



(FREE TRANSLATION OF THE REPORT ISSUED IN SPANISH)
STATUTORY AUDITOR'S REPORT

To the Shareholders
Banco de Bogotá:

Opinion

I have audited the consolidated financial statements of Banco de Bogotá y Subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year then ended and their respective notes that include the summary of significant accounting policies and other explanatory notes.

In my opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Accounting and Financial Reporting Standards accepted in Colombia, applied on a basis consistent with that of the preceding year.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing accepted in Colombia (ISAs). My responsibilities in accordance with those standards are described in the section "Statutory Auditor's Responsibilities for the Audit of the consolidated Financial Statements" of my report. I am independent with respect to the Group, in accordance with the Code of Ethics for Accounting Professionals issued by the International Ethics Standards Board for Accountants (IESBA Code) included in the Information Assurance Standards accepted in Colombia together with the ethical requirements that are relevant to my audit of the consolidated financial statements established in Colombia and I have complied with my other ethical responsibilities in accordance with these requirements and the IESBA Code mentioned above. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated financial statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Assessment of the Loss allowance on the Loan Portfolio under IFRS 9 (see notes 3.7.7. and 11 to the consolidated financial statements)	
Key Audit Matter	How it was addressed in the audit
<p>As indicated in Notes 3.7.7. and 11 to the consolidated financial statements, the provision for impairment of the loan portfolio of the Banco de Bogotá Group amounted to \$5,293,278 million as of December 31, 2022.</p> <p>The Group measures loss allowance of its loan portfolio for an amount equal to the Expected Credit Losses (ECL) for the life of each loan, except for those loans that have not experienced a significant increase in credit risk since their initial recognition for which the Group calculates an ECL of twelve months. The allowance for loan portfolio impairment reflects a probability-weighted outcome that considers multiple economic scenarios based on forecasts of future economic conditions and is determined based on the Group's assessment of the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EDI) associated with each loan. The Group, in accordance with the requirements of IFRS 9 and following market practices, uses complex models that incorporate data and assumptions that require significant judgment to estimate the impairment loss on the loan portfolio.</p> <p>I identified the assessment of loan portfolio impairment as a key audit matter because there is a high degree of estimation inherent in the determination of the expected loss from loan portfolio impairment as a result of the judgment required for the forward-looking assumptions and models involved.</p> <p>The assessment of the impairment of the loan portfolio required significant attention from the auditor, the involvement of judgment and participation of credit risk professionals, as well as knowledge and experience in the industry.</p>	<p>My audit procedures to evaluate the assignment of the credit risk rating and the effect on the allowance included, among others, the following:</p> <ul style="list-style-type: none"> • Evaluation of the design and effectiveness of certain internal controls over the process established by the Group to calculate loan impairment, including, among others, controls over: (i) the models and assumptions used, (ii) the estimation of macroeconomic variables, (iii) the completeness and accuracy of the data and (iv) the Group's monitoring of the overall allowance for impairment losses, including the application of the judgment used. • Involvement of credit risk professionals with specific skills, industry knowledge and experience who assisted me in: (i) the evaluation of the models and key inputs used to determine the Probability of Default (PD), Loss Given Default (LGD) and Exposure Given Default (EDI) parameters; (ii) assessment of the macroeconomic projections and probability weighting of the scenarios; (iii) assessment of the qualitative adjustments applied to the models; (iv) recalculation for a sample of collectively assessed credits and a sample for individually significant assessed credits, of the impairment and analysis of the guarantee values; and (v) verification for a sample of individually significant credits, of the credit risk rating assigned by the Group.



Other matters

The consolidated financial statements as of and for the year ended December 31, 2021 are presented solely for comparative purposes, were audited by me and in my report dated February 24, 2022, I expressed an unqualified opinion thereon.

Responsibility of the Group's management and those charged with corporate governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes: designing, implementing and maintaining such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern and for using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with corporate governance are responsible for overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements taken are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my opinion. Reasonable assurance means a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise due to fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken based on these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one arising from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may indicate significant doubt about the Group's ability to continue as a going concern. If I conclude that a material uncertainty exists, I should draw attention in my report to the disclosure that describes this situation in the consolidated financial statements or, if this disclosure is inadequate, I should modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Group to cease to operate as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events so as to achieve a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision, and performance of the Group's audit. I remain solely responsible for my audit opinion.

I communicate to those charged with governance of the Group, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with governance with confirmation that I have complied with relevant ethical independence requirements and that I have disclosed to them all relationships and other matters that might reasonably be thought to bear on my independence and, where appropriate, related safeguards.

From the matters communicated with those charged with governance, I determine the matters that were of most significance in the audit of the consolidated financial statements of the current period and, accordingly, are the key audit matters. I describe these matters in my Auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely exceptional circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably outweigh the benefits to the public interest of such communication.

Diana Alexandra Rozo Muñoz
Statutory Auditor of Banco de Bogotá
Registration No. 120741 -T
Member of KPMG S.A.S.

February 28, 2023

**CERTIFICATION OF CONSOLIDATED
FINANCIAL STATEMENTS
OF BANCO DE BOGOTÁ
AS AT DECEMBER 31, 2022**

We, the undersigned Legal Representative and Accountant of Banco de Bogotá (hereinafter the Bank) certify that the Consolidated Financial Statements of the Bank as of December 31, 2022, have been faithfully taken from the accounting books and the assertions contained therein have been previously verified, pursuant to Article 37 of Law 222 of 1995 and the Sole Regulatory Decree 2420 of 2015, as amended, on Accounting, Financial Reporting and Information Assurance Standards.

Additionally, we certify that the Bank's Consolidated Financial Statements as of December 31, 2022, and the relevant annexed reports do not contain vices, inaccuracies or errors that prevent us from knowing the true net worth situation or the operations of the Bank, in accordance with articles 46 and 47 of Law 964 of 2005 and with the Accounting and Financial Reporting Standards accepted in Colombia.


ALEJANDRO FIGUEROA JARAMILLO
Legal Representative


SERGIO BOTERO PARRA
Accountant
Professional License 23832-T

February 28, 2023

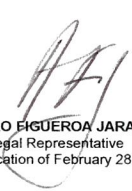
BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Financial Position
As at December 31,
(Figures expressed in millions of Colombian pesos)

	Notes	2022	2021
Assets			
Cash and cash equivalents	9	\$ 7,274,061	\$ 26,997,907
Financial assets		17,457,921	29,919,848
Investments at fair value through profit or loss	10	1,548,452	2,267,439
Investments at fair value through other comprehensive income	10	11,652,669	24,020,719
Investments at amortized cost	10	3,470,518	3,223,206
Derivatives at fair value	10	786,282	408,484
Loan portfolio, net	11	95,277,032	150,168,654
Repos, interbank, overnight and money market operations		4,492,352	1,586,667
Clients and financial leases transactions, net		90,784,680	148,581,987
Commercial		62,525,843	88,044,197
Consumer		21,747,435	44,671,128
Mortgage		11,539,340	23,189,459
Microcredits		265,340	314,350
Impairment		(5,293,278)	(7,637,147)
Other accounts receivable, net	12	3,221,640	2,665,463
Non-current assets held for sale	13	67,528	171,939
Investments in associates and joint ventures	14	8,736,565	8,404,259
Property, plant and equipment	15	1,084,848	2,517,634
Right of use assets	16	550,212	1,158,118
Investment property	17	236,606	243,453
Goodwill	18	641,124	6,867,211
Other intangible assets	19	775,161	865,347
Income tax	20	2,276,997	1,933,169
Current		636,530	339,710
Deferred		1,640,467	1,593,459
Other assets		274,144	421,893
Total assets		\$ 137,873,839	\$ 232,334,895


BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Financial Position
As at December 31,
(Figures expressed in millions of Colombian pesos)

	Notes	2022	2021
Liabilities and equity			
<u>Liabilities</u>			
Financial liabilities derivatives at fair value	10	633,891	447,413
Financial liabilities at amortized cost		118,355,234	200,817,624
Customer deposits	21	88,027,473	163,733,574
Checking accounts		16,280,516	49,057,254
Savings accounts		32,316,968	51,086,471
Time certificates of deposit		39,006,600	63,145,593
Others		423,389	444,256
Financial obligations	22	30,327,761	37,084,050
Interbank borrowings and overnight funds		1,096,238	1,682,956
Borrowings from banks and others		14,996,950	18,267,274
Bonds issued		11,288,150	14,126,058
Development entities		2,299,461	1,786,878
Lease contracts		646,962	1,220,884
Employee benefits	23	236,140	465,189
Provisions	24	32,485	76,817
Income tax	20	77,796	578,155
Current		1,474	194,601
Deferred		76,322	383,554
Accounts payables and other liabilities	25	2,727,732	4,610,727
Total liabilities		\$ 122,063,278	\$ 206,995,925
<u>Equity</u>			
Subscribed and paid-in capital	26	3,553	3,313
Additional paid-in capital		6,781,641	5,721,621
Retained earnings		9,567,144	17,535,479
Other comprehensive income	28	(586,923)	2,036,654
Equity attributable to shareholders		\$ 15,765,415	\$ 25,297,067
Equity attributable to non-controlling interest	27	45,146	41,903
Total equity		\$ 15,810,561	\$ 25,338,970
Total liabilities and equity		\$ 137,873,839	\$ 232,334,895

The accompanying notes are an integral part of these consolidated financial statements.


ALEJANDRO FIGUEROA JARAMILLO
Legal Representative
(See certification of February 28, 2023)


SERGIO BOTERO PARRA
Accountant
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(See certification of February 28, 2023)


DIANA ALEXANDRA ROZO MUÑOZ
Statutory Auditor
Professional License 120741 - T
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(See my report dated February 28, 2023)

BANCO DE BOGOTÁ AND SUBSIDIARIES


Consolidated Statement of Income

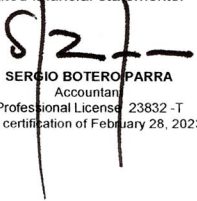
Years ended at December 31,


(Figures expressed in millions of Colombian pesos, except net earnings per share which is expressed in Colombian pesos)

	Notes	2022	2021
Interest income	11 and 14	\$ 9,293,001	\$ 6,170,524
Loan portfolio and financial leases		8,693,210	5,812,454
Repos, interbank, overnight and money market operations		58,208	6,421
Investments		541,583	351,649
Interest expenses	21 and 22	4,597,771	2,122,188
Customer deposits		3,386,728	1,311,092
Checking accounts		145,805	54,680
Savings accounts		1,382,739	376,805
Time certificates of deposit		1,858,184	879,607
Financial obligations		1,211,043	811,096
Interbank borrowings and overnight funds		171,034	65,130
Borrowings from banks and others		227,781	88,998
Bonds issued		633,881	564,972
Development entities		147,812	57,721
Lease contracts		30,535	34,275
Net interest income		4,695,230	4,048,336
Net impairment loss on financial assets		1,362,386	1,679,611
Loan portfolio, financial leases and accounts receivable	11.5 and 12	1,691,699	1,899,310
Recovery of write-offs	11.12	(327,786)	(219,602)
Investments		(1,527)	(97)
Net interest income, after impairment		3,332,844	2,368,725
Income for commissions and other services		1,673,441	1,432,995
Banking services		728,784	633,344
Credit and debit cards		636,410	504,579
Trust activities		161,147	156,153
Storage services		129,814	122,299
Drafts, checks and checkbooks		13,445	12,791
Office network services		3,841	3,829
Expenses for commissions and others services	29	428,364	325,580
Net income for commissions and other services		1,245,077	1,107,415
Net income from trading financial assets or liabilities		1,179,769	538,582
Gain on valuation of derivatives instruments for trading		1,203,619	558,264
Gain on valuation of derivatives instruments for hedging		14,187	42,324
Loss on valuation of investments for trading		(38,037)	(62,006)
Gain on fair value measurement in the deconsolidation (loss of control) of subsidiaries	2.3	137,427	1,302,301
Exchange difference expense, net	30	1,507,213	432,257
Other operating income	30	965,106	828,279
Other expenses		3,257,326	2,892,731
Administrative	31	1,565,863	1,300,965
Employee benefits		1,129,390	1,058,067
Depreciation and amortization	15, 16 and 19	302,509	285,672
Others		259,564	248,027
Net income before income tax		2,095,684	2,820,314
Income tax expense	20	290,214	252,594
Net income from continuing operations		\$ 1,805,470	\$ 2,567,720
Net income from discontinued operations	2.2	1,000,798	1,981,308
Net income		2,806,268	4,549,028
Net income attributable to:			
Controlling interest		2,804,885	4,356,086
Non-controlling interest	27	1,383	192,942
Net income		\$ 2,806,268	\$ 4,549,028
Basic and diluted net earnings per share (in Colombian pesos)	26.5	\$ 8,166	\$ 13,149

The accompanying notes are an integral part of these consolidated financial statements.


ALEJANDRO FIGUEROA JARAMILLO
 Legal Representative
 (See certification of February 28, 2023)



SERGIO BOTERO PARRA
 Accountant
 Professional License 23832 - T
 (See certification of February 28, 2023)



DIANA ALEXANDRA ROZO MUÑOZ
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 (See my report dated February 28, 2023)


BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income
Years ended at December 31,
(Figures expressed in millions of Colombian pesos)

	Notes	2022	2021
Net income		\$ 2,806,268	\$ 4,549,028
Items that are or may be reclassified to profit or loss			
Hedge accounting	10.5		
Exchange difference on foreign subsidiaries (hedging part)		870,451	1,452,999
Exchange difference on derivatives in foreign currency		38,289	(403,983)
Exchange difference on bonds in foreign currency		(908,740)	(1,049,016)
Exchange difference on translation of financial statements of foreign subsidiaries (not hedging part)	10.5	(282,214)	968,869
Cash flow hedging	20.5	0	(4,303)
Unrealized loss from measurement of financial assets at fair value	20.5	(1,167,247)	(325,758)
Realization of loss from measurement of financial assets at fair value	20.5	(483)	(264,379)
Impairment of debt instruments at fair value	20.5	(8,294)	25,527
Exchange difference in translation of financial statements in foreign agencies and branche	20.5	9,465	(139,673)
Share in other comprehensive income of associates	14	(157,473)	(126,395)
Income tax	20	562,242	794,603
Income tax realized in income		0	57,557
Realization for loss of control of subsidiaries and associates	2.1.1 and 2.1.2	(1,563,957)	(1,059)
Total items that are or may be reclassified to profit or loss		(2,607,961)	984,989
Items that will not be reclassified to profit or loss			
Changes in actuarial assumptions from defined benefits plans		20,191	6,094
Asset revaluation		0	(5,667)
Unrealized gain from measurement of available for sale investments - heritage instruments		30,336	52,061
Share in other comprehensive income of associates	14	(55,408)	16,929
Income tax	20	(18,646)	(6,578)
Realization for loss of control of subsidiaries and associates	2.1.1	7,735	0
Total items that will not be reclassified to profit or loss		(15,792)	62,839
Total other comprehensive income, net		\$ (2,623,753)	\$ 1,047,828
Total comprehensive income		\$ 182,515	\$ 5,596,856
Comprehensive income attributable to:			
Controlling interest		181,308	5,421,367
Non-controlling interest		1,207	175,489
Total comprehensive income		\$ 182,515	\$ 5,596,856

The accompanying notes are an integral part of these consolidated financial statements.


ALEJANDRO FIGUEROA JARAMILLO
Legal Representative
(See certification of February 28, 2023)


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BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
Years ended at December 31,
(Figures expressed in millions of Colombian pesos)

Attributable to equity holders of the Bank and its subsidiaries								
Notes	Subscribed and paid-in capital	Additional paid-in capital	Retained earnings	Other comprehensive income (OCI)	Controlling interest equity	Non-controlling interest	Total equity	
Balances at December 31, 2020	\$ 3,313	5,721,621	14,332,756	971,373	21,029,063	1,469,538	22,498,601	
Dividends decreed	26 and 27	0	0	(1,119,761)	0	(1,119,761)	(280,140)	(1,399,901)
Others		0	0	328	0	328	(29,751)	(29,423)
Total comprehensive income	0	0	4,356,086	1,065,281	5,421,367	175,489	5,596,856	
Net income		0	0	4,356,086	0	4,356,086	192,942	4,549,028
Other comprehensive income	28	0	0	0	1,065,281	1,065,281	(17,453)	1,047,828
Gain from deconsolidation (loss of control) the subsidiaries		0	0	(33,930)	0	(33,930)	(1,293,233)	(1,327,163)
Balances at December 31, 2021	\$ 3,313	5,721,621	17,535,479	2,036,654	25,297,067	41,903	25,338,970	
Issuance of shares	26.1	240	1,060,020	0	0	1,060,260	0	1,060,260
Dividends decreed	26 and 27	0	0	(1,103,514)	0	(1,103,514)	0	(1,103,514)
Others		0	0	(1,355)	0	(1,355)	0	(1,355)
Total comprehensive income	0	0	2,804,885	(2,623,577)	181,308	1,207	182,515	
Net income		0	0	2,804,885	0	2,804,885	1,383	2,806,268
Other comprehensive income	28	0	0	0	(2,623,577)	(2,623,577)	(176)	(2,623,753)
Realization of OCI due to loss of control of subsidiaries	2.1.1	0	0	(7,735)	0	(7,735)	0	(7,735)
Transactions between shareholders due to spin-off	2.1.1	0	0	(9,660,616)	0	(9,660,616)	2,036	(9,658,580)
Balances at December 31, 2022	\$ 3,553	6,781,641	9,567,144	(586,923)	15,765,415	45,146	15,810,561	

The accompanying notes are an integral part of these consolidated financial statements.


