the subsidiary Fiduciaria de Occidente holds participation at December 31, 2017 and 2016:

		December 31, 2017		December 31, 2016	
	Participation %	Assets	Liabilities	Assets	Liabilities
Emcali	25	99	68	89	62
Fosyga in liquidation	6.55	47	479	46	480
Oensiones Cundinamarca 2012	55	186	33	292	53
Fidufonpet 2006 (under liquidation)	26.09	-	-	3	-
Metroplus APEE	60	1	1	6	410
Concesionaria Calimio	56	8	2	10	2
Consorcio Pem 2012	25	-	-	-	-
Consorcio Sop 2012	21.52	630	152	563	4
Fondo de Adaptación	50	216	17	236	11
Fidupensiones Bgotá Colpatria Occidente 2011	23	3	-	212	4
Lote Avenida Colombia (Proyecto Cali)	50	109	-	103	-
Total		**1,299**	**752**	**1,560**	**1,026**

			December 31, 2017			December 31, 2016		
	Participation %		Income	Expenses	Profit (Loss)	Income	Expenses	Income
Emcali	25	$	310	216	94	290	196	94
Fosyga in liquidation	6.55		1	56	(55)	4	123	(119)
Oensiones Cundinamarca 2012	55		402	397	5	644	509	135

Fidufonpet 2006 under liquidation	26.09	-	-	-	-	-	-
Metroplus APEE	60	-	-	-	106	60	46
Concesionaria Calimio	56	33	10	23	30	10	20
Consorcio Pem 2012	25	-	-	-	72	16	56
Consorcio Sop 2012	21.52	1,472	341	1,131	2,546	477	2,069
Fondo de Adaptación	50	343	181	162	279	127	152
Fidupensiones Bogotá Colpatria Occidente 2011	23	9	4	5	432	137	295
Lote Avenida Colombia (Proyecto Cali)	50	7	1	6	14	1	13
Total		$ **2,577**	**1,206**	**1,371**	**4,417**	**1,656**	**2,761**

The participations of joint operations of asset of the include the society include the following at December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Cash and equivalent to cash	$	637	1,011
Deposits and investments in debt securities		5	17
Accounts receivable		654	519
Other activities in joint operations		3	13
Total Asset	$	**1,299**	**1,560**

The participations of joint operations of liability of the subsidiary Fiduciaria de Occidente S.A. include the following at December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Accounts payable	$	50	68
Other Labilities		15	30
Other liabilities Contributions		247	507
Other provisions		440	421
Total Liabilities	**$**	**752**	**1,026**

Below the economic activity of the joint operations (consortiums) are listed:

Name	ACTIVITY
Emcali	Under the contract 160GF-CF-001-2005, the Autonomous Patrimony was established, for the purposes, inter alia: (i) Collecting the total of income of Emcali through mechanisms and procedures defined in Operative Manual; (ii) administer the trust income as established in this agreement; (iii) pay under Emcali instruction as indicated in this agreement, all operational and administrative of the business expenses through the trust observing the provision in Article No. 4 of the agreement. The principal domicile where the consortium develops its operations is Carrera 5 No. 12-42 in the city of Cali.
Fosyga (under liquidation)	The purpose of this Agreement is the collection, administration and payment by the consortium the resources of the Fund of Solidarity and Guaranty of the general system of Social Security in health under the terms provided in Act 100, 1993. The principal domicile where the consortium develops its operations is Calle 31 No. 6-39 Piso 19, in the City of Bogotá.

Pensiones Cundinamarca (under liquidation)	Administration of resources from Fondo de Pensiones Públicas de Cundinamarca, used to cover the pension liability of the Department. The principal domicile where the consortium develops its operations is in Carrera 13 No. 26A-47 Piso 9 in the City of Bogotá.
Fidufonpet 2006 (under liquidation)	The business finished operations and was liquidated under termination and liquidation minutes of the consortium agreement between Fiduciaria de Occidente S.A., Fiduciaria Popular S.A., Fiduciaria Corficolombiana S.A. (formerly Fiduciaria del Valle S.A.) and Fiduciaria Bogotá S.A., document executed in Bogotá on October 17, 2017.
Metroplus APEE	Administration, investment and payments of Resources delivered to Metroplus as co-financing contributions of nation, the resources delivered by the municipalities Medellín, Itagui and Envigado for contracts entered made by Metroplus S.A. of the design, studies, physical infrastructure and to purchase properties required for the integrated system of transportation to Valle de Aburrá. The principal domicile where the consortium develops its operations is in Carrera 13 No. 26A-47 piso 9 in the city of Bogotá.
Consorcio SOP 2012	Administration of resources making up the autonomous patrimonies integrating the Fondo Nacional de Pensiones de las Entidades Territoriales FONPET – and the related and complementary activities involving such administration. The principal domicile where the consortium develops its operations is in Carrera 13 No. 26A-47 piso 9 in the city of Bogotá.

Name	**ACTIVITY**
Fondo de Adaptación	FIDUCIARIA undertakes to El FONDO to create an autonomous Patrimony with the investment resources of El Fondo Adaptación to collect, administer, investment and payments inside and outside of Colombia by virtue of the provision in article 5th Decree 4819, 2010 regulated by the Decree 2906, 2011. The Agreement will be accomplished according to the terms, conditions and requirements set forth contractual terms and conditions and its technical annex, as well as the proposal submitted by LA FIDUCIARIA on April 27, 2012 for the original execution of the contract and the proposal submitted by the Fiduciaria on December 30, 2013 for the execution of the additional clause No. 1, such document making an integral part of this Contract. Additionally, Fiduciaria, as the spokesman of the autonomous patrimony, might execute credit operations with the national treasury and/or financial entities under the control and vigilance of the Finance Superintendence, under the terms of Article 84 in Act 1687, 2013. PARAGRAPH: Fiduciaria undertakes to develop the contractual aim under total autonomy and independence, at its own account and risk and under its exclusive responsibility, and for such reason, this contract does not involves any labor relationship between Fiduciaria and Fondo. The principal domicile where the consortium develops its operations is in Carrera 13 No. 26A-47 piso 9 in the city of Bogotá.
Consesionaria Calmío	Collection and administration of the resources used to develop the projects and those ones derived from them, among which the capital contributions capital made by the trustee those products of the use of syndicated loans, and the payments corresponding to the Economic Participation received from MIO System.

	The principal domicile where the consortium develops its operations is Carrera 13 No. 26A-47 piso 9 in the city of Bogotá
Consorcio PEM 2012 (under liquidation)	The purpose of this contract is the constitution of Autonomous Patrimony and the administration of resources of Empresas Municipales de Cali – Emcali EICE ESP, for the delivery and destination of pension obligations, derived from the retirement pensions and its quotas parts, caused by the pensioned persons, both employees and ex-employees of EMCALI. The principal domicile where the consortium develops its operations is Avenida El Dorado No. 68 B 85 Torre Suramericana piso 2 in the City of Bogotá.
Land lot Avenida Colombia (Project Cali) (under liquid.)	Administration Real estate project in the city of Cali corresponding to the construction of commerce and offices building. The domicile where the consortium develops its operations is Calle 67 No. 7-37, piso 3 in the city of Bogotá.
Fidupensiones Bogotá Colpatria Occidente 2011 (under liquid.)	The integration of a consortium between Fiduciaria Bogota S.A., Fiduciaria Colpatria S.A. and Fiduciaria de Occidente S.A. for the purpose to complement the technical, operative, administrative and financial capabilities of the parties making part of this consortium, for the proposal, awarding, execution and development of this contract, within the open contest (Internet contracting) No. 523364 open by Ecopetrol S.A. the purpose of which is the administration of a pension autonomous patrimony destined to pay Ecopetrol S.A. personal obligations; the domicile of consortium will be Calle 67 No. 7-37 in the City of Bogota.

At December 31, 2017 and 2016 according to IAS 37, the joint operations managed by the subsidiary Fiduciaria de Occidente S.A. (Metroplus, Calimio, Pensiones Cundinamarca 2012 under liquidation, Fidufonpet 2006, Fondo de Adaptación and Sop 2012), Fiducolombia S.A., (Emcali and Fosyga) Fiduciaria Bogotá S.A. (Bogotá Colpatria Occidente 2011, Proyecto Cali), Fiduciaria Davivienda S.A. (Consorcio Pem 2012) in their financial statements show neither liabilities nor contingent assets potentially endangering the normal operations of the consortiums.

Legal and financial situation of the joint operation (consortium) FOSYGA 2005 "Under liquidation".

It is reported that the Consorcio Fosyga 2005 "under liquidation", where the subsidiary Fiduciaria de Occidente S.A. holds 6.55% participation, has been linked by General Comptroller of the Republic as payer of resources in fiscal responsibility proceedings and there exist contingences in other processes of third parties addressed against the Nation where the Consortium has been included as the alleged responsible. The provisions in the Consortium, with closing December 31, 2017 amount to $5,804, among which the Society holds 6.55% participation and this is the amount recorded in the liabilities account estimated of the joint operations.

The fiduciary assignment created to manage the resources of Fosyga, celebrated by the Ministry of Health and Social Protection with Consorcio Fosyga 2005 finished its execution at August 31, 2011 and was unilaterally liquidated by the aforementioned Ministry through the Resolutions 371 and 809 of February 10 and March 17, 2014, respectively, where it is determined that there exists a balance in favor of the Ministry for $15,611. In connection with that, the Consortium performed a conciliation before the Attorney General Office of the Nation the purpose thereof was to diminish the amounts established payable by Fiduciaries making up the Fidufosyga consortium 2005, in the administrative actions issued on occasion of contract unilateral winding up, as a result of this, the consolatory agreement was executed on December 18, 2014, by virtue of which the entities making up the consortium may the payment to the Ministry for $12,005, such agreement approved by the Administrative Contention Court of Cundinamarca, by the decision dated December 10, 2015 pursuant to provision in Art. 24, Act 640. 2001. The day February 2, 2016, the resources were delivered in favor of the Ministry of Health and Social Protection, such situation involving the liquidation of autonomous patrimony constituted in Helm Fiduciaria S.A.

Lastly, there exist other contingencies, to which the Consortium administration considers that the possibility of loss in these proceedings is not probable and for such reasons provisions have not been made, considering the compliance of purpose of contract by the Consortium.

Legal and Financial Situation of the joint operation (Consortium) EMCALI

The society Fiduciary has initiated twenty two (22) judicial actions for the protection of the own interest, corresponding to the collection of fiduciary commissions in the insolvency proceedings of some of the clients, the collection of judicial costs and the nullity and the restoration of right of administrative acts through which EMCALI has collected to Fiduciaria utilities generated by a real estate making part of an autonomous patrimony already liquidated.

14. Tangible Assets, Net

Below the movement of the carrying value of the tangible assets account (properties and equipment for own use, properties given in operative leasing and properties of investment) for the operational years ended on December 31, 2017 and 2016:

		For own use	Given in operative leasing	Properties of Investment	Total
Cost or reasonable value:					
Balance at December 31, 2015	$	**736,810**	**10,491**	**110,964**	**858,265**
Purchases or capitalized expenses (net)		161,686	363	38,044	200,093
Withdrawals / Ventas (net)		(125,244)	(3,807)	(33,512)	(162,563)
Changes in reasonable value		-	-	31,269	31,269
Adjust for difference in exchange		(286)	-	-	(286)
Other reclassifications		(1,315)	-	(1,900)	(3,215)
Balance at December 31, 2016	$	**771,651**	**7,047**	**144.865**	**923,563**
Balance at December 31, 2106	$	**771,651**	**7,047**	**144,865**	**923,563**
Purchases of capitalized expense (Net)		82,470	3,100	66,712	152,282
Withdrawals / Ventas (Net)		(31,428)	(2,466)	(22,430)	(56,324)
Changes in reasonable value		-	-	32,612	32,612
Adjust for difference in exchange		(27)	-	-	(27)
Other reclassifications		3,371	-	(3,595)	(224)
Balance at December 31, 2017	$	**826,037**	**7,681**	**218,164**	**1,051,882**
Accrued Depreciation:	$	**(191,638)**	**(7,064)**	**-**	**(198,702)**
Balance at December 31, 2015		(59,210)	(1,232)	-	(60,442)
Depreciation of year charged to results		32,008	3,326	-	35,334
Withdrawals / Sales		211	-	-	211
Adjust for difference in exchange		(340)	-	-	(340)
Other reclassifications	$	**(218,969)**	**(4,970)**	**-**	**(223,939)**
Balance at December 31, 2016	$	**(218,969)**	**(4,970)**	**-**	**(223,939)**
Impairment charged to results		(63,077)	(760)	-	(63,837)
Withdrawals / Sales		9,313	2,125	-	11,438
Adjust for difference in exchange		13	-	-	13
Other reclassifications		223	-	-	223
Balance at December 31, 2017	$	**(272,497)**	**(3,605)**	**-**	**(276,102)**
Loss for impairment:					
Balance at December 31, 2015	$	**-**	**(67)**	**-**	**(67)**
Charge for impairment of year		(38,318)	-	-	(38,318)
Devolution for impairment		38,258	66	-	38,324
Balance at December 31, 2016	$	(60)	(1)	-	(61)
Balance at December 31, 2016	$	(60)	(1)	-	(61)
Charge for impairment of year		(3,043)	(1)	-	(3,044)

Devolution for impairment		(7)	2	-	(5)
Adjust for difference in exchange		14	-	-	14
Balance at December 31, 2017	**$**	**(3,096)**	**-**	**-**	**(3,096)**
Tangible asset, Net:					
Balance at December 31, 2016	**$**	**552,622**	**2,076**	**-**	**699,563**
Balance at December 31. 2017	**$**	**550,444**	**4,076**	**-**	**772,684**

a) Properties and equipment for own use

Below the detail of the balance at December 31, 2017 and 2016. By type of properties and equipment for own use:

December 31, 2017

December 31, 2017		**Cost**	**Accrued Depreciation**	**Loss for Impairment**	**Amount in Books**
Land	$	77,998	-	-	77,998
Buildings		392,416	(82,647)	(116)	309,653
Office equipment, fixtures and accessories		101,204	(58,995)	(226)	41,983
Information Equipment		166,247	(106,716)	(11)	59,520
Vehicles		9,798	(5,725)	-	4,073
Mobilization and machinery equipment		39,320	(4,037)	(2,743)	32,540
Improvement in aliens proprieties		29,438	(14,377)	-	15,061
Ongoing construction		9,616	-	-	9,616
Total	**$**	**826,037**	**(272,497)**	**(3,096)**	**550,444**

December 31, 2016

December 31, 2017		**Cost**	**Accrued Depreciation**	**Loss for Impairment**	**Amount in Books**
Land	$	74,877	-	-	74,877
Buildings		389,449	(60,626)	-	328,823
Ofiice equipment, fixtures and accessories		100,688	(53,879)	(60)	46,749
Information Equipment		147,117	(90,993)	-	56,124
Vehicles		22,047	(1,539)	-	20,508
Mobilization and machinery equipment		16,179	(5,334)	-	10,845
Improvement in aliens proprieties		19,761	(6,598)	-	13,163
Ongoing construction		1,533	-	-	1,533
Total	**$**	**771,651**	**(218,969)**	**(60)**	**522,622**

Below the principal ongoing constructions and enhancements in Holding Company's properties and its subsidiaries at December 31, 2017:

Ongoing Construction

Work		**Value**
Work Edificio Santa Bárbara	$	1,754
Work Edificio Santa Bárbara, Trust		1,644
Work Manizales , Principal		989
Work Cali, Principal		567
Work Unicentro Pereira		447
Work Unicentro Neiva		424
Work If. Rionegro		348
Work CC. Central Square (Transfer Av. 68)		346
Work ED Barranquilla Floors 1,2, 3, 4, 10		346

Work Of Murillo		298
Others		2,453
Total Ongoing Construction	$	**9,616**

Enhancements in alien properties

Of Credicentro Integral Cartagena	$	488	(58)	430
Ed Citybank Piso 10		551	(172)	379
Of CC. Tesoro		445	(123)	322
Of Av. Santander		445	(127)	318
Of Parque La Colina		333	(20)	313
Of Centro Comercial Mayorca		321	(38)	283
Of Monteria Principal		460	(184)	276
Of CC. La Estación Cali		339	(66)	273
Of Paseo La Castellana		392	(132)	260
Of Las Peñitas		437	(186)	251
Of Solidad Atlántico		413	(164)	249
Of Jardín Plaza		347	(98)	249
Of La Castella Bogotá		274	(29)	245
Of Apartadó		381	(144)	237
Of Avenida Cuarenta Villavicencio		307	(88)	219
Of Antonio Nariño		531	(316)	215
Of Pitalito		331	(129)	202
Of Cúcuta		490	(297)	193
Of Calle 15 Cali		458	(268)	190
Ed. Edificio Calle 72 Piso 10		571	(385)	186
Of Calle 13		195	(12)	183
Of Chiriguaná		272	(97)	175
Of Parquiamérica		346	(173)	173
Of Centro Comercial Oviedo		246	(78)	168
Of Cosmocentro		256	(93)	163
Otros		9,636	(6,681)	2,955
Total enhancements in alien properties of the Holding Company	$	**19,265**	**(10,158)**	**9,107**
Sede Norte		6,661	(2,924)	3,737
Sede Centro		611	(334)	277
Sede Fontibón		99	(15)	84
Sede Cali		1,023	(428)	595
Sede Medellín		501	(138)	363
Sede Barranquilla		309	(64)	245
Sede Bucaramanga		146	(86)	60
Sede Pereira		119	(54)	65
Sede Cúcuta		16	(1)	15
Sede Cartagena		4	(1)	3
Sede Ibagué		10	(4)	6
Sede Neiva		24	(2)	22
Sede Valledupar		15	(1)	14
Sede Villavicencio		14	(1)	13
Sede Pasto		30	(15)	15
Sede Conecta		40	(3)	37

Cost for dismantling		279	(133)	146
Total enhancements in alien properties		**9,901**	**(4,204)**	**5,697**
Sales and Services				
Occidental Bank Barbados Ltd. (Bogotá) (*)		272	(15)	257
Total enhancements in alien properties Occidental Bank Barbados Ltd. (Bogotá) (*)		**272**	**(15)**	**257**
Total Enhancements in alien properties	$	**29,438**	**(14,377)**	**15,061**

(*) Occidental Bank Barbados Ltd. has in place a branch office in Colombia - Bogotá

Upon the termination such assets will be transferred to the relevant asset account.

All Properties and equipment of the Holding's Company and subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente Panama S.A. and Occidental Bank (Barbados) Ltd., as well as the goods given in operative leasing are duly covered against fire, weak current, and other risks, with insurance policies in force. The Holding Company and its subsidiaries Financiera de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente Panama S.A. and Occidental Bank (Barbados) Ltd. have insurance policies to protect their properties and equipment for $1,234,298 and $943,543 at December 31 2017 and 2016 respectively, covering theft, fire, ray, explosion, earthquake, strikes, riot, and other.

About the properties and equipment of the Holding Company and subsidiaries Financiera de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente Panama S.A. and Occidental Bank (Barbados) Ltd. there exist neither mortgages nor pledges,

The Holding Company and subsidiaries Financiera de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente Panama S.A. and Occidental Bank (Barbados) Ltd. establish impairment over the properties and equipment when the carrying value exceeds its recoverable value. The Holding Company and its subsidiaries Financiera de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente Panama S.A. and Occidental Bank (Barbados) Ltd. evaluate at the end of each operational period reported, if there exists any signal of impairment of the value of any asset, if such signal exists, the recoverable amount of the asset is estimated.

To evaluate whether there exists any signal that the asset has been impaired, the following factors shall be taking into account:

External sources of information:

a. There exist observable clues for the value of any asset to be impaired during the period significantly more than expected impairment as a result of the time elapsed, or its normal use.
b. During the period occurred, or will occur in a near future, significant changes with an adverse incidence on the entity, related to the legal, economic, technological or market environment where the asset operates or even, in the market where to, the asset is destined.
c. During the operational period, the market interest rates, or other market rates of investment returns, have increased probably impacting the discount rate used to calculate the value in use of the asset, in such a way to decrease its recoverable value in a significant manner.
d. The carrying value of the net assets of the entity, is higher than its stock market capitalization.

Information Internal Sources:

a. There exists evidence about the obsolescence or physical impairment of an asset.

b. During the operational period have occurred or it is expected to occur in a near future, significant changes in the scope or manner whereby the asset is used or expected to be used**,** that will unfavorable affect the entity.

c. There exists evidence based on internal reports, indicating that the economic return of asset is, or will be worse than the expected return.

b) Property and equipment given in operative leasing

The following is the detail of balance at December 31, 2017 and 2016 by type of properties and equipment given in operative leasing:

December 31, 2017		**Cost**	**Accrued Depreciation**	**Loss for Impairment**	**Amount in Books**
Equipment, Furniture and Fixture of office	$	202	(202)	-	-
Computing equipment		3,363	(1,484)	-	1,879
Vehicles		3,627	(1,834)	-	1,793
Equipment of Mobilization and Machinery		489	(85)	-	404
Total	$	**7,681**	**(3,605)**	**-**	**4,076**

December 31, 2016		**Cost**	**Accrued Depreciation**	**Loss for Impairment**	**Amount in Books**
Equipment, Furniture and Fixture of office	$	264	(264)	-	-
Computing equipment		1,838	(1,799)	(0,9)	38
Vehicles		3,876	(1,968)	(0,1)	1,908
Equipment of Mobilization and Machinery		1,069	(939)	-	130
Total	$	**7,047**	**(4,970)**	**(1)**	**2,076**

The following is the summary of the minimum rental lease fees receivable by the Holding Company in the next terms over goods delivered in operative leasing at December 31, 2017 and 2016:

		December 31, 2017	**December 31, 2016**
No more than one year	$	2,833	1,937
More than one year and less than five years		2,435	1,170
Total	**$**	**5,268**	**3,107**

During the years ended on December 31, 2017 and 2016 income in results were not recorded for the operational periods from contingent rental frees received over goods delivered in operative leasing.

In the operative leasing operations, the Holding Company, as the lessor, delivers the goods to the lessee for its use during a term established in exchange of a rental fee. Upon the completion of the leasing term, the lessee might buy the asset for its commercial value, extend the leasing term, or otherwise, to deliver back the asset. In most of contracts, the rental fee is reckoned taking as a reference the DTF or IBR adding or subtracting some nominal points and for the extension of terms, fixed fees are established. The VAT, the insurances, the maintenance, and any other amount charged to the asset are in-charge of the lessee. The assets delivered back are re-located or marketed by the Holding Company.

c) Properties of Investment

The following is the detail of balance at December 31, 2017 and 2016 by type of properties of investment for the Holding Company:

December 31, 2017		Cost	Accrued adjusts to reasonable Value	Amount in Books
Land	$	88,141	36,081	124,222
Buildings		84,536	9,406	93,942
Total	**$**	**172,677**	**45,487**	**218,164**

December 31, 2016		Cost	Accrued adjusts to reasonable Value	Amount in Books
Land	$	64,533	20,398	84,931
Buildings		51,966	7,968	59,934
Total	**$**	**116,499**	**28,366**	**144,865**

The following amounts have been recognized in the statement of results derived from the administration of properties of investment during the years ended on December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Income from Revenue	$	3,309	2,662
Direct operating expenses arising from investment properties that generate rental income		(233)	(91)
Direct operating expenses arising from investment properties that do not generate rental income		(2,754)	(1,833)
Net	**$**	**322**	**738**

The investment properties of the Holding Company and subsidiaries are valued on an annual basis at the reasonable value based on the market values determined by independent qualified experts with enough experience in the valuation of similar properties. The significant methods and assumptions used to determine the reasonable value according to provisions in IFRS 13 were the following**:**

- **Market comparative method**
  This is the evaluating technique attempting to determine the commercial value of the good based on the study of offers or recent transactions of similar goods and comparable to that of the good subject to evaluation. Such offers or transactions need to be classified, analyzed and interpreted in order to obtain the commercial estimate value.

- **Approach of comparison of sales**
  The approach by comparison of sales, allows for determining the value of property evaluated according to comparison to other similar properties currently transacting or have been recently transacted in the real estate market.
  This comparative approach considers the sales of goods similar or substitutive, as well as the data obtained from the market and establishes an estimate value using processes, including the comparison. In general, any good which value (the good subject matter of valuation) is compared to the sales of similar goods marketed in the open market. Notices and offers may be considered as well.

Up to date, the Holding Company neither has any restriction in the collection of income for income nor for the sale of goods classified in the property of investment.

Note 15. - Intangible assets, net

The following is the movement of intangible asset accounts for the periods ended on December 31, 2017 and 2016:

		Capital Gain	Other Intangible	Total intangible Assets
Cost:				
Balance at December 31, 2015	**$**	**22,724**	**130,901**	**153,625**
Additions / Purchases (net)		-	40,544	40,544
Withdrawals / Sales (net)		-	(8,865)	(8,865)
Balance at December 31, 2016	**$**	**22,724**	**162,580**	**185,304**
Cost				
Balance at December 31, 2015	**$**	**22,724**	**162,580**	**185,304**
Additions / Purchases (net)		-	36,243	36,243
Withdrawals / Sales (net)		-	(8,187)	(8,187)
Balance at December 31, 2017	**$**	**22,724**	**190,636**	**213,360**
Accrued Amortization				
Balance a December 31, 2015	**$**	**-**	**8,572**	**8,572**
Amortization of year charged to results		-	11,266	11,266
Withdrawals / Sales (Net)		-	(3,676)	(3,676)
Balance at December 31, 2016	**$**	**-**	**16,162**	**16,162**
Balance at December 31, 2016	**$**	**-**	**16,162**	**16,162**
Amortization of the year charge to results		-	13,310	13,310
Withdrawals / Sales (net)		-	(8,183)	(8,183)
Balance at December 31, 2017	**$**	**-**	**21,289**	**21,289**
Intangible asset, Net:				
Balance at December 31, 2016	**$**	**22,724**	**146,418**	**169,142**
Balance at December 31, 2017	**$**	**22,724**	**169,347**	**192,071**

In the closings above mentioned, the Holding Company and subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. do not show loss for impairment of those intangible assets.

Capital gain

The capital gain recorded corresponds to the merging of the Holding Company to Banco Unión occurred in precedent years before the implementation process of the IFRS which for evaluation purposes has been assigned to the Holding Company as a whole as unit generating of cash to such capital gain.

The technical study to value the capital gain by the acquisition of Banco Unión was made by the firm Deloitte Asesores y Consultores Ltda. an independent firm with more than 55 years' operating, in Colombian market, the evaluation of capital gain recorded by the Holding Company on September 2017 drew the conclusion that the Goodwill assigned to the UGEs is not impaired up to the date of valuation and shows a surplus by $229.729.

The recoverable amount of the unit generating cash was determined based on the use value calculations. Such calculations used cash flows forecasts approved by the top management covering 5 years and 3 months periods. Below the main assumptions used in such valuations.