ALEJANDRO FIGUEROA JARAMILLO
Legal Representative
(See certification of February 28, 2023)


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BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Cash Flows
Years ended at December 31,
(Figures expressed in millions of Colombian pesos)

	Notes	2022	2021
Cash flows from operating activities			
Net income		\$ 2,806,268	\$ 4,549,028
Adjustments to reconcile net income to net cash used in operating activities:			
Impairment loss on loan portfolio, financial leases and other accounts receivable, net of recoveries	11 and 12	1,691,845	3,207,322
Depreciation and amortization	15, 16 and 19	303,886	711,183
Equity method income	30	(665,319)	(545,238)
Profit on valuation and sale of financial assets, net		(1,226,764)	(862,776)
Gain on fair value measurement in the deconsolidation (loss of control) of subsidiaries	2.3	(137,427)	(1,301,242)
Profit actuarial employees benefits		(2,760)	(5,575)
Employee benefits expenses	23	1,037,220	2,561,909
Interest income	11 and 14	(9,293,001)	(13,026,633)
Interest expenses	21 and 22	4,597,771	4,380,015
Provisions expenses		2,877	19,994
Income tax expense	20	290,214	780,961
Net income from discontinued operations	2.2	(1,000,798)	(1,981,308)
Exchange difference expense, net		1,507,213	(146,394)
Others adjustments to reconcile net income		(67,854)	(51,354)
Changes in operating assets and liabilities			
Decrease of investments in financial assets		2,232,292	935,414
Increase in loan portfolio and financial leases		(15,146,650)	(9,541,111)
Increase in other accounts receivable		(1,437,122)	1,204,582
Decrease (increase) in other assets		13,064	(55,312)
Increase in customer deposits		5,288,398	1,222,996
Decrease in interbank borrowings and overnight funds		(223,249)	(1,683,552)
Decrease in accounts receivable and other liabilities		(873,693)	(2,175,368)
Interest received		8,580,151	12,842,520
Interest paid excluding interest on leases		(4,336,949)	(4,614,032)
Interest paid financial leases		(27,231)	(50,108)
Dividends received		182,480	19,418
Income tax paid		(573,365)	(882,947)
Net cash used in operating activities		<u>(6,478,503)</u>	<u>(4,487,608)</u>
Cash flows from investing activities:			
Increase in investments at fair value		(760,398)	(2,197,138)
Additions of investments at amortized cost		(3,113,893)	(3,186,449)
Acquisition of property, plant and equipment	15	(145,549)	(380,519)
Acquisition of other intangible assets	19	(197,959)	(244,719)
Redemption of investments at amortized cost		3,097,013	3,841,718
Proceeds from sale of investments in associates	2.1.2 and 2.2	2,645,914	0
Proceeds from sale of non-financial assets		91,869	150,416
Acquisition of participation in associated and joint ventures	14	(7,267)	(4,543)
Decrease of cash for deconsolidation of (loss of control) subsidiaries	2.2 and 2.4	(17,570,390)	(127,261)
Net cash used in investing activities		<u>(15,960,660)</u>	<u>(2,148,495)</u>
Cash flows from financing activities:			
Acquisition of financial obligations	22	17,720,774	21,669,542
Decrease of financial obligations	22	(14,336,063)	(18,561,927)
Issuance of outstanding bonds	22	200,325	976,152
Payment of outstanding bonds issued	22	(2,273,857)	(824,552)
Payment of capital in rental fees	22	(85,674)	(178,540)
Redemption of preferred shares and non-controlling interest		0	(29,751)
Dividends paid		(315,908)	(966,892)
Net cash provided by financing activities		<u>909,597</u>	<u>2,084,032</u>
Effect of foreign currency changes on cash and cash equivalents		3,199,322	4,323,631
Effect of exchange difference on cash and cash equivalents on discontinued operations		0	(1,512)
Net decrease in cash and cash equivalents		(18,330,244)	(229,952)
Net decrease in cash and cash equivalents on discontinued operations	2.2	(1,393,602)	(269,692)
Cash and cash equivalents at beginning of the year	9	26,997,907	27,497,551
Cash and cash equivalents at the end of the year	9	<u>\$ 7,274,061</u>	<u>\$ 26,997,907</u>

The accompanying notes are an integral part of these consolidated financial statements.

ALEJANDRO FIGUEROA JARAMILLO
Legal Representative
(See certification of February 28, 2023)

SERGIO BOTERO VARRA
Accountant
Professional License 23832 - T
(See certification of February 28, 2023)

DIANA ALEXANDRA ROZO MUÑOZ
Statutory Auditor
Professional License 120741 - T
Member of KPMG S.A.S.
(See my report dated February 28, 2023)

BANCO DE BOGOTÁ AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
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(Figures expressed in millions of Colombian pesos, except where otherwise indicated)

NOTE 1 - REPORTING ENTITY

Banco de Bogotá (parent company) is a private entity based in the city of Bogotá D.C. at Calle 36 # 7-47. It was incorporated through Public Deed No. 1923, dated November 15, 1,870 granted before the Second Notary Public in Bogotá D.C. The Financial Superintendence of Colombia renewed the Bank's operating license definitely, as per Resolution 3140, of September 24, 1993. The term of the institution, according to its bylaws, is until June 30, 2070; however, that term may be reduced due to dissolution or extended before that date. The corporate purpose of the Bank is to enter into or perform all operations and agreements legally permitted to commercial banking businesses according to the requirements and limitations of the law in Colombia.

As at December 31, 2022, the Bank and its subsidiaries operate with twelve thousand eight hundred and forty-two (12,842) employees with labor contract, five hundred and seventy (570) working under apprenticeship or training agreements, one thousand three hundred and sixty-one (1,361) temporary employees. In addition, the Bank and its subsidiaries three thousand three hundred and fifty-four (3,354) staff members contracted through outsourcing with specialized companies. It also has five hundred and sixty one (561) offices, fifteen thousand two hundred and seventy seven (15,277) correspondent banks, one thousand seven hundred and eight (1,708) ATMs, two (2) agencies in the United States of America: one in Miami and another in New York, which are licensed to carry out banking activities abroad, and (1) a bank branch in Panama City, which has a license for banking on the local market.

These consolidated financial statements include the financial statements of the Bank and the following subsidiaries:

Name of subsidiary	Main activity	Place of business	Direct holding (1)	Indirect holding (1)
National Subsidiaries				
Fiduciaria Bogotá S.A.	Enters into mercantile trust agreements and fiduciary mandates without transferring ownership, as provided for by law. Its primary corporate purpose is to acquire, transfer, encumber and manage movable assets and real estate, and to invest in all kinds of credit operations, as a debtor or creditor.	Bogotá, Colombia	94.99%	
Almaviva S.A. (2) and subsidiaries	Almaviva is a customs agent and a comprehensive logistics operator. Its primary corporate purpose is the deposit, storage and custody, management and distribution, purchase and sale of domestic and foreign goods and products, at the customer's expense. It also issues certificates of deposit and warehouse liens.	Bogotá, Colombia	94.93%	0.88%
Megalinea S.A.	It is a technical and administrative services company whose corporate purpose is management and pre-legal collection, legal collection and out-of-court collection on loans.	Bogotá, Colombia	94.90%	
Aval Soluciones Digitales S.A. (3)	Services authorized to companies specialized in deposits and electronic payments.	Bogotá, Colombia	38.90%	
Subsidiaries Foreign				
Multi Financial Holding	Provides financial services primarily corporate, investment, mortgage and consumer banking, as well as insurance, securities brokerage, factoring, leasing and real estate services.	Panama, Republic of Panama	100.00%	
Banco de Bogotá Panama S.A. and subsidiary	It is an entity with an international license to conduct banking business abroad, it operates in the Republic of Panamá and consolidates with another subsidiary, Banco de Bogotá (Nassau) Limited.	Panama, Republic of Panama	100.00%	
Bogotá Finance Corporation.	It is a financial corporation, and its corporate purpose is the issuance of securities at floating rates guaranteed by the parent company. Over the past few years, the company has maintained an investment as its only income-earning activity.	Cayman Islands	100.00%	

BANCO DE BOGOTÁ AND SUBSIDIARIES
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Name of subsidiary	Main activity	Place of business	Direct holding (1)	Indirect holding (1)
Corporación Financiera Centroamericana S.A. (Ficentro) (3)	This financial institution is authorized to grant loans, but not to receive funds from the public. It is supervised by Panama's Ministry of Finance. It is in the business of collecting on loans and managing assets received for sale.	Panama, Republic of Panama	49.78%	

- (1) In percentage terms, this represents economic and voting interest. The Bank's direct and indirect holding percentages in each of its subsidiaries have not varied over the past year, except for the loss of control of Porvenir and Subsidiary S.A. as of July 31, 2021 and BAC Holding International (BHI). as of March 31, 2022.
- (2) Indirect holding through Banco de Bogotá Panama S.A.
- (3) The Bank carries out control activities, which is why this entity is consolidated.

The Bank and its subsidiaries are controlled by Grupo Aval Acciones y Valores S.A., with a total shareholding of 68.93%.

NOTE 2 – RELEVANT TRANSACTION

2.1 DISCONTINUED OPERATION

BAC Holding International ("BHI") was a foreign subsidiary of Banco de Bogotá, which has operations in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panama. As of March 31, 2022, as a result of the spin-off process of 75%, Banco de Bogotá's shareholding in BHI went from 100% to 25%, ceasing to be a subsidiary and becoming an associate and, as of December 31, 2022, as a result of the Bank's shareholding in a tender offer, 20.9% was sold, leaving 4.1%, ceasing to be an associate and being classified as a financial asset at fair value through other comprehensive income. These transactions are detailed in items 2.1., 2.2. and 2.3. below.

Once the 75% spin-off was completed, BAC Holding began to be recognized as an investment in associates with a 25% interest and continued to be a business line that generated significant income for the Bank, in the geographic area of Central America, in the which entity operates. Taking the above into account, the Bank discontinued this line of business as a result of the public tender offer.

2.1.1 SPIN -OFF OF 75% SHAREHOLDING IN BAC HOLDING INTERNACIONAL (BHI)

The spin-off of the 75% interest in BHI was carried out in March 2022 with the main objectives of focusing the senior management teams on their own markets, simplifying the Bank's corporate structure and strengthening its capital levels.

In application of accounting requirements, the spin-off of BHI was carried out at the Bank's carrying values, deconsolidating assets, liabilities and non-controlling interests by 100%, as follows:

- 1) The following assets, liabilities and non-controlling interests related to BHI were derecognized at book value:

Assets, liabilities and equity accounts

Total Assets (3)	\$ 111,185,833
Total Liabilities (3)	(98,305,773)
Non-controlling interests (3)	(1,961)
Derecognition of assets, liabilities and non-controlling interests related to BHI	(12,878,099)
Spin-off shareholding	75%
Spin-off equity	\$ (9,658,574)

BANCO DE BOGOTÁ AND SUBSIDIARIES
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2) As a result of the spin-off, BHI ceased to be a subsidiary and, in compliance with the accounting requirements on loss of control, the Bank measured at fair value the retained interest in the amount of \$3,356,952 (see Note 14) and realized net income and expenses of \$1,187,254, from other comprehensive income to income for the period, and net income and expenses of \$7,735, from other comprehensive income to retained earnings, as follows:

Realization of income and (expense), from other comprehensive income to income for the period

Realization of OCI before income taxes	
Exchange difference of foreign subsidiaries	\$ 6,551,200
Exchange difference on bonds in foreign currency	(2,537,990)
Exchange difference on derivatives in foreign currency	(4,013,210)
Exchange difference on translation of financial statements of subsidiaries, agencies and branches abroad	(1,267,033)
Gain on fair value measurement of debt instruments	98,947
Subtotal	(1,168,086)
Realization Income tax OCI	
Current tax on hedged bonds	337,996
Current tax on hedging derivatives	700,522
Deferred tax on hedging bonds	570,540
Deferred tax on hedging derivatives	803,802
Deferred tax on valuation of debt instruments	(57,520)
Subtotal	2,355,340
Total realization of OCI to income	\$ 1,187,254

Realization of income and (expense), other comprehensive income retained earnings

Realization of OCI before income taxes	
Actuarial measurements employee benefits	\$ (33,627)
Valuation of equity instruments	2,609
Other	15,219
Subtotal	(15,799)
Deferred tax actuarial measurements	8,064
Realization OCI to retained earnings	\$ (7,735)

3) The following are the balances of assets, liabilities and non-controlling interests of BHI, taken as a basis for deconsolidation as of March 31, 2022, as previously indicated, which are no longer part of the consolidated statement of financial position of the Bank and subsidiaries as of December 31, 2022:

Assets	
Cash and cash equivalents	\$ 17,570,390
Financial assets at fair value	157,509
Derivatives	1,341
Investments at fair value through profit or loss	14,026,554
Investments at amortized cost	259,742
Loan portfolio, net	69,778,334
Other accounts receivable, net	915,840
Non-current assets held for sale	63,957
Property, plant and equipment	1,361,821
Right of use assets	537,922

BANCO DE BOGOTÁ AND SUBSIDIARIES
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Goodwill	5,902,410
Other intangible assets	196,106
Income tax	227,872
Other assets	186,035
Total assets	111,185,833
Liabilities	
Financial liabilities at fair value	904
Financial liabilities at amortized cost	94,717,549
Employee benefits	246,186
Provisions	39,670
Income tax	481,239
Accounts payables and other liabilities	2,820,225
Total liabilities	98,305,773
Equity	
Equity attributable to shareholders	
Subscribed and paid-in capital	5,549,775
Retained earnings	1,937,071
Net income for the period	544,890
Other comprehensive income	4,846,363
Controlling interest	12,878,099
Non-controlling interest	1,961
Total equity	12,880,060
Total liabilities and equity	\$ 111,185,833

2.1.2 SALE OF THE INTEREST IN BAC HOLDING INTERNATIONAL (BHI) THROUGH A TENDER OFFER

With the approval of its shareholders, in order to benefit from the tender offer, to continue with the strategic plans of focusing its plans and investment in the Colombian market, to mitigate risks in geographic areas with financial instability and to dispose of an asset that has shown a reduction in its value, in December 2022 the Bank transferred 9,030,424,454 shares in BHI, equivalent to 20.9%, reducing its shareholding in BHI from 25.0% to 4.1%.

The following is a detail of the effects of the transaction:

BHI shareholding	
Number of shares held, prior to the tender offer	10,805,047,274
Percentage of ownership	25%
Book value of investment in BHI attributable to the Bank before the tender offer	
Cost (a)	\$ 3,356,952
Equity method	
Income (loss) (b)	251,660
Other comprehensive income (b)	(15,364)
Exchange difference (c)	932,339
Book value of investment in BHI attributable to the Bank, before the tender offer	\$ 4,525,587

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- a) This is the value assigned to the investment at the date of its recognition as an associate.
- b) Corresponds to the recognition of the equity method with effect in income until November 30, 2022.
- c) Exchange effect from changes in the market representative rate until December 19, 2022.

Efecto en cuentas del activo	
Cash (d)	\$ 2,645,914
Derecognition of the investment in BHI as an associate	(4,525,587)
Recognition of retained interest (e)	519,964
Net reduction in assets	(1,359,709)
Effects in the statement of income for the period	
Loss on sale of 20.9% interest, net of 4.1% retained interest	(1,359,709)
Realization of income from other comprehensive income (OCI) to income for the period (f)	376,703
Recognition of the equity method of accounting until November 30, 2022	251,660
Net effect on income from the sale of the interest in BHI	\$ (731,346)

- d) Cash received from the sale of the 20.9% interest in BHI.
- e) Value determined based on the retained interest of 1,774,622,820 shares and the fair value of the share at December 19, 2022 of \$293 (in Colombian pesos) per share.
- f) Realization of items of other comprehensive income, related to the above associate, according to the following detail:

Hedge accounting (see Note 10.5)	
Exchange difference investment	\$ 930,900
Exchange difference on hedged bonds	(900,454)
Unhedged exchange difference	30,446
Equity method (b)	(15,364)
Exchange difference in income (b)	1,439
Deferred tax exchange difference on hedged bonds	360,182
Total, OCI to income	\$ 376,703

2.2 PRESENTATION OF DISCONTINUED OPERATIONS OF BHI AND SUBSIDIARIES

The deconsolidation of BHI and its subsidiaries implied the discontinuation of an operating segment (see Note 8) and the presentation of the following results for the year 2022 for discontinued operations, in compliance with IFRS 5:

	Spin-off 75%	Tender Offer 20.9%	Total
	Quarter ended March 31, 2022	Period from April 1, 2022, to December 31, 2022	
Interest income	\$ 1,849,419	0	1,849,419
Loan portfolio and financial leases	1,684,746	0	1,684,746
Repos, interbank, overnight and money market operations	249	0	249
Investments	164,424	0	164,424
Interest expenses	554,086	0	554,086
Customer deposits	426,017	0	426,017
Checking accounts	47,739	0	47,739
Savings accounts	53,608	0	53,608
Time certificates of deposit	324,670	0	324,670

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	Spin-off 75%	Tender Offer 20.9%	
	Quarter ended March 31, 2022	Period from April 1, 2022, to December 31, 2022	Total
Financial obligations	128,069	0	128,069
Interbank borrowings and overnight funds	253	0	253
Borrowings from banks and others	63,546	0	63,546
Bonds issued	61,195	0	61,195
Lease contracts	3,075	0	3,075
Net interest income	1,295,333	0	1,295,333
Net impairment loss on financial assets	267,776	0	267,776
Loan portfolio, financial leases and accounts receivable	264,926	0	264,926
Investments	2,850	0	2,850
Net interest income, after impairment	1,027,557	0	1,027,557
Income for commissions and other services	753,523	0	753,523
Banking services	501,556	0	501,556
Credit cards	237,432	0	237,432
Pension and severance fund management	14,535	0	14,535
Expenses for commissions and others services	30,396	0	30,396
Net income for commissions and other services	723,127	0	723,127
Net income from trading financial assets or liabilities	954	0	954
Gain on valuation of derivatives instruments for trading	371	0	371
Gain on valuation of investments for trading	583	0	583
Others income	291,145	(1,108,049)	(816,904)
Net gain on exchange difference	232,765	0	232,765
Others	58,380	(1,108,049)	(1,049,669)
Other expenses	1,273,728	0	1,273,728
Administrative	648,457	0	648,457
Employee benefits	508,929	0	508,929
Depreciation and amortization	108,356	0	108,356
Others	7,986	0	7,986
Net income before income tax	769,055	(1,108,049)	(338,994)
Income tax expense	224,104	0	224,104
Income for the year	544,951	(1,108,049)	(563,098)
Realization of OCI to income	1,187,254	376,703	1,563,957
Income from discontinued operations	\$ 1,732,205	(731,346)	1,000,859

The following is the income statement for the year 2022 of discontinued operations, as compared to the year 2021:

	For the years ended on:	
	December 31, 2022	December 31, 2021
Interest income	\$ 1,849,419	6,856,109
Loan portfolio and financial leases	1,684,746	6,232,057
Repos, interbank, overnight and money market operations	249	1,529
Investments	164,424	622,523
Interest expenses	554,086	2,257,827
Customer deposits	426,017	1,758,878
Checking accounts	47,739	198,878
Savings accounts	53,608	191,386
Time certificates of deposit	324,670	1,368,614

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	For the years ended on:	
	December 31, 2022	December 31, 2021
Financial obligations	128,069	498,949
Interbank borrowings and overnight funds	253	23,324
Borrowings from banks and others	63,546	210,428
Bonds issued	61,195	246,018
Lease contracts	3,075	19,179
Net interest income	1,295,333	4,598,282
Net impairment loss on financial assets	267,776	1,314,006
Loan portfolio, financial leases and accounts receivable	264,926	1,307,761
Recovery of write-offs	0	(9,314)
Investments	2,850	15,559
Net interest income, after impairment	1,027,557	3,284,276
Income for commissions and other services	753,523	2,657,273
Banking services	501,556	1,761,818
Credit cards	237,432	840,825
Pension and severance fund management	14,535	54,630
Expenses for commissions and others services	30,396	110,032
Net income for commissions and other services	723,127	2,547,241
Net income from trading financial assets or liabilities	954	26,436
Gain on valuation of derivatives instruments for trading	371	1,004
Gain on valuation of investments for trading	583	25,432
Others income	(816,904)	904,115
Net gain on exchange difference	232,765	578,651
Others	(1,049,669)	325,464
Other expenses	1,273,728	4,606,388
Administrative	648,457	2,257,766
Employee benefits	508,929	1,878,828
Depreciation and amortization	108,356	424,110
Others	7,986	45,684
Net income before income tax	(338,994)	2,155,680
Income tax expense	224,104	528,367
Income for the year from continuing operations	(563,098)	1,627,313
Income from discontinued operations, net of taxes	0	64,106
Income for the year	(563,098)	1,691,419
Realization of OCI to income	1,563,957	0
Income from discontinued operations	\$ 1,000,859	1,691,419

Statement of cash flows from discontinued operations BHI and subsidiaries:

	For the periods ended on:	
	December 31, 2022	December 31, 2021
Net cash provided by operating activities	\$ (1,666,630)	(6,989,526)
Net cash used in investing activities	1,040,893	2,147,882
Net cash used in financing activities	594,580	2,035,204
Effect of foreign currency changes on cash and cash equivalents	1,424,759	1,422,448
Net Decrease in cash and cash equivalents	1,393,602	(1,383,991)

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	For the periods ended on:	
	December 31, 2022	December 31, 2021
Cash and cash equivalents at beginning of the period	(18,963,992)	(17,580,000)
Cash and cash equivalents at the end of the period	(17,570,390)	(18,963,992)
Proceeds from sale of investments in associates	2,645,914	0
Decrease of cash for deconsolidation of (loss of control) subsidiaries	\$ (14,924,476)	(18,963,992)

2.3 DESCONSOLIDATION (LOSS OF CONTROL) PORVENIR S.A. AND SUBSIDIARY

On July 28, 2021, Banco de Bogotá, Grupo Aval Acciones y Valores S.A. (Parent company), Fiduciaria Bogotá S.A., Banco de Occidente S.A. and Fiduciaria de Occidente S.A., shareholders of Porvenir S.A., signed an agreement whereby the Bank transferred the direct control that it had been exercising over Porvenir S.A. together with control of Aportes en Línea to Grupo Aval Acciones y Valores S.A.

As from the loss of control, a relevant economic event is generated, in which Porvenir S.A. ceases to be a subsidiary of Banco de Bogotá and becomes an Associate. As a consequence of this agreement, Aportes en Línea, a subordinate company of Porvenir S.A., also ceased to be a subsidiary of the Bank and became an investment in a financial asset, classified as an investment available for sale measured at fair value with changes in other comprehensive income.

In compliance with the specific requirements on loss of control, established in IFRS 10, the Bank made the following accounting recognition due to the loss of control of Porvenir S.A. and subsidiary:

- (1) The carrying value of the following assets, liabilities and non-controlling interests related to Porvenir S.A. and subsidiary were derecognized:

Total assets	\$ 3,859,515
Elimination of intercompany transactions (cash equivalents)	(51,560)
Total discontinued assets	3,807,955
Total liabilities	1,401,821
Elimination of intercompany transactions (deposits)	(51,560)
Total discontinued liabilities	1,350,261
Total Equity	2,457,694
Less: Non-controlling interests attributable to owners of Porvenir S.A. and subsidiary	(4,003)
Book value of the equity of Porvenir S.A. and subsidiary attributable to its owners	2,453,691
Less: Book value of the equity of Porvenir S.A. and subsidiary attributable to non-controlling interests, before loss of control	(1,557,852)
Book value of the equity of Porvenir S.A. and subsidiary attributable to the Bank, before loss of control	895,839
More Goodwill registered by acquisition of AFP Horizonte	90,162
More: Participation deconsolidation Aportes en Línea	1,602
Total book value of investments of Porvenir S.A. and subsidiary and participation in Aportes en Línea attributable to the Bank, before the loss of control	\$ 987,603

- (2) A gain of \$1,301,242 was recognized, as a result of the fair value measurement indicated in the previous paragraph, which is presented in the income statement, calculated as follows:

Fair value of the Bank's shareholding in Porvenir S.A. and subsidiary as of July 31, 2021	\$ 2,537,541
Less: Book value of the Bank's shareholding in Porvenir S.A. and subsidiary	(987,603)
Less: Banco de Bogotá's share in the book value of the investment of Fiduciaria Bogotá in Porvenir (94.99% x 261,805)	(248,696)
Gain from fair value measurement in loss of control Porvenir S.A. and subsidiary	1,301,242

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Reclassification of items from other comprehensive income to income for the period (principally, adjustment for conversion of financial statements)
Total gain from deconsolidation

	1,059
\$	1,302,301

2.4 PRESENTATION OF DISCONTINUED OPERATIONS

As mentioned in Note 8 - Operating segments, the Bank and its subsidiaries have discontinued the BHI segment as of March 31, 2022 (see Note 2.1.1) and Porvenir S.A. and Subsidiary as of July 28, 2021, therefore, the statements of income for the period, comprehensive income and cash flows have been modified to present discontinued operations separately from continuing operations, in compliance with the requirements of IFRS 5 as presented below:

Income statement of discontinued operations of Porvenir S.A. and Subsidiary:

	For the period ending July 31, 2021
Interest income	\$ 28,648
Loan portfolio and financial leases	3,428
Repos, interbank, overnight and money market operations	14
Investments	25,206
Interest expenses	25,176
Customer deposits	1,590
Savings accounts	1,590
Financial obligations	23,586
Interbank borrowings and overnight funds	(55)
Borrowings from banks and others	22,487
Lease contracts	1,154
Net interest income	3,472
Net impairment loss on financial assets	3,375
Loan portfolio, financial leases and accounts receivable	3,116
Investments	259
Net interest income, after impairment	96
Income for commissions and other services	695,561
Banking services	5,370
Pension and severance fund management	690,191
Expenses for commissions and others services	84,735
Net income for commissions and other services	610,826
Net income from trading financial assets or liabilities	107,663
Gain on valuation of derivatives instruments for trading	47,579
Gain on valuation of investments for trading	60,084
Others income	(41,796)
Net gain on exchange difference	(48,182)
Others	6,386
Other expenses	189,092
Administrative	121,614
Employee benefits	100,595
Depreciation and amortization	9,282
Others	(42,399)
Net income before income tax	487,697
Income tax expense	133,297
Net income for the period from discontinued operations	354,400

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	For the period ending July 31, 2021
Net income for the period attributable to:	
Controlling interest	353,995
Non-controlling interest	405
Net income for the period from discontinued operations	\$ 354,400

Statement of cash flows from discontinued operations of Porvenir S.A. and Subsidiary:

	For the period ended July 31, 2021
Net cash provided by operating activities	229,273
Net cash used in investing activities	(232,315)
Net cash used in financing activities	(268,162)
Effect of foreign currency changes on cash and cash equivalents	1,512
Net Decrease in cash and cash equivalents	(269,692)
Cash and cash equivalents at beginning of the period	397,029
Cash and cash equivalents at the end of the period	\$ 127,261

2.5 TRANSFER OF ASSETS TO NEXUS PRIVATE EQUITY FUND

On November 29, 2022, the Bank's Board of Directors authorized the Bank's Legal Representative to carry out the operation of mobilization of real estate assets owned by the Bank to the Real Estate Fund - Real Estate Compartment Banco de Bogotá.

As of December 15, through the execution of public deeds, the Bank transferred the right of ownership and possession of 25 properties in favor of the Fund as a real and effective contribution, receiving in consideration participation units in the Real Estate Compartment Banco de Bogotá Fund (Fondo - Compartimiento Inmuebles Banco de Bogotá).

Assets transferred to the Fund by the Bank are classified in the following categories:

- Property, plant and equipment.
- Investment properties.
- Non-current assets held for sale.

These assets were derecognized in the statement of financial position and the gain resulting from the contribution (transfer of control) was determined as the difference between the value of the consideration received (units of participation in the Fund) and the carrying amount of the properties. The investment properties and non-current assets held for sale came from assets received in lieu of payment (BRPs), which had a provision in accordance with the rules of the Financial Superintendence, which was reversed with effect in results. However, since a portion of the assets were leased after the sale, in accordance with the requirements of IFRS 16, the gain recognized in the statement of income for the year, in relation to the assets that were leased, was limited to the rights transferred to the Fund.

Given the nature of the participation units that the Bank obtained in exchange for the transfer of the real estate, these units meet the definition of a financial asset and are presented in the Consolidated Statement of Financial Position at fair value in the category of marketable investments.

For assets that were leased subsequent to the transfer, the lease liability was measured at the present value of the lease payments that had not been paid at that date. Lease payments were discounted using

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the incremental interest rate determined for the period by the Bank. The right-of-use asset arising from the sale and leaseback was measured at the proportion of the previous carrying amount of the asset that relates to the rights of use retained.

The result of the operation was as follows:

	Total
Disposals	
Non-current assets held for sale	\$ 1,775
Property, plant and equipment	68,530
Investment property	10,500
Total assets disposed of	80,805
Additions	
Right-of-use assets	23,114
Lease liabilities	86,780
Net Additions	63,666
Gain (loss) on sale	
Non-current assets held for sale	(135)
Property, plant and equipment	80,900
Investment property	1,364
Total gain (loss) on sale	82,129
Negotiable Investment (Fund - Real Estate Compartment Banco de Bogotá)	\$ 226,600

2.6 REPURCHASE OF BONDS

In April 2022 the Bank presented an offer to repurchase bonds issued in 2017, up to US\$300 million and the repurchase made amounted to US\$128.1 million, the results of which are summarized below:

Concepto	Millones USD	COP
Notional amount of issue	128.1 \$	480,045
Amortized cost adjustment	(0.5)	(2,022)
Book value at repurchase date	127.6	478,023
Repurchase price	(124.0)	(464,576)
Gain on repurchase	3.6 \$	13,447

2.7 EXCHANGE RATE VARIATION

The representative market rate at December 31, 2022 was \$4,810.20 pesos as of December 31, 2021, \$3,981.16 pesos, originating a variation of \$829.04 pesos/dollar, which generated an impact on the financial statements, mainly in the portfolio credit of \$4,502,902 (Note 11), customer deposits for \$5,959,098 (Note 21) and financial obligations for \$3,631,547 (Note 22) and expenses in net income for (\$1,507,213) (see Note 30).

NOTE 3 – BASIS FOR PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 COMPLIANCE STATEMENT

The accompanying consolidated financial statements have been prepared in accordance with accounting and Financial Reporting Standards accepted in Colombia (NCIF – Spanish acronym), established in the Law 1314/2009, which include the International Financial Reporting Standards (IFRS) issued by International Accounting Standards Board (IASB) and officially translated into Spanish, as well as the interpretations issued by International Financial Reporting Interpretations Committee (IFRIC), incorporated into the Regulating Technical Framework by the sole regulatory Decree 2420/2015 and the modifying decrees, issued by the Colombian government.

3.2 BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

3.2.1 PRESENTATION OF THE FINANCIAL STATEMENTS

The accompanying financial statements are prepared according to the following issues:

Statement of financial position

It is presented showing the different asset and liability accounts, these are ordered according to liquidity, in the case of sale, or enforceability, since this type of presentation provides more relevant reliable information for a financial institution. Therefore, the amount expected to be recovered or paid within twelve months and after twelve months is presented in each of the notes on financial assets and liabilities.

Statement of income and statement of comprehensive income

These items are presented separately in two statements (statement of income for the period and statement of comprehensive income). Moreover, the income statement for the period is broken down according to the nature of the income and expenses; this is the model used by financial institutions, because it provides more appropriate and relevant information.

Statement of cash flows

It is presented using the indirect method, in this case, net cash flow from operating activities are determined by reconciling net income, for the effects of items that do not generate cash flows, the net changes in assets and liabilities derived from operating activities, and for any other item whose monetary effects are regarded as cash flows from investment or financing. Interest income and interest expenses received and paid are part of operating activities.

The following concepts are taken into consideration when preparing the cash flows statement:

- Operating activities: These are the activities that constitute the Bank and its subsidiaries main source of income.
- Investment activities: These concern the acquisition, sale or disposal by any other means of long-term assets and other investments that are not included in cash and cash equivalents.

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- Financing activities: These are activities that produce changes in the size and composition of net equity and liabilities that are not part of operating activities or investment activities.