Colombia Macroeconomics Information						
Index	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**
Gross Domestic Product (GDP Real)	1.7%	2.5%	3.1%	3.0%	3.6%	3.5%
Population	49.3 Millions	49.8 Millions	50.4 Millions	50.9 Millions	-	-
Inflation	3.9%	3.4%	3.4%	3.4%	3.4%	3.4%
Exchange rate	2.970	-	-	-	-	3.228
Interest rates	4.1%	2.8%	3.5%	3.3%	3.2%	
DTF (E.A.)	6.6%	5.8%	5.7%	5.3%	5.6%	5.6%

According to IAS 36 the flow-cash projections of the asset in the more recent financial assumptions or forecasts have been approved by the top management of the Holding Company, excluding any estimation of inflows or outflows of cash expected to occur from future restructurings or enhancements of the assets. The projections based on these assumptions or foresees will cover maximum five years period.

The approach and methodology of valuation applied by Deloitte Asosores y Consultores Ltda, was the approach of income, methodology indicated to determine the value in use of the company and the were enough information available for the use of this methodology:

Approach of Income

The methodology of future revenues is based on the premise that the market reasonable value of any asset is represented by the present value of the future revenues the asset can generate and that remaining available for distribution to the respective investors. The most usual approximation to this methodology is through the analysis of cash flows discounted. This analysis requires the projection of flows generating during a time period determined to be subsequently carried them to present value discounting them at any appropriate rate for such operation. The discount rate need to be considered the value of money throughout the time, the inflation and the inherent risk to the transaction used.

In order to define the rate to discount the flows, there is in place as the reference framework the concept of capital cost, based on the model CAPM (Capital Asset Pricing Model). This model is defined based on the free-risk rate, added with a component of market-risk premium that may increase or decrease depending on the behavior related to the asset market which specific valuation will be made (beta coefficient). The construction of discount rate to be used in the valuation of the lines of business acquired by the Holding Company in the acquisition of Banco Union is the following:

Discount Rate

a. **Risk-free Rate (Rf):** The United State treasury rate was taken as risk-free rate with 20 years term Rf = 2.60%. Source: US Department of Treasury.

b. **Country Risk (Cr):** The EMBI of Colombia was taken indicating the different of returns between US bonds and Colombian bonds Cr = 1.90%. Source: JP Morgan.

c. **Market risk premium (Rp):** Extra return the stock exchange market has historically provided about the risk-free rate as compensation for the market risk.RP=6.00% Source Delotte.

d. **Premium for Size (Rt)**: Result 1.8%

e. **Beta (β):** as coefficient beta applied based on data comparable companies resulting in 1,19. Source: Bloomberg

f. **Implicit Devaluation (Ri):** for the calculation of implicit devaluation the Fletcher's equation was used to indicate the effect of Colombian peso devaluation vs dollar.

g. **Patrimony Cost COP:** According to methodology used a 15.0% discount nominal rate was estimated in Col. Pesos.

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

As a result of valuation it was determined it is not necessary to construct any impairment corresponding to plus value at December 31, 2017 and 2016.

Estimate capital cost for valuation of acquisition
Banco de Occidente: Banco Union

Variable	Rate
Beta of patrimony leveraged for industry	1.19%
Risk-free Rate	2.60%
Market Risk Premium	6.00%
Patrimony cost (USD)	**9.79%**
Non-systematics Risk Factors	1.90%
Premium for Size	1.80%
Cost of Patrimony (USD)	**13.49**
Implicit Devaluation	1.60%
Cost of Patrimony (rounded) (COP)	**15.09%**

Result Valuation line of business acquisition Banco Unión at September 30, 2017

Sensitiveness Value in Use (COP $ MM)

Rates		Ordinary Portfolio	Credits Treasury	Personal Loan	Vehicles	Crediunion Plus	Unidirecto	Discovered Current Account	Credential And Visa	Promotion Portfolio	Several Debtors ME
13.00%	$	1,506,445	227,988	291,183	405,960	140	55,724	29,083	231,203	146,072	276,897
14.00%		1,431,992	216,720	276,792	385,896	133	52,970	27,646	219,776	138,852	263,212
15.00%		1,367,465	206,955	264,320	368,508	127	50,583	26,400	209,873	132,596	251,352
16.00%		1,311,005	198,410	253,406	353,292	122	48,495	25,310	201,207	127,121	240,974
17.00%		1,261,187	190,870	243,777	339,867	117	46,652	24,348	193,562	122,290	231,817
TOTAL	$	**6,878,094**	**1,040,943**	**1,329,478**	**1,853,523**	**639**	**254,424**	**132,787**	**1,055,621**	**666,931**	**1,264,252**

Rates		Ordinary Portfolio	Credits Treasury	Personal Loan	Vehicles	Crediunion Plus	Unidirecto	Discovered Current Account	Credential And Visa	Promotion Portfolio	Several Debtors ME
13.00%	$	248,127	37,552	47,961	66,866	23	9,178	4,790	38,082	24,060	45,608
14.00%		173,674	26,284	33,570	46,802	16	6,424	3,353	26,655	16,840	31,923
15.00%		109,148	16,519	21,097	29,413	10	4,037	2,107	16,752	10,583	20,062
16.00%		52,687	7,974	10,184	14,198	5	1,949	1,017	8,086	5,109	9,684
17.00%		2,869	434	555	773	-	106	55	440	278	527
TOTAL	$	**586,505**	**88,763**	**113,367**	**158,052**	**54**	**21,694**	**11,322**	**90,015**	**56,870**	**107,804**

Detail of intangible assets different from capital gain

Below the detail of intangible assets other than capital gain at December 31, 2017 and 2016:

December 31, 2017		**Cost**	**Accrued Amortization**	**Carrying Value**
	$	87,293	19,758	67,535
Licenses		103,341	1,531	101,810
Informatics Programs and Applications		2	-	2

Other intangible assets	**$**	**190,636**	**21,289**	**169,347**

December 31, 2016		**Cost**	**Accrued Amortization**	**Carrying Value**
	$	162,577	16,161	146,416
Informatics Programs and Applications		3	1	2
Other intangible assets	**$**	**162,580**	**16,162**	**146,418**

Note 16. Tax to Gains

a. Expense components for tax to gains

The expense for tax to gains for the years ended on December 31, 2017 and 2016 include the following:

		December 31, 2017	**December 31, 2016**
Income Tax of the current period	**$**	99,096	191,278
Overtax Income		17,489	-
CREE Tax		-	66,230
Overcharge of CREE		-	43,890
Subtotal Tax Current Period		**116,585**	**301,398**
Adjustment of prior periods		(6,605)	(2,322)
Adjustment for tax positions of previous periods			
Excess of provision of period		(23,807)	7,152
Deferred tax		-	(3,762)
Deferred tax net of period		82,619	(77,801)
Subtotal deferred tax		**82,619**	**(77,801)**
Total	**$**	**168,792**	**224,665**

b. Reconciliation of tax rate according to the taxation provisions and the effective rate.

The taxation provisions prevailing in Colombia, applicable in 2017 provide the following:

a. As from January 1, 2017 the Act 1819/2016, establishes 34% the income rate plus 6% surcharge, for 2017 33% rate and 4% surcharge and 2018 and 2019 33% rate.
b. Occasional gain is charged at 10% rate.
c. The base to determine the tax for presumptive income rate of any society will be no less than 3.5% of fiscal patrimony the last day of the precedent taxable operation period.
d. The excess of presumptive income may be compensated within five (5) years term
e. The firm tem of the income and complementary tax declaration of the tax payers subject to Transfer Price Regime will be six (6) years as from the expiry term to for declaration. If the declaration is submitted in an extemporaneous date, the above term will be as from the date of submission thereof.
f. Concordant to above, determination of income and complementary taxable base for the annual operational periods ended December 31 2017 and December 31, 2016 will be made based on tax regulations applicable in each period. will be as from the date presentation thereof.

The tax provisions in force in Colombia applicable to the Group for the year 2016, provide the following:

a. Up to December 31, 2016, the fiscal income of the companies was taxed with 25% rate by way of income tax.

b. Additionally, the companies liquidated the income tax for the equity (CREE) at 9% rate with 5% additional surcharge for 2015, 6% for 2016.
c. The base to determine the income tax and the income tax for the Equity – CREE of any corporation would not be less than 3% fiscal patrimony the last day of the precedent taxable operational period.
d. Up to December 31, 2016, the fiscal loss could be compensated with future taxable income without any deadline time. As from 2017 the fiscal loss may be set-off with ordinary net income obtained in the following 12 taxable operational periods.

The following is the detail of the reconciliation between the total income and complementary tax expense, of the Group reckoned at the taxation rates currently in force and the expense for tax to gains effectively recorded in the statement of results in every year:

		December 31, 2017	December 31, 2016
Profit before Income tax	$	531,311	**894,482**
Total tax rate		40%	40%
Theoretical tax expense reckoned with the tax rates in force		212,524	357,793
Non-deductible expenses		21,482	27,659
Difference in presumptive income that did not generated deferred tax		-	(53,526)
Dividends received non-constitutive of income		(2,346)	-
Income of participation methods non-constitutive of income		(56,783)	(47,050)
Profit (Loss) in sale or valuation on investment non-constitutive of income		46,616	(1,460)
Interest and other non-taxed income		-	(11,666)
Exempt income		(10,416)	-
Deductions with different rates for overcharge		-	(5,071)
Tax benefit in acquisition of productive assets		(9,882)	(12,404)
Profit of subsidiaries in countries free of tax		(7,049)	(25,986)
Effect in the application of rate different to determine deferred tax		(15,429)	(14,013)
Adjust of prior periods		(6,605)	(2,322)
Adjustment for uncertain tax positions of prior periods		(23,807)	7,152
Other concepts		20,485	5,559
Total tax expense of period	$	**168,792**	**224,665**

c. Taxation uncertainty

The asset for current income tax at December 31, 2017, does not include $7,657 of uncertain positions for sinister, which are reflected in the current liabilities.

The current income tax liability at the closing December 31, 2016 includes $32,210 corresponding to uncertain positions on account of attention to employees, condonations, and sinister. The Group's top management estimates that such exposures are more probable to be required to compensate if they are questioned by tax authorities. The sanctions and interest of arrears related to such tax uncertainties are accumulative and accounted for as expense.

The following is the detail of the movements of tax uncertainties with closing December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Balance at the beginning	$	**32,210**	**25,058**
Increment of provision		1,334	10,289
Amount of unused provisions		(26,957)	(7,425)
Financial cost		1,070	4,288
Final Balance	$	**7,657**	**32,210**

The balance at December 31, 2017 expected to be totally used or released when the inspection rights of tax authorities concerning the declarations expire, is as follows:

Year		December 31, 2017
2018	$	2,819
2019		976
2020		918
2021		1,022
2022		588
2023		-
2024		1,334
Total	**$**	**7,657**

d. Deferred tax concerning the subsidiary companies, associates and joint ventures.

During the years ended on December 31, 2017 and 2016, the Group did not recorded liability deferred tax in connection with temporary differences of investments in subsidiaries and associates, as a result of application of the exception provided in paragraph 39 of the IAS 12, taking into account that the requirements of such standard is accomplished, because the Holding Company holds the control over the reversion of such temporary differences and the top management considers that such differences will not revert in the foreseeable future.

e. Deferred Tax by Type of temporary difference.

Differences between carrying value of assets and liabilities and the fiscal bases thereof, result in the following temporary differences generating deferred taxes, calculated and recorded in the years ended on December 31, 2017 and 2016 based on the tax rates currently in force for the years when such temporary differences will be reverted.

At December 31, 2017

		Balance Dec. 31 2016	Credited (Charged) to Results	Credited (charged) to OIR	Balance Dec. 31, 2017
Active deferred taxes					
Valuation of investments of fixed income	$	135	(27)	-	108
Valuation of investments of variable income		5,004	(4,901)	-	103
Provisions accounts receivable		-	35,704	-	35,704
Differences between Accounting & Fiscal bases of causation of depreciation of property, plant and equipment		-	233	-	233
Provision for loan portfolio		-	25,932	31,304	57,236
Provision for goods received in payment		15,986	(15,986)	-	-
Fiscal loss		(31,152)	(76,423)	-	(107,575)
Provision for goods received in payment		-	1,242	-	1,242
Benefits to employees		6,443	526	-	6,969
Leasing Agreement		1,913	(719)	-	1,194
Others		133,613	4,826	(28)	138,411
Subtotal		**131,942**	**(29,593)**	**31,276**	**133,625**
Passive deferred tax		(18,112)	(806)	-	(18,918)
Valuation of investment of fixed income		(13,926)	(119)	(519)	(14,564)
Valuation of investments of variable income		-	(39,279)	-	(39,279)
Accounts receivable		(52,457)	52,457	-	-
Difference between accounting and fiscal bases of credit portfolio		(102,313)	102,131	-	(182)
Provision to credit portfolio		(16,367)	(223,369)	-	(239,736)
Provisions for goods received in payment		(7,582)	7,582	-	-
Differences between accounting and Fiscal of the cost of property, plant and equipment		(71,854)	60,288	-	(11,566)
Difference between accounting and Fiscal bases of causation of depreciation of property, plant and equipment		(43,865)	17,570	-	(26,295)
Differences between Accounting & Fiscal bases of deferred charges of intangible assets		(2,042)	(8,250)	-	(10,292)

Employee benefits	-	(1,672)	1,611	(61)
Mercantile credit	(7,726)	227	-	(7,499)
Deferred income	(61,992)	61,992	-	-
Others	(8,633)	(10,357)	-	(18,990)
Leasing contracts	(2,712)	(71,421)	-	(74,133)
Subtotal	**(409,581)**	**(53,026)**	**1,092**	**(461,515)**
Total	$ **(277,639)**	**(82,619)**	**32,368**	**(327,890)**