3.2.2 CONSOLIDATION OF FINANCIAL STATEMENTS

The Bank and its subsidiaries are required to prepare consolidated financial statements with entities over which it has control. The Bank and its subsidiaries have control over another entity if and only if they meet all of the following conditions:

- Power over the investee that give it the ability to direct the relevant activities that significantly affect the investee's returns.
- Exposure, or rights, to variable returns from its involvement with the investee.
- The ability to use its power over the investee to affect the amount of the investor's returns.

The Bank and its subsidiaries consolidate the assets, liabilities and net income in all the subsidiaries which includes an assurance in the homogenization of its accounting policies. In this process any reciprocal transactions and unrealized gains between them are eliminated. The controlled entities present non-controlling interests within its equity, separately from the equity of the shareholders of the Bank and its subsidiaries holding company.

Non-controlling interests in the net assets of the subsidiaries consolidated by the Bank and its subsidiaries are presented separately under equity, in the consolidated statement of financial position, statement of income and in the consolidated statement of other comprehensive income.

The accompanying financial statements include the assets, liabilities, equity and net income of the parent company and the companies it controls. The following is the detail of ownership interest in each of them at December 31, 2022 and 2021 homologated to the accounting policies of consolidation:

December 31, 2022					
	% Share holding	Assets	Liabilities	Equity	Controlling net income for the period
Banco de Bogotá (Matriz)		\$ 110,825,250	95,149,271	15,675,979	1,776,918
Multi Financial Holding y Subsidiarias	100.00%	25,024,611	23,030,001	1,994,610	92,329
Banco de Bogotá Panamá S.A.	100.00%	7,218,860	6,683,491	535,369	8,991
Bogotá Finance Corporation	100.00%	442	0	442	5
Almacenes Generales de Depósito Almaguila S.A. y subsidiarias	94.93%	146,684	73,411	73,273	2,591
Fiduciaria Bogotá S.A.	94.99%	527,810	44,541	483,269	44,362
Megalinea S.A.	94.90%	30,647	23,465	7,182	522
Corporación Financiera Centroamericana S.A. Ficentro (1)	49.78%	0	0	0	0
Aval Soluciones Digitales S.A.	38.90%	40,511	26,002	14,509	(2,125)
		143,814,816	125,030,182	18,784,634	1,923,593
Eliminations		(5,940,976)	(2,966,904)	(2,974,072)	(119,506)
Continuous operation		137,873,839	122,063,278	15,810,561	1,804,087
Discontinued operation (2)		0	0	0	1,000,798
Consolidated		\$ 137,873,839	122,063,278	15,810,561	2,804,885

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December 31, 2021					
	% Share holding	Assets	Liabilities	Equity	Controlling net income for the period
Banco de Bogotá (Matriz)		\$ 109,137,219	83,787,858	25,349,361	4,359,901
BAC Holding International (BHI)	100.00%	116,930,846	103,447,317	13,483,529	0
Multi Financiamiento Holding y Subsidiarias	100.00%	19,752,869	17,909,241	1,843,628	93,900
Banco de Bogotá Panamá S.A.	100.00%	6,949,981	6,454,685	495,296	4,090
Bogotá Finance Corporation	100.00%	362	0	362	3
Almacenes Generales de Depósito Almacén S.A. y subsidiarias	95.81%	151,788	82,113	69,675	(167)
Fiduciaria Bogotá S.A.	94.99%	566,264	121,210	445,054	86,204
Megalinea S.A.	94.90%	26,346	19,686	6,660	924
Corporación Financiera Centroamericana S.A. Ficentro (1)	49.78%	0	0	0	0
Aval Soluciones Digitales S.A.	38.90%	24,655	8,021	16,634	397
		253,540,330	211,830,131	41,710,199	4,545,252
Eliminations		(21,205,435)	(4,834,206)	(16,371,229)	(2,234,403)
Continuous operation		0	0	0	2,310,849
Discontinued operation (2)		0	0	0	2,045,237
Consolidated		\$ 232,334,895	206,995,925	25,338,970	4,356,086

1) Inactive.

2) Deconsolidation of BAC Holding International (BHI) and Porvenir (See Notes 2.2 and 2.3)

3.3 INVESTMENTS IN ASSOCIATES AND JOINT ARRANGEMENTS

Investments in associates

An associate is an entity over which the Bank and its subsidiaries have significant influence; namely, where it has the power to intervene in decisions on financial and operating policy, but without having control or joint control. It is considered that significant influence is exercised in another entity if the Bank and its subsidiaries directly or indirectly own 20% or more of the voting rights of the investee, unless it can be clearly demonstrated that such influence does not exist.

Joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control; namely, only when decisions about the relevant activities require unanimous consent of the parties sharing control. A joint arrangement is either a:

- Joint operation, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement; and,
- Joint venture, whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Measurement

Investments in associates and joint ventures are measured through the equity method, whereby the investment is initially recognized at cost and adjusted thereafter for the changes in the investee's equity according to the share percentage. The net income of the Bank and its subsidiaries includes its participation in the net income of associates and joint ventures, and the other comprehensive income of the

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Bank and its subsidiaries includes its participation in the other comprehensive income of the investees or in another appropriate account under equity. as appropriate, in accordance with the application of uniform accounting policies for transactions and other events that, being similar, could have occurred in comparable circumstances.

The joint operation is included in the Bank and its subsidiaries consolidated financial statements based on the proportional and contractual share of each of the assets, liabilities, income and expenses under the terms of the arrangements.

3.4 FUNCTIONAL AND REPORTING CURRENCY

The items included in the financial statements of each Bank entity and its subsidiaries re determined using the currency of the main economic environment in which each entity operates (the functional currency).

The presentation currency of these consolidated financial statements is the Colombian peso which corresponds to the functional and presentation currency to the parent entity, except for the branch and agencies which functional currency is US Dollar. Therefore, all balances and transactions denominated in currencies other than the Colombian peso are considered as foreign currency.

3.5 TRANSLATION OF FOREIGN CURRENCY TRANSACTIONS

In each Bank entity and its subsidiaries, the transactions in foreign currency are converted into Colombian pesos at the exchange rate effective on the transaction date. Monetary assets and liabilities in foreign currency are converted into the functional currency, using the close exchange rate on the date of the corresponding statement of financial position. Non-monetary assets and liabilities denominated in foreign currency that are measured at historical cost are converted at the exchange rate on the date of the transaction, non-monetary assets and liabilities that are denominated in foreign currencies and valued at fair value are converted using the exchange rate on the date the fair value was determined. When non-monetary items produce gains or losses that are recorded through income or Other Comprehensive Income (OCI), and when in turn such gains or losses produce differences in currency translation, such exchange differences are also recognized through income or through OCI, respectively. Exchange differences are recognized in net income, except for those gains or losses on net investment hedge in a foreign operation, which are recognized in OCI.

Foreign operations

In the consolidated financial statements, the results and the financial position of the Bank's entities and its subsidiaries that have a functional currency different from the Colombian peso, are translated to the presentation currency as follows:

- The assets and liabilities of operations abroad, including goodwill and fair value adjustments arising from the acquisition of a foreign entity, are converted into Colombian pesos at the closing exchange rate on the date of the corresponding statement of financial position.
- The income and expenses of operations abroad are translated into Colombian pesos at the average exchange rates monthly unless they do not approximate the exchange rates in effect at the dates of the transactions, in which case the income and expenses are translated to the current exchange rates on the dates of the transactions.

The resulting exchange differences are recognized in OCI.

3.6 CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits and other short-term investments in active markets with original maturities of three months or less, that must be readily convertible to a specific amount of cash, subject to an insignificant risk of changes in their value and used by the Bank and its subsidiaries in the management of their short-term commitments.

3.7 FINANCIAL ASSETS

Business model

The Bank and its subsidiaries evaluate the objectives of the business models where it holds different financial instruments at a portfolio level for best reflecting the manner in which it manages the business with each subsidiary and how the information is provided to the management. The information considered included:

- The policies and objectives pointed out for each financial instrument portfolio and the practical operation of such policies. These include whether the management strategy focuses on charging income for contractual interest, maintaining a concrete interest profitability profile or coordinating the duration of financial assets with the duration of liabilities financing the same or the cash outflows expected or carrying out cash flows through the sale of assets.
- How key management staff of the Bank and its subsidiaries are evaluated and reported on portfolio performance;
- The risks that affect the return on financial assets held based on the business model and the way in which such risks are managed;
- How the business managers are remunerated (for example, if the compensation is based on the assets fair value performance managed or contractual cash flows obtained); and
- The frequency, amount and sales calendar in previous periods, the reasons of those sales and the expectations about the activity of future sales. However, the information about the sales activity is not considered independently but as part of an assessment of how the Bank and its subsidiaries objectives are attained for managing financial assets and how the cash flows are carried out.

Financial assets held for trading and those whose profitability is assessed or managed on the basis of fair value are measured at fair value through profit or loss, since these are not held within the business model for charging or obtaining contractual cash flows.

Assessment of whether the contractual cash flows are solely for principal payment and interest

For purposes of this assessment, “principal” is defined as the fair value of the financial asset at the time of initial recognition. “Interest” is defined as the consideration of the value of money over time and the credit risk associated to the amount of principal outstanding for a particular term of time and for other basic risks of a loan agreement and other associated costs (for example, Liquidity risk and administrative costs), as well as profitability margin.

While assessing whether the contractual cash flows are solely payments of principal and interest, the Bank and its subsidiaries consider the contractual terms of the instrument. This includes the assessment for determining if the financial asset is subject to contractual terms that could change the term or amount of

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contract cash flows such that they may not comply with this condition. For such assessment the Bank and its subsidiaries consider:

- Contingent events that will change the amount and periodicity of cash flows;
- Leverage conditions;
- Advance payment terms and extension;
- Terms limiting the Bank and its subsidiaries to obtain specific cash flows (example, agreements of assets without resources); and
- Characteristics modifying the considerations for the value of Money over time; for example, periodical revision of interest rates.

Interest rates of certain debt securities, consumer and commercial loans are based on variable interest rates established at the Bank and its subsidiaries discretion. Variable interest rates generally established in Colombia based on Fixed-Term Deposits (FTD) (FTD published by the Central Bank of Colombia), and the BRI (Banking Reference Indicator published by the Central Bank of Colombia), and in other countries in accordance with local practices, plus certain additional discretionary points.

In these cases, the Bank and its subsidiaries evaluate whether the discretionary characteristic is consistent with the criteria of sole payment of interest considering a number of factors including if:

- The debtors are in conditions to prepay the loans without significant penalties (in Colombia, applying charges for prepayments of credits is forbidden by law).
- Competitive market factors assure that the interest rates are consistent among Banks.
- Any regulatory provision for the protection of the customers in the country where the Banks requires to treat the customers in a fair manner.

A prepayment characteristic is consistent with the criterion of sole capital and interest if the prepaid amounts substantially represent unpaid amounts of principal and interest over the outstanding principal, which could include a reasonable compensation for early termination of the contract.

In addition, a prepayment characteristic is treated as consistent with this criterion, if a financial asset is acquired or originates with a premium or discount of its nominal contractual amount, and the prepaid amount substantially represents the contractual amount plus interest accumulated contractually but not paid (which may include a reasonable compensation for early termination), and the fair value of the prepayment characteristic is insignificant in its initial recognition.

3.7.1 DEFINITION

A financial instrument is any contract that gives rise, simultaneously, to a financial asset in one entity and a financial liability or an equity instrument in another entity.

A financial asset is any asset that has one of the following forms:

- Cash;
- An equity instrument of another entity;
- A contractual right:

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- to receive cash or another financial asset from another entity; or
- to exchange financial assets or financial liabilities with another entity, under conditions that are potentially favorable to the entity;
- A contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - or a derivative instrument that will or may be settled through a form other than the exchange of a fixed amount of cash or another financial asset for a fixed amount of the entity's own equity instruments; For these purposes, the entity's own equity instruments shall not include those that are, in themselves, contracts for the future receipt or delivery of the entity's own equity instruments.

A financial liability is any liability that takes one of the following forms:

- A contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity;
- A contract that will be settled or may be settled using the entity's own equity instruments, and that is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - a derivative instrument that will or may be settled through a form other than the exchange of a fixed amount of cash or another financial asset for a fixed amount of the entity's own equity instruments; For these purposes, the entity's own equity instruments shall not include those that are, in themselves, contracts for the future receipt or delivery of the entity's own equity instruments.

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3.7.2 CLASSIFICATION

Financial assets, other than cash, investments in associates and derivative instruments, which are addressed separately in this note on accounting policies, are classified into three categories as follows:

- At fair value through profit or loss (FVTPL).
- Amortized cost (AC).
- At fair value through other comprehensive income (FVOCI).

The financial assets classification in the aforementioned categories is carried out on the following bases:

- Business model of the Bank and its subsidiaries to manage financial assets and
- Characteristics of the contractual cash flows of the financial asset.

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3.7.3 INITIAL MEASUREMENT

At initial recognition, a financial asset is classified depending on how it will be subsequently measured at amortized cost, at fair value through profit or loss, or at fair value through other comprehensive income, depending on the following conditions:

Financial assets are measured at amortized cost if it meets both of the following conditions:

- The asset is held within a business model whose purpose is to hold financial assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows deriving solely from payments of principal and interest on the principal payment outstanding balance.

Debt instruments are measured at FVOCI only if it meets both of the following conditions and has not been classified as FVTPL:

- The financial asset is held within a business model whose purpose is accomplished at the collection of contractual cash flows and selling such financial assets; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal payment outstanding balance.

During the initial recognition of investments in equity instruments not held for trading, the Bank and its subsidiaries may irrevocably elect to record subsequent changes in fair value as part of other comprehensive income in the equity. Such election shall be made on an instrument per instrument basis.

All financial assets not classified as measured at amortized cost or at fair value through OCI as described above, are measured at fair value through profit or loss.

In addition, in the initial recognition, the Bank and its subsidiaries may classify a financial asset irrevocably which complies with the measurement requirements at AC or FVOCI to be measured at FVTPL if while doing so the accounting asymmetry is suppressed or significantly reduced, which could happen if not doing so. The Bank and its subsidiaries will not use this option for the time being.

Derivative contracts implicit in other contracts wherein the principal contract is a financial asset under the scope of IFRS 9 are not separate and instead the financial instrument is measured and registered jointly as an instrument at fair value through income statement.

3.7.4 SUBSEQUENT MEASUREMENT

After their initial recognition, financial assets are measured as follows:

Classification	Subsequent measurement
Financial assets at fair value through profit or loss (FVTPL)	These assets are subsequently measured at fair value. Valuation gains and losses, including any interest or dividend, are recognized in net income.
Financial assets at amortized cost (AC)	These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in net income. Any gain or loss on derecognition is recognized in net income during the period in which it occurs.
Debt securities at fair value through Other	These assets are subsequently measured at fair value. Interest income calculated

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Classification	Subsequent measurement
comprehensive income (FVOCI)	using the effective interest method; foreign exchange gains and losses and impairment losses are recognized in net income. Other net gains and losses are recognized in OCI and accumulated in the fair value reserve. On derecognition, gains and losses accumulated in OCI are reclassified to gains or loss by realization of OCI.
Equity securities through other comprehensive income (FVOCI)	These assets are subsequently measured at fair value. Dividends are recognized as income in net income. Other net gains and losses are recognized in OCI and are never reclassified to results.

The effective interest method is a procedure used to calculate the amortized cost of an asset and to allocate interest income or cost during the relevant period. The effective interest rate is that which is exactly balances the future cash payments or receipts estimated for the expected life of the financial instrument or, when appropriate, for a shorter period, to the net book value of the asset at initial recognition.

To calculate the effective interest rate, the cash flows are estimated, considering all the contractual terms of the financial instrument, except for future credit losses and considering the initial transaction or granting balance plus transaction costs and premiums granted, less received fees and discounts that are an integral part of the effective rate.

3.7.5 RECLASSIFICATIONS

If and only if, the Bank and its subsidiaries change their business model for its financial asset management, it shall reclassify all financial assets affected in accordance with their classification at initial recognition. The following situations do not constitute changes in the business model:

- A change of intent relating to concrete financial assets (even under circumstances of significant changes in market conditions).
- Temporary disappearance of a particular market for financial assets.
- A transfer of financial assets between parties of the Bank and its subsidiaries with different business models.

Thus, should the Bank and its subsidiaries reclassify the financial assets, such reclassification shall be applied prospectively from the reclassification date. The Bank and its subsidiaries will not restate gains or losses or interest (including gains or losses for value impairment) previously recognized.

The reclassification requirements are as follows:

- If a financial asset measured at amortized cost is reclassified in the category of fair value through profit or loss, its fair value shall be measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and the fair value is recognized in profit or loss.
- If a financial asset measured at fair value through profit or loss is reclassified in the category of amortized cost, its fair value at the reclassification date becomes its new gross carrying amount.
- If a financial asset measured at amortized cost is reclassified into the category of fair value through other comprehensive income, its fair value is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost of the financial asset and fair value is recognized in other comprehensive income. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

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- If a financial asset measured at fair value through other comprehensive income is reclassified into the category of amortized cost, the financial asset is reclassified at its fair value at the reclassification date. However, cumulative gains or losses previously recognized in other comprehensive income is removed from the equity and adjusted against the fair value of the financial asset at the reclassification date. As a result, the financial asset is measured at the date of reclassification as if had always been measured at amortized cost. Such adjustment affects other comprehensive income but not the period's result and therefore it is not an adjustment due to reclassification. The effective interest rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.
- If a financial asset measured at fair value through profit or loss is reclassified into the category of fair value through other comprehensive income, the financial asset shall continue to be measured at fair value.
- If a financial asset measured at fair value through other comprehensive income is reclassified in the category of fair value through profit or loss, the financial asset continues to be measured at fair value. The cumulative gain or loss formerly accumulated recognized in other comprehensive income is reclassified from the equity to the profit or loss as a reclassification adjustment at the reclassification date.

3.7.6 ESTIMATING FAIR VALUE

Fair value is the price that would be received for to shell an asset or paid to transfer a liability in an orderly transaction between market participants at the date of measurement, either in a principal market, or otherwise in the most advantageous market to which the Bank and its subsidiaries have access.

Based on the foregoing, fair value of financial assets is measured as follows:

- For high liquidity assets in Colombia, The Bank and its subsidiaries use dirty prices supplied by an official price vendor authorized by the Financial Superintendence of Colombia and by Bloomberg for international market (see Note 6).
- The fair value of financial assets that are not listed on an active market is determined using valuation techniques. The Bank and its subsidiaries use a variety of methods and assumptions based on the existing market conditions as of each reporting date. The valuation techniques include the use of recent comparable transactions in equal conditions, reference to other substantially equal instruments, discounted cash flow analysis, options price models and other valuation techniques that are commonly employed by market participants, taking maximum advantage of market data (see note 6).
- Collective investment funds are recorded by the deposited value and based on the variations in the value of the equity unit, reported by the trust company that manages it, is adjusted daily with a charge or credit to results.

3.7.7 IMPAIRMENT

General Approach

Impairment criteria described as follows are to be applied over those financial assets of the Bank and its subsidiaries which are not measured at fair value through profit or loss, namely, they apply to financial assets measured at amortized cost and at fair value through other comprehensive income that fall within any of the following categories:

- Debt securities,

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- Loans portfolio and financial leases receivable,
- Financial guarantee contracts issued, and
- Commitments of loans issued.

Impairment Recognition - Expected Credit Loss (ECL):

The Bank and its subsidiaries recognize an impairment of financial assets at amortized cost and at fair value through OCI, in an amount equal to an ECL during the twelve-month period following the financial statements cut-off date or during the remaining useful life of the financial asset. The expected credit loss in the remaining life of the asset is the expected credit loss resulting from all possible impairment events over the expected life of the financial instrument, while the expected credit loss of the twelve-month period is the portion of expected losses that shall result from possible impairment events within the twelve months subsequent to the financial statements reporting date.

The impairment of financial assets is recognized in an amount equal to the ECL during the lifetime of the asset, except in the following cases wherein the amount recognized is equivalent to the ECL of the 12 months subsequent to the measurement date:

- Investments in debt securities which are determined to reflect the credit risk as of the reporting date; and
- Other financial instruments (different than other short-term accounts receivables) over which the credit risk has not increased significantly since initial recognition.

For financial assets at amortized cost, the amount to be recognized for impairment is recorded in the statement of income for the period. On its part, for financial assets at fair value through OCI impairment is recorded in the statement of income with charge to other comprehensive income. The foregoing shows that for financial assets at FVOCI (Fair Value through Other Comprehensive Income) the asset is not affected, since the impairment effect is comprised within the valuation registered in other comprehensive income - OCI.

For the calculation and recognition of impairment financial assets are classified in three stages reflecting the variation of the credit risk of the financial asset for investment:

Stage	Description	Measurement
Stage 1	All financial assets for investment are initially categorized in this stage. Corresponds to financial assets for investment not having a significant increase of credit risk nor showing objective impairment evidence.	Impairment for expected credit losses during the next 12 months.
Stage 2	Financial assets for investment showing a significant increase in credit risk are classified in this stage.	Impairment for expected credit losses during the remaining life of the financial asset for investment.
Stage 3	Financial assets for investment showing objective evidence of impairment are classified in this stage.	Impairment for expected credit losses during the remaining life of the financial asset for investment.

Changes between stages are associated with a significant increase in credit risk and to the objective evidence of impairment assessed over a collective or an individual basis, considering all reasonable and sustainable information, including that which refers to the future.

Simplified approach

The Bank and its subsidiaries have defined to estimate impairment as an amount equal to the expected loss for the remaining life for the following financial assets:

- Accounts receivable resulting from operations not containing a significant financing component, and
- Accounts receivable with a significant financing component equal or less than one year.

The above, taking into account that a financing component is not significant, insofar as the entity expects, that the time between the moment in which a good or service is transferred to the client and the moment in which the customer pays this good, or service is one year or less.

3.7.8 DERECOGNITION OF FINANCIAL ASSETS IN THE STATEMENT OF FINANCIAL POSITION DUE TO TRANSFERS

Financial assets are derecognized in the statement of financial position when their contractual rights to cash flows have expired or because the risks and benefits implicit in the asset are transferred to third parties and the transfer meets the requirements for derecognition. In this last case, the financial asset transferred is derecognized in the consolidated statement of financial position and simultaneously any right or obligation retained or created as a result of the transfer is recognized.

It is deemed that the Bank and its subsidiaries substantially transfers risks and benefits when the transferred risks and benefits represent the majority of risks and benefits of assets transferred. If the risks and/or benefits associated with the transferred financial asset are substantially retained:

- The financial asset transferred is not derecognized in the consolidated statement of financial position and will continue to be valued using the same criteria applied prior to the transfer.
- An associated financial liability is recorded in an amount equal to the consideration received, and subsequently valued at its amortized cost.
- Both the income associated with the transferred financial asset (that has not been derecognized) and the expenses associated with the new financial liability are continued to be recorded.

3.7.9 OFFSETTING FINANCIAL INSTRUMENTS IN THE STATEMENT OF FINANCIAL POSITION

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

3.7.10 DERIVATIVES AND HEDGE ACCOUNTING

A derivative is a financial instrument or other contracts whose value changes in response to changes in one or more variables denominated as “underlying” (a specific interest rate, the price of a financial instrument or commodity, a foreign currency exchange rate, etc.) that does not require an initial net investment (or requires a smaller investment that would be required for certain types of contracts for which a similar response could be expected before changes in the market conditions) and is settled at a future date.

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In the normal course of its operations the Bank and its subsidiaries trade on financial markets with financial instruments that meet the derivatives definition, for hedging purposes or trading or investment. Such as forward contracts, futures contracts, swaps, currency options over currencies.

Derivatives are measured at fair value at the initial recognition. Subsequent adjustments to the fair value are recognized by credit or debit directly in net income, when appropriate, unless the derivative instrument is designated as a hedging instrument, in which case it will depend on the nature of the hedged item and the type of hedging relationship.

The Bank and its subsidiaries designate hedging derivatives of a net investment in foreign currency, making the following accounting: the part of the gain or loss of the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income (OCI) and the ineffective part and/or attributable to risk factors other than foreign exchange rates is recognized in net income in the period. Gains or losses on the hedging instrument accumulated in equity are reclassified to the statement of income at the time of the total or partial disposal of the business abroad.

For fair value hedge of recognized assets or liabilities and firm commitments, changes in the fair value of the derivative instrument (to the extent that coverage is effective) are recognized in net income, as well as any other change in the fair value of the asset, liability or firm commitment relating to the hedge risk.

For hedging transactions that were in effect during 2022, the Bank and its subsidiaries documented at the beginning of the transaction, the Bank and its subsidiaries document the relationship between the hedging instrument and the hedged item, as well as the objective and risk management strategy to undertake the hedge. The Bank and its subsidiaries also documented at the beginning of the transaction and on a recurring basis, their evaluation of the effectiveness of the hedging relationship in offsetting the exposure to exchange risk generated by the net investment abroad or the fair value of other assets.

On the other hand, the Bank implemented accounting hedging operations for variations in the Fair Value of Financial Liabilities (Term Deposit Certificates in COP - CDTs), attributable to the change in the Reference Banking Indicator - IBR, by means of derivative instruments (interest rate swaps), redenominating flows indexed to a fixed rate to flows indexed to IBR. The bank hedges the prime rate component of the CDT's, leaving out of the hedge the spreads associated with the deposits.

This type of hedging is accounted for as follows:

Hedged instrument: The change in its fair value attributable to the hedged risk is measured and the change is recorded in the statement of income, as a result of fair value hedge accounting, in a separate line item.

Hedging instrument - Swap: The derivative instrument is recorded at fair value.

- Clean fair value (effective portion): The effective portion of changes in the clean fair value (does not include net accrued interest), are recognized as a component of income.
- Ineffectiveness: The ineffective portion of the hedge is recognized in profit or loss.

At the inception of transactions, the Bank documents each hedging relationship clearly identifying the primary hedged positions (CDTs) and the hedging instruments used. Prospective and retrospective effectiveness tests are performed using the dollar offset measurement method, comparing changes in the clean fair value of the hedged instrument to changes in the clean fair value of the hedging instrument. The hedge is considered highly effective if the ratio between the changes in the fair value of the clean fair value

of both instruments is in the range of 80% - 125%. If an effectiveness ratio outside this range is identified, the Hedging Committee will evaluate the procedures to be followed under the policy framework.

3.8 DECONSOLIDATION (LOSS OF CONTROL)

Loss of control is a significant economic event in which the parent-subsidary relationship ceases to exist, and an investor-subsidary relationship begins that differs significantly from the previous relationship

Accordingly, the following is the accounting treatment of loss of control:

- The assets, liabilities and non-controlling interests of the former subsidiary are derecognized.
- The investment held is measured at fair value at the date on which control is lost and classified in the appropriate category in accordance with the applicable IFRS. The gain or loss arising from the transaction is recognized in profit or loss for the period.
- Other comprehensive income items related to the former subsidiary are reclassified to profit or loss for the period or retained earnings in accordance with the applicable IFRS, on the same basis as would have been required had the related assets or liabilities been disposed of.

3.9 SPIN-OFF BETWEEN ENTITIES UNDER COMMON CONTROL

The Bank, based on the principles defined in International Accounting Standard 8 - Accounting Policies, Changes in Accounting Estimates and Errors, and in order to report reliable and relevant financial information, in spin-off processes where the shareholders maintain the same shareholdings before and after the spin-off, the book value measurement would be used, if as a consequence of the spin-off a loss of control is generated, it will be applicable in accordance with IFRS 10 Consolidated Financial Statements.

3.10 LOSS OF SIGNIFICANT INFLUENCE

The loss of significant influence is an economic event in which the investor - associate relationship ceases to exist and an investor - investee relationship begins that differs significantly from the previous relationship.

Accordingly, the following is the accounting treatment of the loss of significant influence:

- The investment in the previous associate is derecognized.
- The investment held is measured at fair value at the date when significant influence is lost and is classified in the appropriate category in accordance with the applicable accounting policies. The gain or loss arising from such measurement is recognized in profit or loss for the period.
- Other comprehensive income items related to the former associate are reclassified to profit or loss for the period or retained earnings in accordance with the applicable accounting policies on the same basis as would have been required had the related assets or liabilities been disposed of.

3.11 DISCONTINUED OPERATIONS

The component that has been disposed of and which, in addition, is presented as a discontinued operation:

- Represents a line of business or a geographic area, which is significant and can be considered separate from the rest;
- Is part of a single coordinated plan to dispose of a line of business or geographic area of the operation that is significant and can be considered separate from the rest; or
- It is a subsidiary acquired solely for the purpose of resale.

A component comprises operations and cash flows that can be clearly distinguished from the rest of the entity, both from an operational point of view and for financial reporting purposes.

3.12 NON-CURRENT ASSETS HELD FOR SALE

Assets the Bank and its subsidiaries intend to sell in a period of less than one year, and it is considered highly probable that they will be recovered primarily through sale rather than through continuing use, are recognized as "non-current assets held for sale". These assets are measured at the lower of their carrying amount at the time of transfer and fair value, less estimated costs to sale; the difference between the two corresponds to impairment and is recognized in income.

Impairment losses due to initial or subsequent reductions in the value of the asset (or the group of assets for disposal) up to the fair value less costs to sale are recognized in the statement of income by the Bank and its subsidiaries.

If an asset fails to meet the criteria established for recognition as a non-current asset held for sale, it is necessary to evaluate the category where it will be reclassified, and it will be measured at the lower of:

- Its carrying amount before the asset was classified as held for sale, adjusted for any depreciation, amortization or revaluation that would have been recognized if the asset had not been classified as held for sale, and
- Its recoverable amount on the date of the subsequent decision not to sell it.

3.13 PROPERTY, PLANT AND EQUIPMENT

The Bank and its subsidiaries recognize as property, plant and equipment, the assets held for use, provision of services or for administrative purposes that are expected to be used for more than one period.

Property, plant and equipment are initially measured in the statement of financial position at their acquisition or construction cost. The Bank and its subsidiaries chose as their accounting policy the cost model for the subsequent measurement of assets classified as property, plant and equipment, which includes their cost less their accumulated depreciation and any accumulated value from impairment losses.

Depreciation is calculated by applying the straight-line method over the acquisition cost of the assets, less the residual value thereof, during the estimated useful life of the asset. It is understood that the lands on which buildings and other constructions are built have an undetermined useful life; therefore, they are not subject to depreciation.

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Depreciation is recognized in net income and calculated according to the following useful life:

Category	Useful life
Buildings:	
Foundations - structure and cover	50 to 100 years
Walls and divisions	20 to 30 years
Finishing	10 to 20 years
Machinery and equipment	10 to 25 Years
Computers – Infrastructure TI:	
PC / Laptops / Mobile Devices	3 to 7 years
Servers	3 to 5 years
Communications equipment	5 to 8 years
Specific expansion equipment	5 to 7 years
ATMs	5 to 10 years
Medium and high-capacity equipment: Power plant > 40 kW / UPS > 30 kVA / Air conditioning > 15 T.R.	10 to 12 years
Electrical generator/UPS/Air conditioning in headquarters	5 to 10 years
Office equipment, furniture, and fixtures	3 to 10 years
Vehicles	5 to 10 years

Leasehold improvements

There are adjustments that are made to the leasehold property; they are evaluated to define their recognition as an asset or as an expense. The adjustments recognized as property, plant and equipment are depreciated at the shortest time between the term of the lease (estimated for Right of use – IFRS 16) and the useful life of the asset, improvement or work performed and in accordance with the established useful life ranges in the accounting policy.

Derecognition

The book value of an item of property, plant and equipment is derecognized when it is determined by its disposition or no further associated future economic benefits are expected from its use or disposal. The profits or losses from derecognition are recorded in the statement of income.

Impairment of property, plant and equipment

At the end of each period, the Bank and its subsidiaries analyze whether there is any internal or external evidence that an asset is impaired. If there is evidence of impairment, the Bank and its subsidiaries determine whether there is impairment exists by comparing the net value of the asset recorded with its recoverable amount (the recoverable amount is defined as the higher of the fair value, less costs to sale, and the value in use). When the carrying amount exceeds the recoverable amount, the carrying amount is adjusted to the recoverable amount with effect on income by modifying future depreciation charges to bring them in line with the remaining useful life of the asset.

Likewise, if there are indications that the value of a previously impaired asset has been recovered, the Bank and its subsidiaries estimate the recoverable value of the asset and recognizes the recovery in net income, reversing the impairment loss recorded in previous periods and adjusting future depreciation charges accordingly. In no case the reversal of an impairment loss on an asset may result in an increase in its carrying amount above the value it would have had if impairment losses had not been recognized in previous periods.

3.14 LEASED ASSETS

A contract is, or contains, a lease if it transfers the right to control the use of an asset identified for a certain period of time in exchange for payment of consideration.

The Bank and its subsidiaries are lessees (obtain the right to use an underlying asset) and lessors (provide the right to use an underlying asset) of a variety of assets.

3.14.1 LESSOR

Initial Measurement

Assets provided on lease by the Bank and its subsidiaries are classified at the time the contract is signed as financial or operating leases.

A lease is classified as financial when all risks and advantages associated with the ownership are substantially transferred. These are included in the statement of financial position under the item "loan portfolio, net" and they receive the same accounting treatment as all other granted loans.