At December 31, 2016

	Balance Dec. 31 2015	Credited (Charged) to Results	Credited (charged) to OIR	Balance Dec. 31, 2016
Active deferred taxes				
Valuation of investments of fixed income	-	(330)	465	135
Valuation of investments of variable income	-	5,004	-	5,004
Provisions accounts receivable	-	15,986	-	15,986
Differences between Accounting & Fiscal bases of causation of depreciation of property, plant and equipment	502	(502)	-	-
Fiscal loss	-	(23,537)	(7,615)	(31,152)
Provision for goods received in payment	2,797	5,102	(1,456)	6,443
Leasing Agreement	-	1,913	-	1,913
Others	122,642	10,971	-	133,613
Subtotal	125,941	14,607	(8,606)	131,942
Passive deferred tax				
Valuation of investment of fixed income	(14,238)	(3,874)	-	(18,112)
Valuation of investments of variable income	(8,583)	(10,510)	5,167	(13,926)
Accounts receivable	-	(52,457)	(29,491)	(52,457)
Difference between accounting and fiscal bases of credit portfolio	(65,988)	(6,834)	-	(102,313)
Provision to credit portfolio	(44,331)	27,964	-	(16,367)
Provisions for goods received in payment	(23,515)	15,933	-	(7,582)
Differences between accounting and Fiscal of the cost of property, plant and equipment	(70,941)	(913)	-	(71,854)
Difference between accounting and Fiscal bases of causation of depreciation of property, plant and equipment	(64,372)	20,507	-	(43,865)
Differences between Accounting & Fiscal bases of deferred charges of intangible assets	(7,697)	5,655	-	(2,042)
Mercantile credit	(7,400)	(326)	-	(7,726)
Deferred income	(141,387)	79,395	-	(61,992)
Others	-	(8,633)	-	(8,633)
Leasing contracts	-	(2,712)	-	(2,712)
Subtotal	**(488,452)**	**63,195**	**(24,324)**	**(409,581)**
Total	**(322,511)**	**77,802**	**(32,930)**	**(277,639)**

The following is the analysis of assets and liabilities for deferred taxes and current as of December 31, 2017 and 2016:

At Decembre 31, 2017		Gross amounts of deferred tax	Reclassifications of compensation	Balances in Statements of financial situation
Deferred tax on active income	$	133,624	133,624	-
Deferred tax on passive income		461,514	(133,624)	327,890
Net	**$**	**(327,890)**	**-**	**327,890**
At Decembre 31, 2016		**Gross amounts of deferred tax**	**Reclassifications of compensation**	**Balances in Statements of financial situation**
Deferred tax on active income	$	131,942	131,917	25
Deferred tax on passive income		409,581	(131,917)	277,664
Net	**$**	**(277,639)**	**-**	**(277,639)**

At Decembre 31, 2017		Gross amounts of deferred tax	Reclassifications of compensation	Balances in Statements of financial situation
Deferred tax on active income	$	147,983	-	147,983
Deferred tax on passive income		10,328	-	10,328
Net	**$**	**137,655**	**-**	**137,655**
At Decembre 31, 2016				
Deferred tax on active income	$	74,069	74,069	-
Deferred tax on passive income		120,858	(74,069)	46,789
Net	**$**	**(46,789)**	**-**	**46,789**

f. Effect of current and deferred taxes on every component of Other Integral Results account in patrimony.

The effects of current and deferred taxes on every component of the account Other Integral *results, are detailed below, for the years ended at December 31, 2017 and 2016:*

		December 31, 2017			***December 31, 2016***		
		Amount Before tax	*Expense (income) of deferred tax*	*Net*	*Amount before tax*	*Expense (income of deferred tax*	*Net*
Items that may be subsequently reclassified to results							
Hedge of net investment abroad – portion hedged	$	-	-	-	6,905	-	**6,905**
Hedge of net investment abroad – Instrument of hedge derivative		-	-	-		(7,615)	**(7,615)**
Hedge of net investment abroad – instrument of hedge no derivate		(84)	(28)	(112)		-	**-**
Dif. In exchange operations abroad		84	-	84	1,957	-	**1,957**
Dif. In exchange branches abroad		-	-	-	(6,905)	-	**(6,905)**
Participation in OIR of investment in associate companies and joint business		-	-	-	4,977	-	**4,977**
Impairment of credit portfolio and contingents		(73,595)	31,304	(42,291)	76,704	(29,491)	**47,213**
Other assets		-	-	-		5,167	**5,167**
Subtotal		**(73,595)**	**31,276**	**(42,319)**	**83,638**	**(31,939)**	**51,699**
Items that may be subsequently reclassified to results							
Hedge of net investment abroad – portion hedged		4,708	(519)	4,189	(19,198)	465	**(18,733)**
Hedge of net investment abroad – Instrument of hedge derivative		(3,761)	1,611	(2,150)	1,436	(1,456)	**(19)**
Hedge of net investment abroad – instrument of hedge no derivate		**947**	**1,092**	**2,039**	**(17,762)**	**(991)**	**(18,753)**
Dif. In exchange operations abroad	**$**	**(72,648)**	**32,368**	**(40,280)**	**65,876**	**(32,930)**	**32,947**

g. Liability for income and complementary tax

The liability for income and complementary tax at December 31, 2017 and 2016 includes the following:

		December 31, 2017	December 31, 2016
Income tax and CREE current	$	2,671	14,579
Tax uncertainty		7,657	32,210
Total	**$**	**10,328**	**46,789**

In the subsidiary Occidental Bank (Barbados) Ltd.

As provided in Financial International services Act, 2002 , from Barbados, the profits of Occidental Bank (Barbados) Ltd. are subject to a corporate tax rate no more than 2.5% on profits.

Note 17. - Clients' Deposits

Below the detail of the balance of deposits received from clients of the Holding Company and its subsidiaries in the development of their deposit capture operations:

Detail		December 31, 2017	December 31, 2016
On demand			
Current Accounts	$	6,035,979	6,087,573
Saving Accounts		11,449,504	8,992,828
Other funds at sight		59,666	47,475
		17,545,149	**15,127,876**
At term			
Time deposit certificates		8,623,959	9,048,180
Total deposits	**$**	**26,169,108**	**24,176,056**
By Currency			
In Colombian pesos	$	22,648,486	20,833,328
In American dollars		3,516,276	3,304,636
Other currencies		4,346	38,092
Total per Currency	**$**	**26,169,108**	**24,176,056**

Below the detail of the time deposits certificates maturity prevailing at December 31, 2017:

Year		Value
2017	$	71,043
2018		5,396,481
2019		1,387,469
2020		363,617
2021		296,434
Posterior al 2022		1,108,915
Total	**$**	**8,623,959**

Below a summary of the effective interest rates caused on the clients' deposits:

	December 31, 2017	
	Deposits	Deposits in American

	In Colombian Pesos		Dollars	
	Min. Rate %	Max Rate %	Min. Rate %	Max Rate %
Current Accounts	-	2.50%	0.15%	0.50%
Saving Accounts	0.10%	5.55%	0.30%	0.30%
Time Deposit Certificates	0.01%	9.31%	0.01%	8.05%

	December 31, 2016			
	Deposits In Colombian Pesos		Deposits in American Dollars	
	Min. Rate %	Max Rate %	Min. Rate %	Max Rate %
Current Accounts	-	3.2%	0.10%	0.85%
Saving Accounts	1.0%	8.75%	0.25%	0.25%
Time Deposit Certificates	0.05%	9.31%	0.10%	8.10%

Frequency Interest Liquidation: For the time Deposit Certificates the frequency of interest liquidation corresponds to the agreed on with each client in its security; for the saving accounts liquidation is made on a daily basis.

The following is the detail of concentration of deposits received from clients, by economic sector:

Sector		December 31, 2017		December 31, 2016	
		Amount	%	Amount	%
Government or Colombian Govern,. Entities (1)	$	5,594,065	21.38%	4,351,612	18.00%
Manufacture		463,011	1.77%	457,535	1.89%
Real Property		257,545	0.98%	307,373	1.27%
Commerce		3,988,209	15.24%	3,865,953	15.99%
Agriculture and livestock		107,271	0.441%	132,141	0.55%
Individuals		2,961,118	11.32%	2,925,069	12.10%
Others (2)		12,810,268	48.95%	12,142,958	50.23%
Eliminations		(12,379)	-0.05%	(6,585)	-0.03%
Total	**$**	**26,169,108**	**100%**	**24,176,056**	**100%**

(1) Government includes sectors O and U (according to CIIU) classification corresponding to public administration and defense and social security plans of mandatory affiliation and activities of organizations and extra-territorial bodies, respectively.
(2) The most representative item included in this category corresponds to financial and insurance activities (Sector K), which at the closing December 31, 2017 showed $7,451,442 total balance, representing 32.84% of the total. (At December 31, 2016 showed $6,722,706 total balance representing 32.21% total of category.

At December 31, 2017 there were 8,989 clients with balances higher than $250 for $19,737,395 total value (At December 31, 2016 there were 9,746 clients for $18,004,839 million).
For clients' deposits the expense caused in the results on account of interest in the saving accounts, term deposits and current accounts in the years ended on December 31, 2017 and 2016, are $1,033,408 and $1,066,879, respectively.

Note 18. - Financial Obligations

1. Financial obligations

Below the summary of financial obligations assumed by the Holding Company and its subsidiaries at December 31, 2017 and 2016, with the basic purpose to finance their operations mainly international trade:

		December 31, 2017		December 31, 2016	
		Short-term Portion	Long-term Portion	Short-term Portion	Long-term Portion
Colombian Legal Tender					
Interbank and overnight funds	$	178	-	306	-

Banks and correspondents		-	-	550,327	-
Repo operations transfer commitments		51,955	-	75,289	-
Simultaneous operations		45,841	-	3,501	-
Commitments arisen in short positions		**97,974**	**-**	**629,423**	**-**
Total interbank funds and overnight					
Credits of banks					
Credits		1,201	-	1,275	1,316
Letter of credit		-	7,130	839	10,009
Acceptations		17	-	17	-
Total bank credits		**1,218**	**7,130**	**2,131**	**11,325**
		99,192	**7,130**	**631,554**	**11,325**
Foreign Currency					
Interbank and overnight funds					
Banks and correspondents		217	-	3,165	-
Ordinary Interbank funds purchased		24,369	-	45,789	-
Total Interbank and Overnight		**24,586**	**-**	**48,954**	**-**
Credits of banks					
Credits		1,265,003	-	997,925	84
Letters of Credit		1,364	-	2,925	-
Acceptations		20,827	-	14,125	-
Total bank credits		**1,287,194**	**-**	**1,014,346**	**84**
Total obligations in foreign currency		**1,311,780**	**-**	**1,063,300**	**84**
Total financial obligations	**$**	**1,410,972**	**7,130**	**1,694,854**	**11,409**

At December 31, 2017 the short-term financial obligations corresponding to simultaneous and repo operations obligations for $51,955 ensured with investments for $51,988 (at December 31, 2016 for $625,616 ensured with investments for $634,754).

Bellow the summary of the effective interest rates caused on the financial obligations with closing at December 31, 2017 and 2016:

	December 31, 2017 In Colombian Pesos		**December 31, 2016 In Colombian Pesos**	
	Min. Rate %	**Max. Rate %**	**Min. Rate %**	**Max. Rate %**
Interbank fund and Repo Operation and simultaneous	4.75	4.75	4.50	7.50
Correspondent Banks	4.15	6.00	3.50	6.00

	December 31, 2017 In Foreign Currency		**December 31, 2016 In Foreign Currency**	
	Min. Rate %	**Max. Rate %**	**Min. Rate %**	**Max. Rate %**
Interbank fund and Repo Operation and simultaneous	1.39	1.70	0.60	1.30
Correspondent Banks	0.40	2.90	1.05	4.16

For short-term financial obligations, the expense caused in results on account of interest in monetary market operations of interbank funds, transfer commitments in repo operations, simultaneous operations and other interest for the years ended on December 31, 2017 and 2016 are $22,772 and $39,415, respectively.

2. Bonds and Investment securities

The Holding Company is authorized by Colombia Finance Superintendence, to issue or to place, Bonds or bonds of general guaranty. The total issues of bonds by the Holding Company have been issued without guaranty and represent exclusively the obligations of each one of the issuers.