A lease is classified as operating when all rights and advantages associated with ownership are not substantially transferred. The assets associated with these contracts are included under the financial statements' item they belong to (property, plant and equipment, investment property or others) and they receive an accounting treatment in accordance with the accounting policies of each category.

Subsequent Measurement

Financial lease contracts are accounted for in the same manner as other loans granted by the Bank and its subsidiaries, financial incomes are recognized over the term of the lease on the basis of a rule that reflects a constant rate of return on the net financial investment the Bank and its subsidiaries have made in the lease.

In contracts classified as operating leases, lease payments are recognized as income on a straight-line basis. For the measurement of assets, in the case of property, plant and equipment, depreciation is calculated less impairment; in the case of investment properties, fair value is updated in accordance with established accounting policies, depending on their classification in the statement of financial position.

3.14.2 LESSEE

Initial Measurement

On the date on which a leased asset is available for use by the Bank and its subsidiaries, the lease is recognized as a right of use assets and a lease liability.

The asset is initially measured at cost, which includes:

- The amount of the initial measurement of the lease liability,
- Any lease payment made before or after the start date minus any lease incentive received,
- Any direct cost initially incurred by the Bank and its subsidiaries, and
- An estimate of the costs to be incurred by the lessee to dismantle and restore the underlying asset.

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In transactions in which control of assets is transferred and they are subsequently leased, the value of the right-of-use asset is measured at the proportion of the previous carrying amount of the asset that relates to the rights of use preserved.

The lease liability is initially measured at the present value of the future lease payments to be made over the term of the lease.

The lease payments are discounted using the incremental interest rate (the rate the lessee would have to pay for taking out a loan with a similar term of the funds required to obtain an asset in the same conditions).

Subsequent Measurement

The effective interest rate method is used for subsequent measurement of the liability, which implies increasing the asset amount to reflect the interest (financial cost) and reducing it to reflect the lease payments made. Each payment is distributed between principal repayment and financial cost. The financial cost is recognized through the Bank and its subsidiaries income over the term of the lease.

The Bank uses the cost model for subsequent measurement of the asset, which includes its cost less depreciation and accumulated impairment losses.

The right of use assets is depreciated on a straight-line basis over the term of the lease.

3.15 INVESTMENT PROPERTY

Investment properties are the land or buildings - considered all or in part - that are held to earn rentals or for capital appreciation or both, rather than for the Bank and its subsidiaries own use.

Investment properties are initially measured at cost, which includes their purchase price and any directly attributable costs.

Directly attributable disbursements include professional fees for legal services, property transfer taxes and other costs associated with the transaction.

Some assets may have been acquired in exchange for one or more non-monetary assets. In such cases, the cost of the asset will be measured at its fair value, unless:

- The exchange transaction is not commercial in nature or,
- The fair value of the asset received or delivered cannot be measured reliably.

The Bank and its subsidiaries selected the fair value model for subsequent measurement the investment property. Fair value measurement is done through technical appraisals, and the gains or losses deriving from changes in fair value are included in net income for the period, when they arise.

Transfers

Transfers to, or from, investment property are made when, and only when, there is a change in use, as indicated by:

- Occupancy of the property by the owner begins, in the case from transfer of an investment property to owner-occupied property,

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- Occupancy of the property by the owner ends, in the case of a transfer from facility with occupancy by the owner to investment property.

The following are details of the accounting treatment for transfers:

- If an investment property is transferred to property, plant and equipment, the cost of the property for the effects of subsequent postings shall be the fair value as of the date on which the change in use took place.
- When an item of property, plant and equipment is transferred to investment property, the cost model shall apply up to the date on which the change in use takes place. At such date, the Bank and its subsidiaries will treat the difference between the carrying value of the property, plant and equipment item and its fair value as determined under the new category, in the same manner as revaluation is reported in accordance with IAS 16.

3.16 BUSINESS COMBINATIONS AND GOODWILL

Business combinations are accounted for by using the “acquisition method” when control is transferred. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. If there are non-controlling minority interests during the acquisition of control of the entity, such non-controlling minority interests are recognized at either fair value or at the proportionate interest in the current property instruments or the recognized amount of the identifiable acquired entity net assets. The difference between the price paid, plus the value of the non-controlling interest, and the net value of the acquired assets and liabilities, determined as described above in this paragraph, is recorded as goodwill.

Goodwill is measured as the excess of the aggregate of consideration transferred, the amount of any non-controlling interest on the acquired entity and the fair value of any interest in the previous equity of the acquired entity over the fair value of net of identifiable acquired assets (including intangible assets) liabilities and contingent liabilities assumed at acquisition date. Goodwill acquired in a business combination is assigned to each of the groups of cash-generating units from which a benefit is expected as a consequence of the combination. After being entered, Goodwill is not subsequently amortized, but it shall be subject to an annual assessment of impairment of the cash-generating unit to which goodwill has been assigned, from which benefits are expected deriving from the synergies of business combinations.

A loss due to impairment recognized on Goodwill cannot be reversed in subsequent periods. In addition, the acquired entity's accounts of the statement of income are included in the consolidated financial statements from the legal acquisition date.

3.17 OTHER INTANGIBLE ASSETS

The intangible assets the Bank and its subsidiaries consist of non-monetary assets that have no physical appearance and are the result of a separate acquisition or are developed internally. These are assets whose cost can be estimated reliably, and the future economic benefits are considered likely to flow into the Bank and its subsidiaries.

They are initially measured at the cost incurred in the acquisition or internal development phase. Costs incurred in the research phase are recognized directly in income.

In the subsequent measurement, such assets are amortized on a straight-line basis over their estimated useful life, which, in the case of computer software, is up to ten (10) years based on technical concepts and

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the experience of the Bank and its subsidiaries, except when the technical study defines longer periods. In the case of licenses, the estimated useful life is up to five (5) years.

The trademarks of the Bank and its subsidiaries are non-amortizable intangible assets.

At each balance sheet date, the Bank and its subsidiaries analyze whether there are any external or internal indications of impairment. If indications of impairment are found, the Bank and its subsidiaries compare the book value of the asset with its recoverable amount (the higher of its fair value less costs of disposal and its value in use). Any subsequent impairment losses or reversals are recognized in income for the year.

3.18 FINANCIAL LIABILITIES

A financial liability is (a) any contractual obligation the Bank and its subsidiaries have to deliver cash or other financial assets to another entity, or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Bank and its subsidiaries (b) an agreement that will or may be settled using equity securities owned by the Bank and its subsidiaries.

Financial liabilities are initially recognized at fair value less transaction costs that are directly attributable to their issuance. Subsequently, financial liabilities are measured at amortized cost in accordance with the effective interest rate method, and the financial expenses are recognized in net income (except for the derivatives that are measured at fair value).

Financial liabilities are derecognized from the statement of financial position if and only if they have been extinguished, namely, when the obligation specified in the corresponding contract has been paid canceled or has expired.

The Bank and its subsidiaries financial liabilities include checking accounts, savings accounts, time certificates of deposit, bonds issued, derivatives and financial obligations.

3.19 FINANCIAL GUARANTEES

Financial guarantees are those contracts requiring that the issuer makes specified payments to reimburse the holder for losses incurred when a specific debtor defaults its payment obligation, in accordance with the original or modified conditions of a debt instrument, regardless of its legal form. A financial guarantee can take several forms, including bonds and sureties.

Financial guarantees, regardless of the guarantor, instrumentation or other circumstances, are analyzed regularly to determine the credit risk to which they are exposed and, if applicable, to estimate the need to constitute a provision for them, which is determined by applying criteria similar to those established to quantify impairment losses on financial assets.

The provisions established over financial guarantee agreements classified as impaired, are recognized as liabilities under "Provisions for contingent risks and commitments" and recognized in net income.

The Income from accrued commissions is recognized on a straight-line basis over the life of the guarantees.

3.20 EMPLOYEE BENEFITS

The Bank and its subsidiaries grant their employees the following benefits as consideration in exchange for their services:

3.20.1 SHORT-TERM BENEFITS

These are the benefits that the Bank and its subsidiaries expect to pay within 12 months after the end of the reporting period. They are measured at their face value, recognized through an accrual accounting system and charged to net income or as part of the development of other assets, such as intangible assets, as appropriate.

3.20.2 POST-EMPLOYMENT BENEFITS

These are employee benefits that are paid after the employment period has ended, other than indemnities due to contract termination. These benefits correspond to:

- **Defined contribution plans:**

These are post-employment benefit plans in which the Bank and its subsidiaries make predetermined contributions to a separate entity (a fund) and have no legal or implicit obligation of make any further contributions in the event the fund has insufficient assets to cover the employee benefits.

The payments made by the Bank and its subsidiaries to funds are measured on a non-discounted base amount and are accounted for using the accrual accounting system against income. The defined contributions plans do not require the use of actuarial assumptions to measure the liability or the expense; consequently, they do not generate actuarial gains or losses.

- **Defined benefit plans**

These are post-employment benefit plans other than the defined contribution plans described above.

The liability is determined by the present value of estimated future payments to employees, calculated based on of actuarial studies prepared using the projected unit credit method, taking into consideration actuarial assumptions on mortality rates, salary increases, staff turnover and interest rates determined based on prevailing bond market returns at the close of a National Government issuance or high-quality corporate bonds.

Under the projected unit credit method, future benefits to be paid to employees are assigned to each accounting period in which the employee provides the service. Therefore, the cost of these benefits is reported in the Bank and its subsidiaries statement of income, including the cost of the present service assigned in the actuarial calculation plus the calculated financial cost of the liability.

Variations on the liability for post-employment benefits due to changes in actuarial assumptions and adjustments for experience are reported in equity through Other Comprehensive Income (OCI).

3.20.3 OTHER LONG-TERM BENEFITS

These are employee benefits other than short-term employee benefits that are provided in post-employment periods and after any severance payments.

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3.20.4 WORK CONTRACT TERMINATION BENEFITS

These are payments the Bank and its subsidiaries are required to make due to a unilateral decision to terminate the contract of an employee or due to an employee's decision to accept an offer from the Bank and its subsidiaries in exchange for terminating his or her work contract.

Termination benefits are recorded as a liability charged to net income on the earlier of the following dates:

- When the Bank and its subsidiaries can no longer withdraw the offer of those benefits.
- When provisions are recognized for the cost of restructuring that involves the payment of termination benefits.

Therefore, if termination benefits are expected to be fully settled within twelve months after the reporting period, the Bank and its subsidiaries will apply the requirements of the policy on short-term employee benefits. However, if termination benefits are not expected to be fully settled within twelve months after the reporting period, the Bank and its subsidiaries will apply the requirements of the policy on other long-term employee benefits.

The following are the main employee benefits:

Benefits	Detail
Short-term benefits	<ul style="list-style-type: none"> • Salaries • Bonuses • Transportation subsidy • Overtime • Night shift surcharge • Severance fund • Interest on severance fund • Vacations • Mandatory bonuses • Extra-legal bonuses • Social security and payroll tax contributions <ul style="list-style-type: none"> • Paid sick leave • Licenses • Medical insurance policy • Death indemnity • Christmas bonus • Subsidy for death of relatives • Subsidy for education • Life insurance • Toys for employees' children
Post-employment benefits	<ul style="list-style-type: none"> • Defined benefit plans: pension fund contributions • Defined benefit plans: Retirement pension and severance payments taken on directly by the entity.
Other Long-term Benefits	<ul style="list-style-type: none"> • Seniority bonuses for unionized employees. • Seniority bonuses for non-unionized employees. • Gratuities
Termination benefits	<ul style="list-style-type: none"> • Indemnity for termination. • Indemnity for voluntary resignation. • Severance fund. • Seniority bonus.

3.21 TAXES

3.21.1 INCOME TAX

Income tax expenses include current and deferred tax. Tax expenses are recognized in net income except for items recognized in Other Comprehensive Income (OCI) or directly in equity.

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Additional details are provided below on the policy adopted for each of these items:

- **Current tax**

Current tax includes the expected tax payable or receivable on the taxable income or loss for the year and any adjustments related to prior years. It is measured using the approved tax rates and the fiscal regulations substantially promulgated as of the date of the statement of financial position.

Income tax calculated based on differences of interpretation of tax law are previously assessed by each subsidiary and estimated on the amount that may give rise to future payments to the tax authority.

The Bank and its subsidiaries recognize the current tax as a liability while it remains unpaid or as an asset if payments already made result in a debit balance.

- **Deferred tax**

Deferred taxes are recognized on temporary differences arising between the tax bases for assets and liabilities and the amounts recognized in the consolidated financial statements. These differences result in amounts that are deductible or taxable when determining tax gains or losses corresponding to future periods when the asset's carrying amount is recovered or the liability is settled. However, deferred tax liabilities are not recognized if: i) they arise from the initial recognition of goodwill ii) they arise from the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, does not affect accounting or tax gain or loss.

Deferred tax is calculated using the tax rates in effect as of the statement of financial position date and at the rates that are expected to apply when the deferred tax asset is to be realized or when the deferred tax liability is to be paid.

Deferred tax assets are recognized only when entities are probable to have future taxable profits against which temporary differences can be utilized.

Deferred tax liabilities are recognized on taxable temporary differences that arise, when the possibility of reversing such temporary difference is controlled by the Bank and its subsidiaries, and it is not probable that such reversion will take place in the near future. The only exception is for deferred tax liabilities associated with investments in subsidiaries, associates and joint ventures.

Deferred tax assets and liabilities are offset when the Bank and its subsidiaries have a legally enforceable right to offset current taxes assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority on the same taxable entity or on different taxable entities when the legal right exists and is intended to offset the balances on a net tax basis.

3.21.2 TAXES AND CONTRIBUTIONS OTHER THAN INCOME TAX

Levies and contributions to the Colombian government, other than income tax, are recorded as liabilities when they occur or when the activity originating tax payment is carried out, according to the legislation in force.

- **Industry and commerce tax**

Municipal tax levied on income obtained from the development of commercial, industrial and service activities.

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In applying article 86 of Law 2010 of 2019, the Bank and its national subsidiaries for purposes of determining the corresponding income tax for the 2022 taxable period, can take 50% of the industry and commerce tax, notices and boards effectively paid in the year as a tax discount or 100% of the expense incurred in the year as a deductible.

The Tax Reform for equality and social justice, Law 2277 of 2022, repealed as of taxable year 2023, the possibility of taking 50% of the industry and commerce tax, notices and boards effectively paid in the taxable year or period, a benefit maintained by the Social Investment Law 2155 of 2021 until the year 2022, leaving as of the year 2023 and subsequent years, the option of taking 100% of the expense caused in the year as deductible.

- **VAT on capital goods**

With the entry into force of Law 1943 of 2018 and subsequently from Law 2010 of 2019, the possibility of treating as income tax discount the VAT paid on the importation, building, construction or acquisition of real productive fixed assets, was incorporated into the national legal system. The assets that the Bank takes into account to classify the benefit are those tangible assets that are acquired to form part of the patrimony, participate directly and permanently in the income-producing activity of the taxpayer and are depreciated for tax purposes.

When the VAT paid becomes a tax discount of the income tax, which allows the amount to be charged directly against the tax calculated on the net income, this is understood as an amount already paid from the income tax (income tax advance), consequently, it is recorded as an account receivable within the statement of financial position that is compensated in accordance with the provisions of paragraph 71 of IAS 12.

3.22 PROVISIONS AND CONTINGENCIES

3.22.1 PROVISIONS

They are liabilities of uncertain amount or duration. They are recognized in the statement of financial position if:

- The Bank and its subsidiaries have a present obligation (legal or implicit) arising of past events.
- Outflow of resources that embodying economic benefits will probably required to settle the obligation; and
- The Bank and its subsidiaries can make a reliable estimate of the amount of the obligation.

The amount recognized as a provision is determined at the end of the reporting period, by the best estimate. In cases where settlement is expected in the long run, its present value is discounted as long as the discount is significant and the cost of providing this estimate does not outweigh its benefits.

Provisions are updated regularly, at least at the end of each period, and are adjusted to reflect the best estimate available at the time. The updating of a provision to reflect the passing of time is recognized in statement of income for the period as a financial expense. In the event an outflow of resources to settle the obligation is no longer probable, the provision is reversed, and the contingent liability is disclosed, as appropriate. If there is any change in the estimates, it is accounted for prospectively as a change in the accounting estimate.

3.22.2 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events which are wholly within the control of the Bank and its subsidiaries. Contingent liabilities are subject to disclosure and, to the extent they become probable liabilities, they are recognized as a provision.

3.22.3 CONTINGENT ASSETS

Assets of a possible nature, arising as a result of past events, the existence of which must be confirmed only by the occurrence or non-occurrence of one or more uncertain events in the future, which are not entirely under the control of the Bank and its subsidiaries, are not recognized in the statement of financial position; instead, they are disclosed as contingent assets when their occurrence is probable. When the contingent event is true, the asset and the associated income are recognized in net income of the period.