Below the detail of liabilities at December 31, 2017 and 2016, by date of issue and date of maturity in legal currency:

	Date Isued		December 31, 2017	December 31, 2016	Due Date	Interest Rate
Bond Ord Leasing de Occidente	25-aug-08	$	52,903	52,903	25-aug-18	CPI + 7.00
Bond Ord Leasing de Occidente	30-mar-09		1,000	1,000	30-mar-19	CPI + 5.75
Bonds Ordinary in 3rd issue of the program	22-sep-11		32,000	32,000	22-sep-18	CPI + 4.20
	22-sep-11		134,300	134,300	22-sep-21	CPI + 4.50
Bonds subordinated 1st issue of program	09-feb-12		80,000	80,000	09-feb-19	CPI + 4.34
	09-feb-12		120,000	120,000	09-feb-22	CPI + 4.65
Ordinary bonds 4th issue of program	09-aug-12		100,950	100,950	09-aug-22	CPI + 4.10
	09-aug-12		149,050	149,050	09-aug-27	CPI + 4.27
Subordinated 2nd issue of program	30-jan-13		200,000	200,000	30-jan-25	CPI + 3.58
Ordinary Bonds 5th issue of program	29-may-13		19,540	19,540	29-may-20	CPI + 2.90
	29-may-13		2,750	2,750	29-may-28	CPI + 3.10
Ordinary Bonds 6th issue of program	21-nov-13		-	70,750	21-nov-17	CPI + 2.89
	21-nov-13		61,050	61,050	21-nov-20	CPI + 4.35
Ordinary Bond 7th issue of program	08-may-14		-	150,030	08-may-17	BIR +1.39
	08-may-14		122,180	122,180	08-may-21	CPI +3.70
	08-may-14		77,790	77,790	08-may-24	CPI + 4.00
Ordinary Bonds 8th issue of program	16-jul-15		-	205,950	16-jul-17	Fixed 6.00%
	16-jul-15		45,050	45,050	16-jul-18	Fixed 6.26%
	16-jul-15		99,000	99,000	16-jul-20	CPI + 3.48
Ordinary Bonds 9th issue of program	19-nov-15		-	100,000	19-nov-17	BIR +2.04
	19-nov-15		50,000	50,000	19-nov-20	CPI +3.51
	19-nov-15		250,000	250,000	19-nov-27	CPI + 4.65
Subordinated 3rd issue of program	10-jun-16		247,750	247,750	19-nov-26	CPI + 4.60
Ordinary Bond 10th issue of program	26-oct-16		128,640	128,640	26-oct-19	Fixed 7.85%
	26-oct-16		90,160	90,160	26-oct-21	Fixed 7.77%
	26-oct-16		181,200	181,200	26-oct-28	CPI +3.9%
Ordinary Bonds 11th issue of program	27-apr-17		142,990	-	27-apr-20	Fixed 6.55%
	27-apr-17		80,700	-	27-apr-24	CPI +3.3%
	27-apr-17		126,310	-	27-apr-29	CPI +3.66%
Subordinate Bonds 4th issue	12-oct-17		250,000	-	12-oct-25	CPI +3.64%

of program					
Ordinary Bonds 12th issue of program	14-dec-17	184,860	-	14-dec-20	FIXED 6.18%
	14-dec-17	103,940	-	14-dec-22	FIXED 6.65%
	14-dec-17	111,200	-	14-dec-32	CPI +3.84%
Interest		36,652	39,550		
Total		**$ 3,281,965**	**2,811,593**		

a) Issues of Subordinated Ordinary Bonds in 2012 I, 2013 I, 2016 I, and 2017 I. Issues of Ordinary Bonds in 2008, 2009 (two issues) 2010 I, 2011 (two issues), 2012 II, 2013 (three issues), 2014 I, 2015 (two issues). 2016 II (one issue) and 2017 (three issues).

b) Amount authorized of the issue:

Year	Value
2008	$ 400,000
2009	500,000
2010	550,000
2011 I	400,000
2011 II	247,120
2012 I	200,000
2012 II	300,000
2013 I	200,000
2013 II	253,390
2013 III	350,000
2014 I	350,000
2015 I	350,000
2015 II	400,000
2016 I	247,750
2016 II	400,000
2017 I	350,000
2017 II	250,000
2017 III	$ 400,000

Note: The issue made in 2010 for $550,000, was made in two sketches: the first on November 25, 2010 with an amount placed of $359,500 and the second was made on May 10, 2011 for a total amount $190,450 corresponding to the issue in 2010

c) The legal representative of the holders of bonds is Helm Fiduciaria S.A.

d) For the issues in 2010 ($550,000). 2011 ($400,000 and $247,120). 2012 ($200,000 and $300,000), 2013 ($200,000, $253,390, and $350,000). 2014 ($350,000). 2015 ($350,000 and $400,000), 2016 ($247,750, and $400,000), and 2017 ($350,000, $250,000, and $400,000) the nominal value and minimum investment is $10,000,000 and $10,000,000 (in Col. Pesos) respectively.

or the issues in 2008 ($400,000) and 2009 ($500,000) the nominal value and minimum investment is $10,000,000 and $1,000,000 (in Col. Pesos) respectively.

The future maturities at December 31, 2017 of the outstanding investment securities in short-term debit, are:

Year		Value
2018	$	166,605
2019		209,640
2020		557,440
2021		346,640
After the year 2022		2,001,640
Total	**$**	**3,281,965**

For short-term financial obligations for issue of Bonds, the interest caused in results for the operational periods ended on December 31, 2017 and 2016 were $242,344 and $263,780, respectively.

3. Financial Obligations with rediscount entities

Colombian Government has implemented some credit programs in order to promote the development of specific economics sectors, including foreign trade, agriculture, tourism, housing construction and other industries. The programs are managed by several government entities such as Banco de Comercio Exterior ("BANCOLDEX"), Fondo para el Financiamiento del Sector Agropecuario ("FINAGRO") and Financiera de Desarrollo Territorial ("FINDETER").

The following is the detail of the loans obtained by the Holding Company of these entities at December 31, 2017 and 2016:

Legal Tender	**Inerest rate in Force at closing**		**December 31, 2017**	**December 31, 2016**
Banco de Comercio Exterior " "BANCOLDEX"	Between -2.00% and 11.77%	$	347,842	272,171
Fund to finance the Farming – "FIANGRO"	Between 0.50% and 9.01%		92,964	77,867
Financiera de Desarrollo Territorial "FINDETER"	Between -4.00% and 13.38%		611,887	589,458
Total Legal Tender		**$**	**1,052,693**	**939,496**
Foreign Currency				
Banco de Comercio Exterior – "BANCOLDEX"	Between 2.14822% and 4.326%	$	49,969	47,255
Total Foreign Currency			**49,969**	**47,255**
Total Rediscount Entities		**$**	**1,102,662**	**986,751**

The following is the detail of the maturities of financial obligations with rediscount entities in force at December 31, 2017:

Year		Value
2017	$	610
2018		452,937
2019		188,423
2020		121,969
2021		106,331
		232,392

Total	**$**	**1,102,662**

For financial obligations with rediscount entities the interest caused in the results for the periods ended on December 31, 2017 and 2016 were $52,512 and $47,573, respectively.

Note 19. - Provisions for employees benefits

According to Colombia labor legislation and based on the labor bargaining and collective agreements occurred in the Holding Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios the employees are entitled to short-term benefits, such as: salaries, vacations, legal and extra-legal premiums, and severance and interest on severance, of long-term such: as extralegal premiums and benefits of retirement such as severance to employees that continue with the labor regimen before the Act 50, 1990, and legal and extra-legal retirement pensions. Concerning with subsidiaries abroad, Banco de Occidente Panamá S.A. and Occidental Bank (Barbados) Ltd., according to the labor legislation of their country they only are entitled to the short-term benefits. For the compensation of the key personnel of the top management includes salaries, benefits other than cash and contributions to a plan of benefits defined post-employment; see note 31.

The following is the detail of the balances of provisions for employees' benefits at December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Short-term benefits	$	55,638	52,423
Postemployment benefits		13,491	10,059
Long-term benefits		32,798	28,334
Total	**$**	**101,927**	**90,816**

a) Employees Retirement Benefits

- In Colombia the retirement pension when the employees leave the company after completing the age and the time of service, are assumed by the public or private pension funds based on the plan of contribution defined where the entities and employees contribute on a monthly basis with the amounts defined in law in order to obtain the pension at the time of employee retirement; never he less, some employees hired by the Holding Company before 1968, who accomplished with the age and time of services, the pensions are assumed directly by the Holding Company.
- Pursuant to Decree 1625, 2016 the pension liability updating was made resulting in a pension liability for $3,329. Upon the comparison the result in connection with the IAS 19 the difference corresponds to $428, the justification of such difference occurs for the differential in the actuarial assumptions, inasmuch as the discount rate under the Decree 1625, 2016 was 10.82% and under IAS 19 was 6.75%.
- 116 employees hired by the Holding Company before 1990 are entitled to receive in the date of retirement at the will of the employee or of the company a compensation corresponding to the salary of the last month multiplied by every year worked, at December 31, 2017 the provision for this concept corresponds to $4,205.
- In the Holding Company and its subsidiary Fiduciaria de Occidente S.A. extra-legally or by collective bargaining agreement an additional premium is recognized to the employees when they leave the company when they complete the age and the years of service to begin enjoying the pension given by the pension funds, at December 31, 2017, the provision for this concept amounts to $5,956.

- In the Holding Company and its subsidiary Fiduciaria de Occidente S.A. an extra-legal bonus is recognized to the employees leaving the Company when they complete the age and the years of service to enjoy the pension given by the pension funds; this bonus is made at the time of employee retirement. The amount assigned to the professional personnel is $10 and to operative personnel is $5 (Retirement pension bonus).
- In the Holding Company there exist employees belonging to the prior labor regime and according to that, their severances are assumed by the Holding Company at the time of retirement (severance of employees of prior act), the new regimens involve this benefit in the contribution plans defined.

Below the movement of employees retirement benefits and the short-term benefits at December 31, 2017 and 2016:

		Postemployment Benefits		Long-term Benefits	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Balance at beginning the year	$	**10,059**	**12,758**	**28,334**	**30,092**
Cost incurred during the year		297	-	2,190	-
Cost of Interest		764	936	1,796	2,226
Cost of past services		-	401	-	5,169
Subtotal		**11,120**	**14,095**	**32,320**	**37,487**
(Profit) loss for changes in demographic assumptions		-	(1,189)	-	(6,015)
(Profit) loss for change in financial assumptions		3,911	(2,192)	6,119	1,486
Subtotal		**3,911**	**(3,381)**	**6,119**	**(4,529)**
Payments to Employees		(1,540)	(655)	(5,641)	(4,624)
Balance at the closing year	$	**13,491**	**10,059**	**32,798**	**28,334**

Variables used to calculate the foreseen obligations of the different retirement log-term benefits of the employees are showed below:

	Postemployment Benefits		Long-term Benefits	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
Discount Rate	7.32%	7.45%	6.25%	6.92%
Inflation Rate	3.81%	3.74%	3.50%	3.50%
Salary increase rate	3.50%	3.74%	3.50%	3.50%
Pension increment rate	5.34%	3.74%	3.50%	3.50%
Employees Turnover Rate	11.85%	12.20%	11.85%	12.20%
(Between the year of service 1 and 40 for male and female the following is the turnover rate)				

The Expected life of the employees is calculated based on the mortality tables issued by Colombia Finance Superintendence, developed based on the mortality experience supplied by different insurance companies operating in Colombia.

The sensitiveness analysis of liabilities, for retirements of employees, of the different financial and actuarial variables, is the following maintaining unchanged the other variables:

	Change of variable	Increase of Variable	Decrease pf Variable
<u>**Post-employment**</u>			
December 31, 2017			
Discount Rate	7.18%	7.68%	6.68%
Salary growth rate	3.87%	4.37%	3.37%
Pension growth rate	3.87%	4.37%	3.37%
1 year increment in life expectation	5.90	5.80	5.99
<u>**Long-term**</u>			
December 31, 2017			
Discount Rate	5.92%	6.42%	5.42%
Salary growth rate	3.50%	4.00%	3.00%
Pension growth rate	3.50%	4.00%	3.00%
1 year increment in life expectation	3.75	3.70	3.80

b) Employees long-term benefits

- The Holding Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. provide their employees with long-term extralegal premiums during their labor life depending on the years of service, every five, ten, fifteen and twenty years, etc. calculated as days of salary (between 15 and 180 days) each payment.
- The Holding Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. have recorded the liabilities related to these benefits based on the actuarial calculations made under the same parameters of retirement benefits, the benefits for retirement correspond to $13,491 at December 31, 2017.

c) Payment of future expected benefits

The payments of future expected benefits reflecting the services, as applicable, are expected to be paid as indicated below:

Year		Post-employment Benefits	Other Long-term Benefits
2018	$	2,271	6.316
2019		1,325	5.568
2020		1,612	4.874
2021		1,362	4.716
2022		1,435	4.498
Years 2023-2027	$	6,902	16,987

The Holding Company shall provide with own resources the future cash-flows to pay the extra-legal benefits and pensions.

At December 31, 2017 and 2016, the number of participants of benefits for employee and long-term are the following:

Benefit	December 31, 2017	December 31, 2016
Post-employment Participants	7,768	7,482
Long-term participants	7,666	7,400

Note 20. - Provisions for legal contingencies and other provisions

The movement and balances of legal provisions and other provisions during the years ended on December 31, 2017 and 2016, are itemized below:

			Other Provisions		
		Legal and Fiscal provisions	With effect In P&G	With effect in ORI	Total Provisions
Balance at December 31, 2015	**$**	**4,228**	**3,888**	**13,666**	**21,782**
Increment of provisions in the year		3,523	409	4,393	8,325
Use of provisions		(2,544)	(1,493)	-	(4,037)
Amounts reversed for unused provisions		(846)	(766)	(2,624)	(4,236)
Balance at December 31, 2016	**$**	**4,361**	**2,038**	**15,435**	**21,834**

			Other Provisions		
Balance at December 31. 2016		Legal and Fiscal provisions	With effect In P&G	With effect in ORI	Total Provisions
Increment of provisions in the year	**$**	**4,361**	**2,038**	**15,435**	**21,834**
Use of provisions		1,375	638	2,482	4,495
Amounts reversed for unused provisions		(682)	(1)	-	(683)
Balance at December 31, 2017		(722)	(113)	(2,524)	(3,359)
	$	**4,332**	**2,562**	**15,393**	**22,287**

Other legal provisions

The sixteen (16) civil lawsuits filed against the Holding Company derived from the development of the line of business and representing a risk, mainly making reference to claims of clients considering: (i) that checks of their accounts were unduly cashed, or (ii) without authorization withdrawals were made through electronic means, there is a provision for $3,187 at December 31, 2017.

The lawsuits against the affiliated companies, of civil nature, representing potential loss, are provisioned for the amount $248 at December 31. 2017, and it is considered that no any of them will imply any loss equal to higher than $3.100, in the event that any adverse sentence will occur.

Labor Provisions

From the lawsuits filed against the Holding Company derived from the development of its line of business, and representing a risk of non-conformity in the labor agreement termination or the conditions of agreement development, 5 are duly provided for $331 and $93 for the affiliates, corresponding to 2 lawsuits at December 31, 2017, according to the analysis of the event and the rating of risk and probability by the external labor advisor.

Fiscal Provisions

The five (5) fiscal lawsuits filed against the Holding Company derived from the development of its line of business and representing a risk, are mainly of ICA from Cartagena for Nullity Process of the Official Liquidation of the taxable year 2007 and the relevant sanction of inaccuracy successfully finished under the second instance judgment issued by the Council of State confirming the nullity of the administrative actions demanded declared by the Administrative Tribunal from Bolivar, in such a way that the Holding Company was exempted from the payment the amount $72 and it was proceeded to recover the provision made for this lawsuit for $107, remaining only the Aloccidente customs sanction, that was reconciled with DIAN and that after its filing was not accepted, sanctions on account of collection of taxes by DIAN and SHD, out of which sanctions were paid of collections for $11; and (iii and iv) sanction for list of charges and the untimely file in magnetic media report of ICA self-retention of the taxable years 2015 – 2016 of Manizales Municipality. Such related processes are duly provisioned by $474 at December 31, 2017.

Other Provisions

The other provisions for the years ended on December 31, 2017 and 2016 include the following:

		December 31, 2017	December 31, 2016
Dismantling assets	$	2,181	1,761
Implicit obligations		15,394	15,435
Other		380	277
Total	**$**	**17,955**	**17,473**

Disassembling of Assets

The Holding Company and subsidiary Ventas y Servicios S.A. established a provision for disassembling of assets corresponding to the improvements made in the infrastructure of Branch Offices leased with closing December 31, 2016 and 2017. The disassembling originates for the dismantle of enhancements to leave the facilities leased in their original state or according to contractual provisions. At December 31. 2017 the Holding Company accounted for a provision for $1,769 and Ventas y Servicios S.A. for $412; and at December 31, 2016 the Holding Company accounted for a provision for $1,761 and Ventas y Servicios S.A. for $277.

Portfolio with effect in ORI

At December 31, 2017 provisions for contingencies were included by the Holding Company for $15,394, out of which 47.9% corresponds to Banking Guarantees, 37.4% to credit cards, 12.4% to overdrafts, and 2.3% to rotating. In the same way, at December 31, 2016 provisions for contingencies were included by the Holding Company for $15,435 corresponding to 59.3% of Banking Guarantees, 24.5% of Credit Cards, 14.2% of overdrafts and 2.1% rotating.

Other provisions

Fiduciaria de Occidente S.A. for December 31, 2017, made a provision for lawsuit in Consorcio Fidufosyga for joint operations for $380, at December 31, 2016 the balances are zero.

Note 21. - Other Liabilities

The other current liabilities at December 31, 2017 and 2016, include the following:

Concepts		December 31, 2017	December 31, 2016
Suppliers and Services Payable	$	210,864	219,329
Collections mad		99,997	39,912
Collection services		34	24,228
Dividends and surplus payable		80,879	79,719
Checks drawn uncashed / Cashier's check		210,890	285,834
Payment to third parties - OCCIRED		11,846	14,279
Forward NDR without delivery		1,412	2,853
Fondo Nacional de Garantías		3,960	3,625
Interest portfolio adjustment		-	1,727
Prepayments and advances received		-	5,360
Deferred credits		860	872
Withholding and labor contributions		47,755	52,068
Tax		33,828	30,525
Surplus in Cash		1,347	735
Commissions and Fees		1,324	3,453
Insurance premium		23,638	-
Peace bonds		26,368	22,852
Insurance		104	-
Promising buyers		19,706	23,952
Contributions of transactions		10,282	11,882
Accounts cancelled		3,213	3,121
Renal fees		975	1,552
Other		34,357	38,694
	$	**823,639**	**866,572**

Note 22. - Patrimony

The number authorized, issued and outstanding stocks at December 31, 2017 and 2016 is as follows:

	December 31, 2017	December 31, 2016
Number of shares authorized	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:

		December 31, 2017	December 31, 2016
Common shares		155,899,719	155,899,719
Subscribed and paid capital, common shares	$	**4,677**	**4,677**

Retained profit appropriated in reserves

Below the detail of composition at December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Legal reserve	$	2,729,569	2,608,695
Mandatory and voluntary reserves		156,446	357,440
Total	**$**	**2,886,015**	**2,966,135**

Legal Reserve

According to the legal standards in force, the Holding Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. must create a legal reserve by the approval of ten percent (10%) the net profit of every year until reaching an amount equal to fifty percent (50%) of the subscribed social capital. This reserve may be reduced under the fifty percent (50) if the subscribed social capital in order to off-set loss exceeding the retained profits. The legal reserve may no*// be less than the percent aforementioned, excepting to hedge loss in excess of the retained profit.

Compulsory and voluntary reserves

Compulsory and voluntary reserves are approved to be made, by Stockholders General Meeting in ordinary session annually held.

Based on the article 10 in Act 1739/2014, by the National Government providing that “The taxpayers of the wealthy tax may charge this tax against patrimonial reserves without affecting the profit of the operational period both in the separated or individual balance sheet, as well as in the consolidated balance sheet”, the Holding Company under minutes 120 of general meeting held on January 26, 2015 and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. in the year ended on December 31, 2017 charged to patrimonial reserves the amount of $15,066 to pay the wealthy tax of 2017 operational period.

Dividends Decreed

The dividends are decreed and paid to stockholders based on the net profit of the precedent year. The dividends decreed by the Holding Company were the following:

		December 31, 2017	December 31, 2016
Profit of the prior year determined in financial statements separated from the Holding Company (*)	$	242,309	287,814
Dividend paid up in cash		308,681	304,003
Common outstanding shares		155,899,719	155,899,719
Total outstanding shares		**155,899,719**	**155,899,719**
Total dividends decreed	$	**308,681**	**304,003**

(*) The profit now reported correspond to closings of December and June 2016

Profit per stock

The following chart summarizes the net profit per stock for the years ended on December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Profit of controllers	$	360,712	666,319
Common and preferential shares used in the calculation of the net profit for basic shares		155,899,719	155,899,719
Net profit by basic share (in Pesos)	$	**2,314**	**4,274**

The Holding Company and its subsidiaries have a simple structure of capital and therefore, there is no difference between the basic profit per stock and the diluted profit.

Note 23. - Non-controlling Interest

The following table shows the information about each one of the direct controlled where there is a significant non-controller participation:

Entity	Country	Participation	Value of Participation in patrimony	Value of Participation in the utilities (loss)	Dividends paid during period
Fiduciaria de Occidente S.A.	Colombia	4.44%	9,736	846	25,984
Ventas y Servicios S.A.	Colombia	19.99%	5,136	205	-
Banco de Occidente Panamá S.A.	Panamá	5.00%	3,880	756	-
			18,752	**1,807**	**25,984**

Entity		Assets	Liabilities	Total Income	Net Profit	Other income Included	Cash Flow of operation
Fiduciaria de Occidente S.A.	$	234,733	14,795	80,146	19,048	45,184	17,926
Ventas y Servicios S.A.		59,601	33,906	213,618	1,025	-	6,569
Banco de Occidente Panamá S.A.		2,491,583	2,413,992	114,071	15,116	(2,341)	88,459
	$	**2,785,917**	**2,462,693**	**407,835**	**35,189**	**42,843**	**112,954**

Entity	Country	Participation	Value of Participation in patrimony	Value of Participation in participation (loss)	Dividends paid during period
Fiduciaria de Occidente S.A.	Colombia	4.44%	9,618	1,217	17,242
Ventas y Servicios S.A.	Colombia	19.99%	4,946	(57)	247
Banco de Occidente Panamá S.A.	Panamá	5.00%	3,032	2,338	-
			17,596	**3,498**	**17,489**

Entity		Assets	Liabilities	Total Income	Net Profit	Other income Included	Cash Flow of operation
Fiduciaria de Occidente S.A.	$	235,012	17,757	89,483	27,329	55,303	33,294
Ventas y Servicios S.A.		65,517	40,773	199,504	(287)	-	14,717
Banco de Occidente Panamá S.A.		2,595,361	2,534,729	131,500	46,752	(4,092)	36,004
	$	**2,895,890**	**2,593,259**	**420,487**	**73,794**	**51,211**	**84,015**

At December 31, 2017, there are not significant transactions made with non-controlled participations of the Holding Company, as well as protective rights or restrictions in the access to the use of cash or cancelation of liabilities thereof.

Note 24. – Commitments and Contingencies

a. Commitments

Credit commitments

The development of its normal operations the Holding award guarantees or letters of credit to its clients whereby the Holding Company undertakes to make payments to third parties in the event that the clients fail to accomplish with the obligations to such third parties, with the same credit risk for credit portfolio. The awarding of guarantees and letter of cred are subject to the same policy to approve the disbursement of loans concerning to credit quality of the clients and the guarantees are obtained, considered appropriate according to the circumstance.

The commitments for granting credits represent unused portions of authorizations to grant credits by way of loans, use of credit cards or letter of credit. Concerning the credit risk about commitments to award credit lines, the Holding company is potentially subject to loss in an amount equal to the total amount of the unused commitments if the unused amount would be totally; notwithstanding, the amount of loss is less than the total amount of unused commitments, inasmuch as most of commitments to grant the credits are contingent once the client maintains the credit risk specific standards. The Holding Company monitors the maturity terms of the commitments related to quotas of credit because the long-term commitments have a higher credit risk than the short-term commitments.

Below the detail of guarantees, letters of credit and commitments of credits in unused credit-lines at December 31, 2017 and 2016:

		December 31, 2017		December 31, 2016	
		Guarantees	Reasonable Value	Notional Amount	Reasonable Value
Guarantees	$	896,910	19,010	843,550	45,682
Letter of Credit unused		90,857	456	138,850	341
Quotas of credit card unused		2,127,874	2,127,874	1,984,812	1,984,812
Credits approved undelivered		724,748	724,748	659,446	659,446
Others		33,925	33,925	29,775	29,775
Total	**$**	**3,874,314**	**2,906,013**	**3,656,433**	**2,720,056**

The balances pending on the unused credit-lines and the guarantees do not necessary represent future requirements of cash because such quota may expire and not to be totally or partially used.

Below the detail of commitments of credit by type of currency:

	December 31, 2017	December 31, 2016
Colombian Pesos	448,071	3,058,016
Dollars	3,363,957	576,564
Euros	60,518	21,853
Other	1,768	-
Total	**3,874,314**	**3,656,433**

Commitment of disbursement of capital expenses

At December 31, 2017 and 2016 the Holding Company and subsidiaries had contractual commitments for disbursement of capital expenses (intangible and other) for $74,502 and $55,677, respectively. The Holding Company and subsidiaries have already allocated the resources necessary to accomplish with those commitments and considers that the net profit and the funds will be enough to cover these and other similar commitments.

Commitments of Operative Leasing

The Holding Company receive real property by way of operative leasing for its own use for a term agreed on in exchange of a lease fee. In most of the contracts the fee is reckoned taking as reference the Consumer Price Index (CPI); usually these contracts are for 5 to 10 years terms.

Below, the detail of commitments to pay operative lease fees in the next years:

		December 31, 2017	December 31, 2016
No more than one year	$	1,997	4,625
More than one year and less than five years		45,693	47,154
More than five years		39,153	47,559
Total	**$**	**86,843**	**99,338**

b. Contingencies

Legal contingencies

From time to time in the normal operations development arise claims against the Holding Company or against any of the subsidiaries based on their own estimates and with the help of external advisors the top management of the Holding Company considers that it is unlikely the occurrence of loss in connection with the proceedings below detailed, and hence, no any provision has been recognized in the consolidated financial statements.

For December 31, 2017, there are the following proceedings against the Holding Company resulting material (equal to or higher than $3,100):

Holding Company

(i) A group action in the Civil Court 15 in Medellín under the filing No. 500130315-20140004500 filed by Mrs. Adriana Patricia Benitez Benitez and others out of which additionally there are six additional defendants, among other Meta Petroleum Transmasivo S.A. and Masivo Carga S.A. The proceeding originates in a transit accident resulting in the death and personal injuries to several individuals whereby, supposedly a truck tractor was involved which trailer is property of the Holding Company, by reason of a leasing agreement of which the company Transmasivo S.A. is the tenant. The Holding Company timely answered the lawsuit and currently is pending for the judicial court to indicate the date for the initial hearing where the test evidence will be decreed. The allegations amount to $7,326. The court did not recognized the previous exception about the inexistence of legitimation in causa for passive filed by the Holding Company, although it contuse to be considering that probabilities to loss the proceeding are remote taking into account that the eventual damages occurred with assets given in leasing need to be assumed by the tenant, as provided in the contract.

(ii) An ordinary civil proceeding in Third Civil Court in Pasto filing No. 201300232 filed by Mrs. Gloria Janeth Caicedo. Through this proceeding the plaintiff intents for a leasing agreement to be declared dissolved, alleging a defiant by the Holding Company, because such proceeding results in damages for $5,702. The suspension of proceeding was retired, the first hearing was made and there is pending for the judge to decree the tests. It is considered that the probabilities to loss the proceeding are remote.

(iii) Popular action promoted by Carlos Julio Aguilar against the Holding Company and other financial entities before the Court Eleventh Administration of Cali Circuit, with the file 2004-1924. The proceeding originates against the financial entities taking part in the Performance Plan of Valle Department in 1998, considering that the charge of interest over interest was agreed on. The proceeding is in the evidences stage and the first instance ruling has not issued as yet, and there is not evidences supporting the facts of the lawsuit, and for such reason at the closing December 31, 2017 it is not required estimation of provisions for this proceeding. The allegations were estimated in the amount of $15,900.