3.23 INCOME

3.23.1 INCOME FROM INTEREST

The Bank and its subsidiaries recognize income from interest of loans, debt securities and other debt instruments, using the effective interest rate method. The calculation of the effective interest rate includes all commissions and basic points of interest, paid or received by the parties to the contract, which integrate the effective interest rate, transaction costs and any other discounts or bonuses.

3.23.2 COMMISSIONS

Commission income is measured based on the consideration specified in a contract with a customer. The Bank and its subsidiaries recognize income when it transfers control over a service to a customer.

The financial entities of the Bank and its subsidiaries provide banking services to retail and corporate customers, including account management, provision of overdraft facilities, foreign currency transactions, credit card and servicing fees. Fees for ongoing account management are charged to the customer's account on a monthly basis. Each financial entity establishes the rates separately for retail and corporate banking customers on an annual basis. Transaction-based fees for interchange, foreign currency transactions and overdrafts are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually. Income from banking service and servicing fees is recognized as the services are provided. Income related to transactions is recognized at the point in time when the transaction takes place.

Other commissions and services charged by the Bank and its subsidiaries include: storage, customs agency, trust activities, among others. These incomes are recognized under the criteria of IFRS 15, with this premise, when customers receive the benefits as time goes by, when an asset is created or when the product has an alternative use (it is not a custom product), income is recognized over time. If the income is not recognized over time according to the previously premises, it is recognized at a specific time, which is generally at the time when control is transferred to the client.

3.23.3 DIVIDENDS

Dividends are recognized for those shares where the Bank and its subsidiaries have no control or significant influence, that is, investments below 20% that are not classified as investments on joint ventures, if:

- The Bank and its subsidiaries probable receive the dividend payment is established.
- It is probable that the Bank and its subsidiaries will receive economic benefits associated with the dividend; and
- The dividend's amount can be measured in a feasible manner.

3.23.4 CUSTOMER LOYALTY PROGRAM

The financial entities operate customer loyalty programs in which customers accumulate points for purchases and can redeem reward points in accordance with the policies and rewards plan in effect at the time of redemption. Points for rewards are recognized as an identifiable component separate from the initial sale transaction to fair value. The income of the loyalty programs is deferred and recognized in the statement of income when the entity has complied with its obligations of offering products under the program's terms or when it is not likely that the points under the program rules are redeemed. A contractual liability is recognized until the points are redeemed or the same expire.

The Bank and its subsidiaries act as principals in customer loyalty programs if they obtain control of the goods or services in advance, or if transfers control over such goods or services to a customer. The Bank and its subsidiaries act as agents if their performance obligation is to arrange that the other party offers such goods or services.

3.23.5 OTHER INCOME

When the definition of income is met, as outlined in the Framework for Financial Reporting, income not included in the foregoing categories is recognized by the Bank and its subsidiaries in income for the period.

3.24 INSURANCE OPERATIONS

Insurance contracts are defined as agreements in which a significant insurance risk of another party (the insured) is accepted, with a commitment to pay the insured or another beneficiary in the event an uncertain future event takes place (the insured event) that adversely affects the insured or beneficiary.

As a general rule, the Bank and its subsidiaries determine whether a contract involves a significant insurance risk by comparing the benefits charged to the benefits payable if the insured event takes place. An insurance contract can also transfer financial risks. Insurance contracts are carried to the end of their duration, even when the insurance risk is significantly reduced, until all risks and obligations have been settled or expired. In the normal course of business, the Bank and its subsidiaries have entered into reinsurance agreements with reinsurers.

The ceded reinsurance payable is the part of the premium that is transferred to third parties for their participation in the risk; it is a form a risk sharing. The Participation is agreed in reinsurance contracts; however, reinsurance contracts do not release the Bank and its subsidiaries from the obligations contracted, maintaining responsibility to the insured, policyholders or beneficiaries.

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Reinsurance receivable represents the balance of amounts receivable from reinsurance companies arising from claim events, in which the Bank and its subsidiaries take on the responsibility for the indemnity in favor of the insured, and for the reinsurance accepted in favor of other insurance companies. The amounts that are expected to be recovered from reinsurers are recognized in accordance with the clauses contained in the contracts signed by both parties.

Any gains or losses in reinsurance contracts are recognized in operating profit or loss immediately on the date of the contract and are not amortized.

Income and expenses on insurance operations are recorded as follows:

- Premiums receivables are recognized when the insurance policy is issued. Premium income for the contract period established in the policy are recognized at the time when coverage starts, regardless of the status of premium payments. Coverage begins upon acceptance of the customer's request for insurance and collection of the premium, which may be fractioned, and when a single premium is charged, recognition as income is deferred over the valid term of the policy.
- Reinsurance and fee expenses, and all other income and expenses associated with issuance of the policy, are recognized at the same time as the premium income.

3.25 BASIC AND DILUTED NET EARNINGS PER SHARE

Net earnings per basic share are determined by dividing net income for the period attributable to the Bank and its subsidiaries shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share are determined on net income in the same way, and the weighted average number of outstanding shares is adjusted to account for the potential dilutive effect, if applicable. The Bank and its subsidiaries do not have financial instruments with potential voting rights.

NOTE 4 – NEW ACCOUNTING PRONOUNCEMENT

The Bank and its subsidiaries continuously review the evolution, changes and impacts on its financial statements arising from the standards and amendments issued by the regulatory entities in Colombia and by the International Accounting Standards Board (IASB).

On August 5, 2022, the National Government issued Decree 1611/2022, modifying the Regulatory Technical Standards to incorporate and give applicability in Colombian legislation to the amendments issued by the IASB in the 2021 period (some of the amendments incorporated in the decree are detailed below). However, the amendments have not been applied by the Bank due to the fact that the validity of the decree in question is effective as from January 1, 2024.

The following is a summary of the new accounting pronouncements issued by the IASB, that have not been applied by the Bank because they have not yet gone into effect internationally. Management is currently evaluating the potential impact of these releases on the Bank and its subsidiaries consolidated financial statements.

New statements of the IASB	Title of the standard or amendment	Summary	International application date
Amendment to IAS 1	Non-current liabilities with Covenants.	The amendments to IAS 1 Presentation of Financial Statements seek to improve the information that companies report on long-term debt with covenants.	January 1, 2024

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New statements of the IASB	Title of the standard or amendment	Summary	International application date
Amendment to IFRS 16	Lease liability on a sale and leaseback amendments Amendments to IFRS 16.	The amendments to IFRS 16 Leases, add requirements for accounting for a sale and leaseback after the date of the transaction.	January 1, 2024
IFRS 17	Insurance contracts	The new standard sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts, reinsurance contracts and investment contracts with discretionary participation features.	January 1, 2023
Amendment to IFRS 17	First-time adoption of IFRS 17 and IFRS 9 Comparative Information	This limited scope amendment on the requirements for the transition to IFRS 17 offers insurers an option to improve the usefulness of the information for their investors during the transition following first-time adoption. The amendments are in reference only to the transition and do not affect the requirements of the standard.	January 1, 2023
Amendment to IFRS 4	Temporary extension - Exemption from applying IFRS 9	Is extended the current exemption for insurers with respect to the application of IFRS 9 Financial Instruments to allow them to simultaneously implement both IFRS 9 and IFRS 17.	Until January 1, 2023
Amendment to IFRS 10 and IAS 28	Sale or contribution of assets between an investor and its associate or joint venture	Clarifies that a gain or loss derived from the sale or contribution of assets that constitute a business between an investor and its associate or joint venture must be recognized in its totality.	Indefinite application date.
Amendments to IAS 1 and IFRS Practice Statement 2	Amendment to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	The amendments will help companies improve their disclosure of accounting policies in order to provide more useful information to investors and other main users of the financial statements. The amendments to IAS 1 clarify disclosure requirements on accounting policies. The amendments to IFRS Practice Statement 2 provide orientation on how to apply the concept of materiality to the disclosure of accounting policies.	January 1, 2023
Amendments to IAS 8	Amendment to IAS 8: Definition of accounting estimates	The amendments clarify how companies should distinguish between changes in accounting policies and changes in accounting estimates. This distinction is important because changes in accounting estimates are applied prospectively only to future transactions and other events, whereas changes in accounting policies generally apply retrospectively to past transactions and other events.	January 1, 2023
Amendments to IAS 12	Amendment to IAS 12- Deferred Tax related to Assets and Liabilities arising from a Single Transaction.	The purpose of the amendment is to clarify the recognition of deferred taxes on leases and dismantling obligations. Taxes are exempt from recognizing deferred taxes when they recognize assets or liabilities for the first time. The amendments clarify that the exemption does not apply to leases and dismantling obligations (transactions on which companies recognize both an asset and a liability) and that companies are required to recognize deferred taxes on such transactions.	January 1, 2023

NOTE 5 – USE OF ACCOUNTING JUDGMENTS AND ESTIMATES WITH SIGNIFICANT EFFECT ON THE FINANCIAL STATEMENTS

The Bank and its subsidiaries management make certain judgments in the process of applying accounting policies and make estimates and assumptions that have a significant effect on the amounts recognized in the financial statements and the book value of assets and liabilities. Judgments and estimates are continuously evaluated and based on management's experience and other factors, including the expectation of future events that are believed to be reasonable.

In preparing the consolidated financial statements as of December 31, 2022, significant judgments made by the Bank and its subsidiaries in the application of accounting policies and key sources of estimates that have the most significant effects on the amounts recognized in the consolidated financial statements and estimates that may cause a material adjustment to the carrying amounts of assets and liabilities in the next period include, in addition to the new judgments and estimates related to the spin-off and loss of control transaction described in Note 2.1 and the transfer of assets to the Nexus private equity fund (see Note 2.5), the following:

5.1 IMPAIRMENT OF FINANCIAL ASSETS

The degree of judgment required for estimating expected credit losses depends on the availability of detailed information. To the extent that the horizon of the forecast increases, the availability of detailed information decreases, and the degree of judgment required for estimating losses increases. Expected estimates of credit losses does not require an estimated detail for distant future periods; for such periods an entity may extrapolate projections based on detailed information available.

5.2 FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments is an estimated that reflects the price at which an orderly transaction would take place to sell an asset or transfer a liability between market participants. A hierarchy of fair value is established that classifies the input data of valuation techniques used to measure fair value into three levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets and liabilities (Level 1 input data) and the lowest priority to unobservable input data (input data Level 3).

The information on the fair values of instruments classified by levels using directly observable data for Level 1, based on market data for Level 2 and unobservable data in Level 3 are disclosed in Note 6.

The determination of what constitutes "observable" requires significant judgment by the management of the Bank and its subsidiaries. The Bank and its subsidiaries consider observable data those market data already available, distributed or regularly updated by the price vendor and are reliable and verifiable, and that are provided by independent sources that actively participate in the market in reference.

5.3 DEFERRED INCOME TAX

The Bank and its subsidiaries evaluate the possibility of realizing deferred income tax assets over time.

These represent taxes on earnings that can be recovered through future deductions from taxable income and are recorded in the statement of financial position. Deferred tax assets are recoverable when the relative tax benefits are regarded as probable. Future tax income and the amount of tax benefits considered to be probable in the future are based on the mid-term plans prepared by each entity of the

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Bank and its subsidiaries. The business plan is based the expectations of the management of each entity of the Bank and its subsidiaries that are believed to be reasonable under the circumstances.

As of December 31, 2022, and 2021, the Bank and its subsidiaries estimate that the deferred income tax asset items will be recoverable based on their estimates of future taxable income. Deferred tax liabilities in respect of investments in subsidiaries are recognized on taxable temporary differences except when the Bank and its subsidiaries control the timing of their recovery and it is probable that the difference will not reverse in the foreseeable future, see Note 20.4.

In addition, the Bank and its subsidiaries have monitored the interpretations of tax laws by, and decisions of, the tax authorities so that management can adjust any prior judgment of accrued income taxes, these adjustments may also result from the Bank and its subsidiaries income tax planning or resolutions of income tax controversies and may be material to operating results for any given periods.

5.4 EVALUATING IMPAIRMENT OF GOODWILL

The Bank's management and its subsidiaries carry out an impairment assessment of the groups of cash-generating units to which the goodwill recorded in their consolidated financial statements have been distributed. It does so on an annual basis on September 30 and when there are indications that any of the cash generating units (CGU) to which goodwill was allocated might be impaired, based on studies to that effect conducted by independent experts engaged for this purpose. As of December 31, 2022, the impairment assessment of goodwill was updated.

These studies are conducted based on valuations of the cash-generating units to which goodwill was assigned upon its acquisition. This is done by the discounted cash flow method, taking into account a number of factors, such as the economic situation of the countries and the sectors where the Bank and its subsidiaries operates, historical financial information, and projections on growth income and expenses in the next five years and, subsequently, growth in perpetuity considering its profit capitalization rates discounted at risk-free interest rates that are adjusted according to the risk premiums that are required given the circumstances of each entity.

The methods and assumptions used for the valuations are outlined in Note 18.

5.5 ESTIMATES FOR LAWSUITS PROVISIONS

The Bank and its subsidiaries estimate and record a provision for legal processes. The idea, in this respect, is to be able to cover possible losses in suits involving labor, civil, mercantile, tax or other disputes. This estimate is based on management's opinion, supported by the opinions of external legal advisors, when warranted by the circumstances and when losses are considered probable and can be quantified reasonably. Due to the nature of these claims, lawsuits and/or processes, it is impossible, in some cases, to make an accurate prediction, therefore, the differences between the actual amount of disbursements effectively realized and the amounts initially estimated and provisioned are recognized in the period in which they are identified. See Note 24.

5.6 EMPLOYEE BENEFITS

The measurement of post-employment benefit obligations (pensions, severance and retirement bonuses) and other long-term obligations (seniority bonuses), depends on a wide variety of long-term term actuarial premises and assumptions, including estimates of the present value of future payments projected for the benefits, considering the likelihood of potential future events, such as increases in the minimum wage and

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demographic experience. These premises and assumptions can have an effect on the amount and on future contributions, if there is any variation.

The discount rate makes it possible to ascertain future cash flows at present value on the measurement date. The Bank and its subsidiaries determine a long-term rate that represents the market rate for high-quality fixed income investments or for government bonds denominated in the currency in which the benefit will be paid and considers the timing and amounts of future benefit payments. The Bank and its subsidiaries have selected government bonds for this purpose.

The Bank and its subsidiaries utilize other key assumptions for appraising actuarial liabilities, calculated depending on the specific experience of the Bank and its subsidiaries, combined with statistics published as well as market indexes (see Note 23, which describes the most important assumptions utilized in actuarial calculations and the respective sensitivity analyses).

5.7 LEASE TERMS

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

In order to establish the initial measurement of the lease liability, it is necessary to calculate the present value of the contract payments, using a rate to discount cash flows. The assumption of the discount rate is one of the most important judgments that entities need to make and that can have a significant impact on the valuations of the right-of-use asset and the financial liability for lease.

At the beginning, the lessee must use the implicit interest rate in the lease as a discount rate; however, if the implied interest rate cannot be easily determined, the lessee must use the incremental borrowing interest rate that is defined as: "The interest rate that a lessee would have to pay for borrowing in a similar term, the funds necessary to obtain an asset of similar value to the asset by right of use in a similar economic environment."

By definition of the Bank and its subsidiaries, subsidiaries that are not credit institutions, the rate to be used for this type of leases will be the one quoted by banking entities of the Bank and its subsidiaries, for Financial Leasing operations.

For subsidiaries that are banking institutions, it was defined that, in order to estimate the incremental discount rate, factors such as the construction of the marginal funding curve and the estimated term of the contract are taken into account.

NOTE 6 – ESTIMATE OF FAIR VALUE

The fair value of financial assets and liabilities traded in active markets (such as financial assets in debt securities, equity securities and derivatives quoted actively on securities exchanges and interbank markets) is based on dirty prices and/or input supplied by an official price vendor authorized by the Financial Superintendence of Colombia. These prices mainly are based on the weighted averages of the transactions that occurred during the trading day.

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An active market is a market in which transactions for assets or liabilities identical to those being measured take place with sufficient frequency and volume to provide price information on an ongoing basis. A dirty price is that which includes accumulated interest on the security as from the date of issuance or last payment of interest, until the valuation date.

The fair value of financial assets and liabilities that are not traded in an active market is determined through appraisal techniques determined by the price vendor. The valuation for non-standardized financial instruments such as options, currency swaps and over-the-counter derivatives is performed using the discounted cash flow technique as of inputs and/or interest-rate valuation curves. Price vendor construct these curves using market data extrapolated to specific conditions of the instrument being appraised. The valuation of instruments with optionality are based on specific models such as Black-Scholes and other valuation techniques commonly used by market players who take maximum advantage of observed market data and rely as least as possible on entity-specific information.