(iv) Proceeding of delimitation and marking of boundaries by Mrs. Carmen Capela de Escolar against Mosel SAS and others, before the Second Civil Judgment of the Specialized Circuit in Land restitution of Cartagena, with the File 0205, 2014. The Holding Company appears in this proceeding for denouncement in lawsuit made by the company Mosel SAS, by the reason that the entity was the owner of the real estate subject matter of proceeding and in such condition made the limits of the property, which subsequently was sold. The lawsuit was timely answered and it is firmly believed that the exceptions proposed by the Holding Company will be recognized by the judge at the time to issue the sentence, in addition of the indemnity of damages requested by the plaintiff for the amount of $4,000, has been duly supported.

(v) Civil Extra-contractual civil liability proceeding promoted by the society Cordeles y Extruidos de Colombia SAS against the Holding Company and others, adjudged to the Sixth Civil Court from Barranquilla, File No. 2017-00155. The origin of the proceeding has to do with a fire that consumed the factory of the plaintiff, such unit operating in a warehouse of the Holding Company. This real property was delivered by the Holding Company under a leasing agreement to Inversiones Iguacur y Cia Ltda. and others, society that supposedly had been sub-leased to Cordeles y Extruidos de Colombia S.A.S. Through this proceeding it is intended to obtain the indemnity of damages to be paid by the Holding Company in a solidary manner with Inversiones Iguacur y Cia. Ltda. and the owners of several vehicles parked near to the factory, in any of which, apparently, the fire originates. Taking into account that to the Holding Company has neither participation nor responsibility of the facts and that, additionally, the Holding Company has been relieved the guard and administration of the real estate delivered to Inversiones Iguacur y Cia. Ltda. and other, it is considered that there is no any possibility for the Holding Company to be convicted. The lawsuit was answered within the legal term and the allegations were appraised in $36,733.

(vi) Incident of solidary responsibility against the Holding Company and others banking entities by MEDICAL DUARTE ZF and other entities, within the executive proceeding promoted against CAFESALUD EPS before the Fifth Labor Court from Barranquilla. The incident. The incident is supported that the Holding Company probably failed to accomplish with the orders of attachment given by the Court on the deposits of CAFÉSALUD EPS, situation that does not correspond to the reality inasmuch that the accounts of such entity do not showed resources and were previously attached by the judicial authority. The incident was timely answered by the Holding Company with the facts and legal arguments ; notwithstanding, the Court resolved to declare the Holding Company solidary responsible together with other two financial entities for the amount $70,980 based on a regulation that clearly is not applicable to the incident. The appeal for reversal and the remedy of appeal were filed against the decision, and it is firmly believed that the decision need to be revoked because the decision is not sustainable and additionally in the legal regulations there is no any regulation allowing to declare solidary a Bank for the failure to accomplish with an order of attachment issued in any specific labor agreement.

Fiduciaria de Occidente:

(i) A civil proceeding filed by Megaproyectos S.A. against Fiduciaria de Occidente, in the 30 Civil Court, District of Bogotá, file No. 2015-00637-0. The Plaintiffs state that Fiduciaria de Occidente incurred in several different contractual defaults as speaker of the Trust 3-4-2012, and as a result Megaproyectos supposedly needs to assume the payments in favor of INVERSUMA and CREDIFACTOR for $25,782 within the framework of the contest process (reorganization) of Megaproyectos. The affiliate has in place the due factual and legal supports documenting that the compliance with its contractual obligations and specially that accomplished the instructions of the persons acting as trustees pursuant to provisions set forth in the trust agreement. The lawsuit was timely answered and the allegations were estimated by Metroproyectos S.A. in the amount of $25.782

(ii) A civil proceeding promoted by several natural persons (8) and one legal person against Fiduciaria de Occidente, under the Civil Court 1 from Neiva Circuit with filing 2015201. In this event a constructing corporation developed an autonomous patrimony of administration and payments in the trust as a part of execution a real estate construction project. The plaintiffs making part of the buyers of units of project, consider that the trust is extra-contractually responsible for the undue structuring of such autonomous patrimony, as well as of the improper management, control and administration of the credit resources obtained from the Bank financing the project, such resources making part of the autonomous patrimony. The lawsuit was timely answered and the allegations were estimated in the amount of $4,632. The hearing provided in article 101 of the Civil Procedure Code was held, and the plaintiffs party did not attended to the hearing. It is firmly believed that the exceptions proposed by the Trust will be recognized by the judge at the time of sentence.

In connection with proceedings above described, upon the relevant evaluation it was concluded that such proceedings did not require provision.

Fiscal Contingencies

At the closing December 31, 2017, the Holding Company had no any pretention for existence of proceedings related to national and local taxations providing sanctions in the exercise of the activity as taxpaying entity and implying the constitution of contingent liabilities due to the remote possibility of the outflow of resources for such concepts.

Labor Contingencies

During the labor relationship between the Holding Company and its affiliates with their employees, as a result of the reasons for labor agreement termination or the development of labor agreement, arise several different claims against the companies and in such respect there is no probability to occur significant loss in connection with those claims according to the opinion of the lawyers with closing December 31, 2017. On the other hand, the provisions required have been recognized in the financial statements for the relevant events.

Note 25. - Management of the appropriate capital

The aims of the group concerning the appropriate capital management are addressed to: a) comply with the capital requirements set forth by Colombian Government for the financial entities subsidiaries of the Holding Company in Colombia and for the foreign governments where financial affiliates are operating, It should be noted that the group as Holding Company entity is not submitted any minimum capital requirement by Colombian Government; and b) maintain an appropriate patrimony structure allowing to maintain the group and its subsidiaries as ongoing concern.

According to Colombia Superintendence requirements, the financial entities need to maintain minimum patrimony as indicated by the legal standards in force and such patrimony will be no less than 9% of weighted assets by risk level also such levels as determined in the legal provisions.

During the years ended on December 31, 2017 and 2016, the Holding Company has properly accomplished with the capital requirements. The following is the detail of solvency indexes of the Holding Company in such years:

		December 31, 2017	December 31, 2016
Technical patrimony			
Ordinary basic patrimony			
Subscribed and Paid Capital	$	4,677	4,677
Accrued loss		(19,458)	(24,588)
Capital investments made from other financial Institutions		(174,687)	(165,782)
Intangible assets		(139,670)	(116,250)
Additional Basic Patrimony			
Subordinated debs		831,686	630,754
Weighted sum of individual profits of the current period of the consolidating and its subordinates to be consolidated		-	73,805
Non-controlling interest		5,400	5,700
50% of fiscal reserve		21,583	36,546
30% valuations of investments available for sale in participation securities		27,201	29,384
Accrued loss unrealized in debt securities		(3,019)	620
Amount of impairment general (provision)		11,550	10,048
Valuation (devaluation) in investments available for sale		(10,625)	(14,848)
Ordinary basic patrimony			
Premium in placement of stocks		720,445	720,445
Legal reserve		2,728,611	2,607,751
Adjustment by conversion of financial statements		(4,353)	(3,787)
Non-controlling interest		8,295	6,979
Total Technical Patrimony	$	**4,007,636**	**3,801,454**
Assets weighted by risk level			
Risk of Credit			
Category II (High security asset weighting 20%)	$	324,791	182,599
Category III (asset with high security and low liquidity weighting 50%)		811,516	708,473
Category IV (Other assets in risk weightings 100%) + especial weightings		27,029,295	27,464,103

Total Credit Risk		28,165,602	28,355,175
Risk of Market		1,660,535	1,233,358
Total assets weighted by risk	$	**29,826,137**	**29,588,533**
Index of Risk of total solvency		**13.44%**	**12.85%**
Index of risk of basic solvency		**10.47%**	**10.24%**

Note 26. - Income and expenses for commissions

Bellow the detail of income and expenses for commissions for the years ended on December 31, 2017 and 2016:

Income for Commissions		**December 31, 2017**	**December 31, 2016**
Commission in Bank Services	$	230,587	229,322
Installments of credit cards		91,155	89,109
Trust		61,278	53,399
Commission for drafts, checks and checkbooks		15,868	17,528
Network Services of Offices		2,941	3,014
Total	$	**401,829**	**392,372**

Expense for Commissions		**December 31, 2017**	**December 31, 2016**
Bank Services	$	36,703	27,766
Bank Expenses		1	127
Commissions for sales and services		38,871	35,564
Placements		15,210	22,465
MasterCard Operation costs		3,729	3,510
Administration and Intermediation Services		1,283	1,145
Processing Information Operators Services		571	341
Collection service for contributions from financial institutions		5,070	3,853
Trust Business		7	173
Bank guaranties		17	16
Other		(7,278)	5,039
Total	$	**94,184**	**99,999**
Net Income from Commissions		**307,645**	**292,373**

Note 27. - Other income, net

Bellow the detail of other income for the years ended on December 31, 2017 and 2016:

		December 31, 2017	**December 31, 2016**
Other Income			
For difference in Exchange	$	955,940	1,974,605
For sale of investments		13,588	3,655
For sale of non-current assets maintained for sale		410	263
For Patrimonial participation method		143,936	122,182
Dividends		5,864	21,486
For ale of goods and services by companies of the real sector		138,566	126,296
For sale of property and equipment		5,218	8,596
Leasing		2,270	2,194
Recovery of operative risk		1,418	415
Total Indemnities		3,642	4,424
Reversion of loss for impairment		-	327
Rental fees for operative leasing		2,376	3,436
Refund operative leasing		20	41
Refund of accounts receivable		13,143	9,494
For Credibanco Investment		-	37,259
Adjust valuations administrative resources		32,612	31,269
Other several		18,510	23,378
Subtotal		**1,337,513**	**2,369,320**
Other expenses			

For difference in exchange	903,877	1,953,372
For sale of investments	-	6,087
For patrimonial participation method	1,979	4,558
Subtotal	**905,856**	**1,964,017**
Total other income, Net	**431,657**	**405,303**

Note 28. - General Administration Expenses

Below the detail of the administration general expenses, for the years ended at December 31, 2017 and 2016:

		December 31, 2017	December 31, 2016
Income and Rates	$	152,652	136,184
Leasing		78,337	75,493
Contribution, affiliations and transfers		88,937	76,284
Insurance		65,767	60,924
Public services		30,577	32,220
Fees for consultancy, audit and other		103,497	64,113
Publicity services		56,416	53,359
Maintenance and repairs		23,896	14,207
Transport services		13,793	12,202
Cleaning and vigilance services		13,962	12,675
Temporary services		13	152
Electronic processing of data		15,322	15,919
Adequacy and installation		5,837	6,520
Travel expenses		10,647	12,258
Supplies and stationery		5,652	5,643
Administration cost building		10,178	9,032
Marketing card holders		14,346	15,583
Others		42,136	32,667
Total	$	**731,965**	**635,435**

Note 29. - Analysis of operation segments

The operation segments are components of the Holding Company responsible for developing commercial activities potentially generating income or incur in expenses and which operative results are usually revised by the Board of Directors and the specific financial information thereof is available:

a. **Description of products and services from which each reportable segment derives its income:** The Holding Company is organized in four business segments made up by the following companies; Fiduciaria de Occidente S.A., Banco de Occidente Panamá S.A., Occidental Bank Barbados Ltd. and Ventas y Servicios S.A. All these entities supply services related to banking and financial activity in Colombia in corporate or commercial, consumption banking or mortgage banking.

b. **Factors used by management to identify the reportable segments:** The operation segments identified above based on the strategic organization of the Holding Company to service the different economic sectors in Colombia, Panamá and Barbados taking in to account that under the laws of those countries each one of such companies are operating since several years ago.

The consolidate information of each entity is reviewed by the Board of Directors from the Holding Company, available to the stock market only for the Holding Company taking into account that the Holding Company owns stocks and securities recorded in the National Registry of Securities of Colombia.

c. Measurement of net profit and the assets and liabilities of the operative segments: The Board of Directors of the Holding Company reviews the consolidated financial information from each one of the operation segments according to IFRS.

The Board of Directors evaluates the performance of each segment based on the net profit from each one of them and some credit risk indicators.

d. Information of net profit, assets and liabilities of the reportable operative segments: The following is the detail of the summarized reportable financial information for each segment for the periods ended on December 31, 2017 and 2016:

December 31, 2017

		Banco de Occidente S.A. (Hold Company)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panama S.A.	Occidental Bank (Barbadps) Ltd.	Removals	Total
Assets								
Financial Instrument at reasonable value	$	3,365,149	191,110	4	1,204,522	568,174	(161,999)	5,166,960
Financial Instruments at amortized cost		27,610,956	6,035	17,710	1,131,587	297,817	(673,150)	28,390,955
Investments y Associated Companies		884,309	8,994	-	-	-	(221,134)	672,169
Other Assets		3,012,975	28,537	41,887	155,474	308,474	(12,379)	3,534,968
Total Assets	**$**	**34,873,389**	**234,676**	**59,601**	**2,491,583**	**1,174,465**	**(1,068,662)**	**37,765,052**
Deposits of clients		22,691,474	-	-	2,394,464	1,095,549	(12,379)	26,169,108
Other liabilities		7,790,375	14,738	33,906	19,528	132	(673,114)	7,185,565
Total Liabilities	**$**	**30,481,849**	**14,738**	**33,906**	**2,413,992**	**1,095,681**	**(685,493)**	**33,354,673**
Patrimony	**$**	**4,391,540**	**219,938**	**25,695**	**77,591**	**78,784**	**(383,169)**	**4,410,379**
Income Continuous Controlling operations								
Financial Income	$	3,249,503	122	40	63,872	37,587	(75,622)	3,275,502
Frees and Commissions		334,054	61,278	-	4,523	2,153	(179)	401,829
Other operative Income		3,069,393	18,746	213,579	45,676	(1,355)	(29,051)	3,316,988
Total Income	**$**	**6,652,950**	**80,146**	**213,619**	**114,071**	**38,385**	**(104,852)**	**6,994,319**
Financial Expense								
Provision for impairment of financial assets	$	906,140	117	(24)	3,251	7,779	2,531	919,794
Depreciations and amortizations		66,043	2,334	7,890	783	97	-	77,147
Commissions and fees paid		105,530	22	110	1,214	546	(13,238)	94,184
Administrative expenses		717,433	18,799	45,782	8,339	3,222	(61,610)	731,965
Other Operative Expenses		4,358,197	34,933	156,813	85,368	24,236	(19,629)	4,639,918
Income Tax		161,877	4,893	2,022	-	-	-	168,792
Total Expenses	**$**	**6,315,220**	**61,098**	**212,593**	**98,955**	**35,880**	**(91,946)**	**6,631,800**
Net Profit	**$**	**337,730**	**19,048**	**1,026**	**15,116**	**2,505**	**(12,906)**	**362,519**

December 31, 2016

	Banco de Occidente S.A. (Hold Company)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panama S.A.	Occidental Bank (Barbadps) Ltd.	Removals	Total
Assets							
Financial Instrument at reasonable value	$ 2,945,113	191,361	4	1,231,716	496,779	(173,389)	4,691,584
Financial Instruments at amortized cost	26,720,684	6,057	10,793	1,299,345	272,188	(996,902)	27,312,165
Investments y Associated Companies	782,764	8,575	-	-	1,242	(221,799)	570,782
Other Assets	2,761,430	28,960	54,720	64,299	132,341	(33,154)	3,008,596
Total Assets	**$ 33,209,991**	**234,953**	**65,517**	**2,595,360**	**902,550**	**(1,425,244)**	**35,583,127**
Deposits of clients	20,869,838	-	-	2,513,310	828,949	(36,041)	24,176,056
Other liabilities	7,915,829	17,699	40,773	24,419	550	(995,730)	7,000,540
Total Liabilities	**$ 28,785,667**	**17,699**	**40,773**	**2,534,729**	**829,499**	**(1,031,771)**	**31,176,596**
Patrimony	**$ 4,424,324**	**217,254**	**24,744**	**60,631**	**73,051**	**(393,473)**	**4,406,531**
							Total
Income Continuous Controlling operations							
Financial Income	$ 3,147,757	72	1,600	126,659	16,548	(126,733)	3,165,903
Fees and Commissions	332,574	53,408	-	5,007	1,622	(239)	392,372
Other operative Income	5,075,303	36,003	197,904	(167)	32,694	81,889	5,423,626
Total Income	**$ 8,555,634**	**89,483**	**199,504**	**131,499**	**50,864**	**(45,083)**	**8,981,901**
Financial Expense							
Provision for impairment of financial assets	$ 658,221	318	26	61	1,862	-	660,488
Depreciations and amortizations	60,591	2,858	11,037	761	43	-	75,290
Commissions and fees paid	98,192	275	335	1,145	194	(142)	99,999
Administrative expenses	632,861	17,865	40,739	7,258	3,657	(66,945)	635,435
Other Operative Expenses	6,288,632	37,125	146,418	75,523	27,189	41,320	6,616,207
Income Tax	219,716	3,713	1,236	-	-	-	224,665
Total Expenses	**$ 7,958,213**	**62,154**	**199,791**	**84,748**	**32,945**	**(25,767)**	**8,312,084**
Net Profit	**$ 597,421**	**27,329**	**(287)**	**46,751**	**17,919**	**(19,316)**	**669,817**

e. Reconciliation of the net profit, assets and liabilities of reportable operative segments

Below the detail of reconciliations of the income, expense, assets and liabilities of segments with the relevant consolidated consolidate items at the level of the Holding:

1. Income

		December 31, 2017	December 31, 2016
Total income reportable by segment	$	7,099,171	9,026,984
a. Return At sight Deposits		(17,180)	(23,674)
b. Income Real Property activites		(72,962)	(69,664)
c. Dividends		(11,752)	(22,745)
d. Participation Method		(1,140)	(5,213)
e. Other		(1,818)	76,213
Total Consolidated Income	**$**	**6,994,319**	**8,981,901**

2. Expenses

		December 31, 2017	December 31, 2016
Total Expense reportable by segment	$	6,723,746	8,337,851
a. Interest credit of banks		(14,048)	(15,363)
b. Expenses Real Property		(72,962)	(69,664)
c. Participation Method		(849)	(9,166)
d. Other		(4,087)	68,423
Total Consolidated Expenses	**$**	**6,631,800**	**8,312,081**

3. Assets

		December 31, 2017	December 31, 2016
Total Assets reportable by segment	$	38,833,714	37,008,371
a. Banks and other Correspondents		(12,378)	(34,278)
b. Interbank funds sold		(656,685)	(978,434)
d. Investments		(398,092)	(410,223)
e. Accounts Receivable		(1,507)	(3,407)
f. Other		-	1,098
Total Consolidated Assets	**$**	**37,765,052**	**35,583,127**

4. Liabilities

		December 31, 2017	December 31, 2016
Total Liabilities reportable by segment	$	34,040,166	32,208,367
a. Current Accounts		(10,431)	(31,850)
b. Interbank funds purchased		(254,191)	(390,353)
d. Credit of Banks .		(402,496)	(588,107)
e. Accounts Receivable		(1,507)	(902)
f. Bonds		(14,923)	(15,004)
h. Other		(1,945)	(5,555)
Total Consolidated Liabilities	**$**	**33,354,673**	**31,176,596**

5. Patrimony

		December 31, 2017	December 31, 2016
Total Patrimony reportable by segment	$	4,793,548	4,800,003
a. Share Capital		(54,216)	(54,475)
b. Premium in placement of shares		(187,581)	(166,640)
c. ORI		(829,955)	(845,231)
d. Surplus Participation Method		(77,607)	(80,638)
e. Profit or Loss		766,919	754,273
f. Other		(729)	(761)

Total Patrimony	**$**	**4,410,379**	**4,406,531**

Country		December 31, 2017	December 31, 2016
Colombia	$	4,255,266	4,274,092
Panamá		155,113	132,439
Total Patrimony	**$**	**4,410,379**	**4,406,531**

6. Income per country

Country		December 31, 2017	December 31, 2016
Colombia	$	6,976,390	8,962,732
Argentina		7	20
Bahamas		8	4
Barbados		406	251
Brazil		5,377	3,202
Chile		1,351	952
Costa Rica		5	51
Ecuador		4	24
France		131	87
Guatemala		854	488
Honduras		147	93
Virgin Islands		-	19
Mexico		2,538	1,886
Panamá		850	8,506
Perú		1,470	737
United Kingdom (UK)		1,785	1,037
Dominican Republic		-	59
Salvador		12	86
Switzerland		956	543
United States		2,028	1,124
Venezuela		-	-
Total consolidated Income	**$**	**6,994,319**	**8,981,901**

f. Holding Company's Senior clients

There is no any client representing 10% of the total income of the Holding Company during the periods ended on December 31, 2017 and 2016.

Note 30. – Set-off financial assets with financial liabilities

Below the detail of financial instruments subject to set-off contractually required at December 31, 2017 and 2016.

At December 31, 2017

Assets		Gross amounts of financial assets recognized	Net amount of financial assets included in the financial situation statement	Related amount uncompensated on financial situation statement		Net Amount
				Financial Instruments	Collateral guaranty of cash received	
Derivative financial instruments	$	106,391	106,391	-	-	106,391
Repo and simultaneous operations		620,447	620,447	620,624	-	(177)
Total	$	**726,838**	**726,838**	**620,624**	**-**	**106,214**
Liabilities						
Derivative financial instruments	$	96,765	96,765	-	-	96,765
Repo and simultaneous operations		97,796	97,796	51,988	-	45,808
Total	$	**194,561**	**194,561**	**51,988**	**-**	**142,573**

At December 31, 2016

Assets		Gross amounts of financial assets recognized	Net amount of financial assets included in the financial situation statement	Related amount uncompensated on financial situation statement		Net Amount
				Financial Instruments	Collateral guaranty of cash received	
Derivative financial instruments	$	155,902	155,902	-	-	155,902
Repo and simultaneous operations		4,550	4,550	4,557	-	(7)
Total	$	**160,452**	**160,452**	4,557	**-**	**155,895**
Liabilities					-	
Derivative financial instruments		192,258	192,258	-	-	192,258
Repo and simultaneous operations	$	629,117	629,117	635,764	-	(6,647)
Total	$	**821,375**	**821,375**	**635,764**	**-**	**185,611**

The Holding Company and its subsidiary Fiduciaria de Occidente S.A., hold financial instruments derivatives which are legally enforceable according to Colombian legislation or the country where the counterparty is found. Additionally, Colombian legal regulations allow for the Holding Company to set-off instruments derived from its same liability obligations.

Note 31. – Related Parties

According to IAS 24, a related party is any person or entity related to the entity preparing its financial statements, that could exercise control or joint control on the reporting entity, exercise significant influence on the reporting entity, or otherwise to be considered member of the key personnel of management of the reporting entity or of any controller of the reporting entity. . Within the definition of related party include: persons and/or relatives related to the entity (key staff of the top management), entities members of the same group (controller and subsidiary), associates or joint business of the entity or entities of Grupo Aval.

Accordingly, the related parties to the Holding Company and its Affiliates, Fiduciaria de Occidente S.A., Occidental Bank (Barbados) Ltd. Banco de Occidente Panamá S.A. and Ventas y Servicios S.A. are classified into three categories, as follows:

1. Key staff of the Top Management, are included in this category the Members of the Board of Directors and the President of Grupo Aval, the Holding Company, Fiduciaria de Occidente S.A., General Manager of Ventas y Servicios S.A. Occidental Bank Barbados Ltd and Banco de Occidente Panamá S.A. and the key personnel of the management from these entities, who are persons taking part in the planning, administration and control of such entities.

2. Companies belonging to the same group, the controller, subsidiaries and other subsidiary of the same controller of Grupo Aval are included in this category.

3. In this category the entities controlled by natural persons included in category 1, are included.

All transactions with related parties are made at market conditions, the most representative balances at December 31, 2017 and 2016, with related parties, are included in the following charts, the headings correspond to the definitions of the related parties, recorded in the three above categories:

December 31, 2017

		Categories		
		1 Key Management Staff	2 Companies of the same group	3 Entities controlled by persons of the category 1
Asset				
Cash and equivalent to cash	$	-	4,530	-
Financial assets in credit operations		14,214	26,475	224,773
Accounts Receivable		110	13,309	3,046
Liabilities				
Deposits		36,001	798,375	585,651
Accounts payable		3,916	61,036	11,888
Financial obligations		770	17,867	46,026
Other liabilities	$	-	142	-

December 31, 2016

		Categories		
		1 Key Management Staff	2 Companies of the same group	3 Entities controlled by persons of the category 1
Asset				
Cash and equivalent to cash	$	-	1,623	-
Financial assets in investments		-	-	10
Financial assets in credit operations		13,278	27,081	1,365
Account Receivable		16	12,742	16
Liabilities				
Deposits		29,358	768,437	374,879
Accounts payable		4,592	56,303	5,880
Financial obligations		2,165	11,213	28,754
Other liabilities	$	4	5	2

The most significant transactions made with the related parties for the years ended on December 31, 2017 and 2016 are the following:

a. Sales, Services and Transferences

December 31, 2017

		Categories		
		1	2	3
		Key Management Staff	Companies of the same group	Entities controlled by persons of category 1
Income from interest	$	865	1,886	36,597
Financial expenses		1,485	38,179	21,219
Income from fees and commissions		99	5,171	190
Expense for fees and commissions		82	56,119	363
Other operative income		150	80,703	335
Other expenses	$	4	22,339	308

December 31, 2016

		Categories		
		1	2	3
		Key Management Staff	Companies of the same group	Entities controlled by persons of category 1
Income from interest	$	821	2,194	34,801
Financial expenses		1,480	26,579	25,326
Income from fees and commissions		141	3,526	171
Income from leasing		-	1,023	-
Expense fees and commissions		93	18,107	5
Other operative income		3	75,415	7
Other expenses	$	-	6,795	497

The amounts pending are not ensured and will be liquidated In cash. Guarantees have neither given nor received. No any expense has been recognized neither in the current year nor in the previous years with regards to uncollectible amounts or doubtful debts related to the amount owed by related parties.

b. Compensation of company’s key personnel

The compensation received by management key personnel includes the following for the operational periods ended on December 31, 2017 and 2016:

		For the Period of twelve months Ended at:	
Concepts	$	December 31, 2017	December 31, 2016
Salaries		21,922	22,034
Short-term benefits to employees		944	881

Other long-term benefits		151	287
Total	**$**	**23,017**	**23,202**

Note 32. – Facts subsequent to the closing date to prepare the consolidated financial statements

There exist no any subsequent facts occurred between the closing date December 31, 2017 and February 21, 2018, the date of report by the statutory auditor, involving impact on the consolidated financial statements at such closing that could affect the Group, patrimony and results.

Note. 33. – Approval of Financial Statements

Consolidated financial statements and the notes thereof were approved by the Board of Directors and by the Legal Representative, according to the Minutes No. 1480 of February 21, 2018 to be submitted to the Stockholders General Meeting for the approval, and general meeting may either approve or reject or amend such financial statements.