The Bank and its subsidiaries calculate the fair value of debt securities and derivative instruments daily, using information on prices and/or input supplied by the officially designated official price vendor (PRECIA S.A. Proveedor de Precios para la Valoración S.A.) and Bloomberg for foreign entities. This vendor was authorized following its compliance with the standards applicable to valuation price vendors in Colombia, including their purpose, operational regulations, the valuation-method approval process, and required technological infrastructure, to name but a few. After assessing the price vendor's methodologies, it was concluded that the fair value calculated for debt securities and derivative instruments based on the prices and input supplied by PRECIA S.A. is adequate.

The Bank and its subsidiaries can use models developed internally for financial instruments that do not have active markets. Generally, these are based on valuation methods and techniques that are standard in the financial sector. Valuation models are used primarily to assess unlisted equity securities, debt securities and other debt instruments for which the markets were or have been inactive during the accounting period. Some of the data for these models are not observable in the market and, consequently, are estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and the valuation techniques used may not fully reflect all the factors relevant to the Bank and its subsidiaries position. Therefore, valuations are adjusted, as needed, to accommodate for additional factors such as model risk, liquidity risk and counterparty risk.

The fair value of non-monetary assets, such as loan collateral for the purposes of determining the customer's loans granted and investment property, is based on appraisals by independent expert appraisers who are sufficiently experienced and knowledgeable about the real estate market, or the asset being valued. Generally, these assessments are made with reference to market data or based on the replacement cost, when there are not enough market figures.

The classification of the fair value hierarchy by levels is made considering the criteria mentioned in Note 6.3.

In the cases where the entry data are used for measuring fair value may be classified in different hierarchical levels. The measurement of fair value of instrument is classified as a whole at the same level of fair value of the input data of the lowest level which is significant for the whole measurement.

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6.1 MEASUREMENTS OF FAIR VALUE ON A RECURRING BASIS

Fair value measurements are those required by accounting regulations or allowing the statement of financial position at the end of each accounting period.

The following table shows the Bank and its subsidiaries assets and liabilities (by type) measured at fair value on a recurring basis:

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Assets				
Investments in debt securities at fair value through profit or loss				
Colombian government	\$ 13,786	79,318	0	93,104
Other Colombian government entities	0	133,952	0	133,952
Other financial entities	0	162,262	0	162,262
Foreign governments	0	57,600	0	57,600
Others	0	16,295	0	16,295
	13,786	449,427	0	463,213
Equity securities at fair value through profit or loss	0	112,579	972,660	1,085,239
Total investments at fair value through profit or loss	13,786	562,006	972,660	1,548,452
Investments in debt securities at fair value through OCI				
Colombian government	4,080,212	1,293,249	0	5,373,461
Other Colombian government entities	367,560	177,970	0	545,530
Other financial entities	0	732,933	0	732,933
Non-financial sector entities	0	36,910	0	36,910
Foreign governments	1,622,089	1,721,979	0	3,344,068
Central banks	0	194,098	0	194,098
Others	1,796	598,024	0	599,820
	6,071,657	4,755,163	0	10,826,820
Equity securities at fair value through OCI	3,627	0	822,222	825,849
Total investments at fair value through OCI	6,075,284	4,755,163	822,222	11,652,669
Instrument financial derivatives at fair value				
Trading derivatives				
Currency forwards	0	526,598	0	526,598
Interest rate swaps	0	121,708	0	121,708
Cross currency swaps	0	78,456	0	78,456
Currency options	0	59,413	0	59,413
	0	786,175	0	786,175
Hedging derivatives				
Interest rate swaps	0	107	0	107
	0	107	0	107
Total derivatives at fair value	0	786,282	0	786,282
Investment property	0	0	236,606	236,606
Total assets at fair value on recurring basis	6,089,070	6,103,451	2,031,488	14,224,009
Liabilities				
Trading derivatives				
Currency forwards	0	293,734	0	293,734
Interest rate swaps	0	151,077	0	151,077
Cross currency swaps	0	111,103	0	111,103
Currency options	0	75,962	0	75,962
	0	631,876	0	631,876

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December 31, 2022				
	Level 1	Level 2	Level 3	Total
Hedging derivatives				
Interest rate swaps	0	2,015	0	2,015
	0	2,015	0	2,015
Total liabilities at fair value on recurring basis	\$ 0	633,891	0	633,891

December 31, 2021				
	Level 1	Level 2	Level 3	Total
Assets				
Investments in debt securities at fair value through profit or loss				
Colombian government	\$ 216,969	154,912	0	371,881
Other Colombian government entities	0	185,685	0	185,685
Other financial entities	0	599,602	0	599,602
Non-financial sector entities	0	2,134	0	2,134
Foreign governments	0	150,961	62,901	213,862
Others	0	24,639	0	24,639
	216,969	1,117,933	62,901	1,397,803
Equity securities at fair value through profit or loss	0	116,935	752,701	869,636
Total investments at fair value through profit or loss	216,969	1,234,868	815,602	2,267,439
Investments in debt securities at fair value through OCI				
Colombian government	2,802,515	1,989,959	0	4,792,474
Other Colombian government entities	0	375,909	0	375,909
Other financial entities	0	2,568,316	18,094	2,586,410
Non-financial sector entities	0	492,109	0	492,109
Foreign governments	1,288,405	11,358,440	0	12,646,845
Central banks	0	1,857,719	0	1,857,719
Others	52,467	923,863	7,826	984,156
	4,143,387	19,566,315	25,920	23,735,622
Equity securities at fair value through OCI	5,128	4,062	275,907	285,097
Total investments at fair value through OCI	4,148,515	19,570,377	301,827	24,020,719
Instrument financial derivatives at fair value				
Trading derivatives				
Currency forwards	0	279,031	0	279,031
Interest rate swaps	0	48,314	0	48,314
Cross currency swaps	0	39,589	0	39,589
Currency options	0	36,171	0	36,171
	0	403,105	0	403,105
Hedging derivatives				
Currency forwards	0	5,379	0	5,379
	0	5,379	0	5,379
Total derivatives at fair value	0	408,484	0	408,484
Investment property	0	0	243,453	243,453
Total assets at fair value on recurring basis	4,365,484	21,213,729	1,360,882	26,940,095
Liabilities				
Trading derivatives				
Currency forwards	0	206,560	0	206,560
Interest rate swaps	0	65,114	0	65,114
Cross currency swaps	0	69,858	0	69,858
Currency options	0	53,892	0	53,892
	0	395,424	0	395,424

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	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Hedging derivatives				
Currency forwards	0	33,016	0	33,016
Interest rate swaps	0	18,973	0	18,973
	0	51,989	0	51,989
Total liabilities at fair value on recurring basis	\$ 0	447,413	0	447,413

See more detail in Note 10-Financial Assets

6.2 NON-RECURRENT MEASUREMENTS OF FAIR VALUE

The fair value is determined using pricing models, discounted cash flow methodologies, using internal models or external experts with experience and knowledge of the real estate market or of assets being appraised. Generally, these appraisals are carried out by references to market data or based on the replacement cost, when sufficient market data is not available.

Following is a breakdown of the assets valued at fair value Level 3, that, as a result of assessment for impairment using the IFRS standards applicable to each one, do not require be measured at fair value on a recurring basis:

	December 31, 2022	December 31, 2021
Financial instruments from the collateralized loan portfolio	\$ 1,391,344	1,490,326
Non-current assets held for sale	67,528	171,939
	\$ 1,458,872	1,662,265

6.3 FAIR VALUE CLASSIFICATION

- The financial instruments classified at Level 1 are those whose fair value was established according to the market prices supplied by the price vendor, determined based on liquid markets corresponding to quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- The financial instruments classified as Level 2 are those whose fair value was determined based on alternate techniques for valuation of discounted cash flow, using observable market data supplied by the price vendor. Generally, transfers between Level 1 and Level 2 of investments portfolios correspond mainly to changes in liquidity levels of securities in the markets.
- Investments classified in Level 3 are those whose fair value was established from significant unobservable inputs within the full measurement. Instruments at Level 3 include mainly investments in equity securities which are not traded publicly. Since observable prices are not available for these securities, the Bank and its subsidiaries use valuation techniques such as discounted cash flows for determining their fair value.

Valuation techniques and significant inputs used in Level 2 and Level 3 in the financial instruments measured at fair value recurring are described as follows:

Valuation technique	Significant inputs
Investments in debt securities at fair value	
Incomes	• Discounted cash flows using yields from similar securities outstanding
	• Bloomberg Generic
	• Price assigned last auction

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Valuation technique	Significant inputs
	<ul style="list-style-type: none"> • Market price or price calculated based on benchmarks set by price providers methodologies • Estimated price / Theoretical price • Quoted price
Market	<ul style="list-style-type: none"> • Estimated price / Theoretical Price (1) • Average price / Market Price (2)
Investments in equity securities	
Discounted cash flow	<ul style="list-style-type: none"> • Growth in residual values after five and ten years • Discount interest rates • Equity rate of cost • Discount interest rates WACC
Net value adjusted of assets	<ul style="list-style-type: none"> • Most relevant variable in assets
Derivatives	
Incomes	<ul style="list-style-type: none"> • Security or underlying price • Currency of interest rates curve by underlying asset • Exchange rates curves • Implicit curves of exchange rates forwards • Swap curves assigned according by underlying • Implicit volatilities matrixes and curves
Market	<ul style="list-style-type: none"> • Market price • Representative market rate or Exchange rates of other currencies as appropriate

- (1) Estimated Price: A valuation model based on information obtained from a price vendor when it is not able to supply quoted prices (unadjusted) for each security. This model is the basis for the construction of the valuation margin of the securities that is represented on the assigned curve or reference rate. This margin remains constant on the assigned curve or reference rate when calculating the theoretical valuation price.
- (2) Quoted market prices (i.e. obtained from price vendors).

The following are the most common methods applicable to derivatives:

- **Valuation of foreign currency forwards:** The price vendor publishes assigned curves (interest rates) according to the currency of origin of the underlying asset, from which the contractual flows of the instrument that are compared against the present value of the agreed value are discounted.
- **Valuation of forwards on bonds:** The future theoretical value of the bond, based on its price on the valuation date and the risk-free rate of the reference country of the underlying asset, is calculated for determining the value of the forward up to a specific date. Then, the present value of the difference between the future theoretical value and the bond price agreed in the forward contract is then obtained; the risk-free rate of the reference country of the underlying asset at the number of days to contract expiration is used for the discount.
- **Valuation of swap operations:** The price vendor publishes assigned curves according to the underlying assets, in addition to swap base curves (exchange of associated payments at variable interest rates), domestic and foreign curves, and implicit curves associated with exchange rate forwards. To determine the valuation of the swap at a certain date, the present value of each one of the legs that compose it is calculated using the zero coupon rates for projection and discount of flows, considering the conventions agreed regarding the modality of payments of interest, calculation bases, etc. Finally, the difference between the delivery leg and the receipt leg is calculated, which constitutes the fair exchange price of the instrument.
- **Valuation of OTC options:** The price vendor publishes curves assigned according to the currency of the underlying asset, in addition to forward exchange curves for the domestic currency of the transaction, implicit curves associated with exchange forwards, assigned swap curves according to the

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underlying asset and matrix and implicit volatility curves. The price of the options is calculated using the Black & Scholes & Merton model.

6.4 FAIR VALUE MEASUREMENTS CLASSIFIED AT LEVEL 3

The following table presents the movement of financial assets whose fair value measurements are classified in Level 3:

	December 31, 2022			December 31, 2021		
	Investments in debt securities	Equity securities	Investment property	Investments in debt securities	Equity securities	Investment property
Balance at the beginning of the period	\$ 88,822	1,028,608	243,453	87,964	924,778	245,668
Transfer from Level 2 to Level 3	8,128	19	0	3,879	5,473	0
Transfer from Level 3 to Level 2	(112,316)	(350)	0	0	(9,861)	0
Valuation adjustment with effect on net income	(9,957)	44,717	490	(20,282)	47,502	6,331
Valuation adjustment with effect on OCI	(2,519)	34,566	0	561	55,433	0
Additions	28,856	0	0	21,149	12,797	36,551
Disposals/Sales	(13,312)	(18,403)	(20,515)	(17,802)	(27,249)	(24,864)
Reclassifications (1)	0	746,564	10,895	0	3,134	26,461
Effect of movements in exchange rates	12,298	16,511	2,283	13,353	11,669	2,964
Withholding tax on income in special funds	0	(752)	0	0	(1,713)	0
Discontinued Operation	0	1	0	0	6,692	0
Deconsolidation	0	(56,599)	0	0	(47)	(49,658)
Balance at the end of the period	\$ 0	1,794,882	236,606	88,822	1,028,608	243,453

(1) For equity instruments corresponds to: Recognition of the investment of BHI for 4.1% of the shareholding (See Note 2.1.2) and by operation of mobilization of real estate assets owned by the Bank to the Fund – "Nexus Inmobiliario – Compartimento Banco de Bogotá" to trading investments (see Note 2.5), as of December 2022 and to transfer of investment of Aportes en Línea due to loss of control of Porvenir as of December 2021 (see Note 2.3).

6.4.1 EQUITY SECURITIES

The Bank and its subsidiaries equity investments are in several entities where its holding is less than 20% of equity in each, some of them received in payment of customer obligations in the past and others acquired because they are necessary for the development of their operations, such as ACH Colombia S.A. and Cámara de Riesgo Central de Contraparte de Colombia S.A., among others.

In general, all of these companies are not listed on a public stock exchange and therefore, the determination of their fair value has been made with the assistance of external advisors to the Bank and its subsidiaries. They have used the discounted cash flow method for this purpose, constructed based on projections with respect to income, costs and expenses for each entity assessed during a five-year period. Historical information obtained from the companies and their residual value, with determined growth rates for perpetuity established by the appraisers based on their own experience, are the basis for this process. These projections and residual values were discounted, based on interest rates constructed with curves from the price vendors, adjusted for estimated risk premiums based on the risks associated with each company being valued.

The following table summarizes the range of the main variables used in the valuations:

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Variable	Range
Inflation growth (1)	Between 11% and 13%
Growth of the gross domestic product (1)	7%
Income	CPI+1
Costs and expenses	Between 1% and 28%
Growth in perpetuity after five and ten years	Inflation
Discount interest rates	3%
Equity rate of cost	Between 14% and 18%
	Between 15% and 18%

(1) Information taken from the reports of the valuation price provider (Precia).

The table below contains sensitivity analysis of the changes in these variables in the Bank and its subsidiaries equity, considering that the variations in the fair value of these investments are recorded in OCI:

Methods and Variables	Variation	Favorable impact	Unfavorable impact
Present value adjusted for discount rate			
Income	+/-1%	10,611	(10,401)
Growth residual values after five years	+/-1%	8,026	(6,791)
Growth in perpetuity	+/-1%	9,720	(8,140)
Gradient of perpetuity	+/-30PB	65	(57)
Discount interest rates	+/-50PB	4,743	(4,418)
Discount interest rates WACC	+/-50PB	7,733	(7,091)
Equity rate of cost	+/-50PB	310	(285)

Additionally, it has an investment in the private equity fund “Nexus Inmobiliario – Compartimento Banco de Bogotá”, classified as negotiable for which the valuation methodologies used incorporate fair value measurements classified in the Level 3 hierarchy, the following sensitivity analysis is established and the variables that affect each of the valuation methods applied and finally the impacts are given by the market value approach.

Methods and variables	Variation	Favorable impact	Unfavorable impact
		Comparative market approach	
Market Comparison	-10%		
capitalization rate	-50PB		
Market Income	-10%	8,982	(13,843)
Discount Rate Cash Flow	-50PB		

6.4.2 INVESTMENT PROPERTY

Investment property are reported in the statement of financial position at their fair value, as determined in reports prepared by independent expert appraisers at the end of each reporting period.

The valuation techniques used consider the type of movable or immovable property, its physical characteristics, location and market. Among the valuation methodologies used are:

Comparative market method: Technique that seeks to establish the commercial value of the property, based on the study of recent offers or transactions of similar and comparable properties to the one under appraisal. Such offers or transactions must be classified, analyzed and interpreted to arrive at an estimate of the commercial value.

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Income capitalization method: This method focuses on establishing the commercial value of the property based on the potential economic production that it will generate from leases, considering the annual return and evaluating the recovery time of the investment. This methodology is generally used in commercial properties such as commercial premises, offices and warehouses, estimating income, expenses and market rates at the time of evaluation.

Replacement cost method: In real estate, this method seeks to establish the cost of the infrastructure, adjustments, improvements and additions that an investor would have to incur to recover a construction to its initial state or in optimal conditions of use. This method is mainly used to determine the value of the construction.

Residual method: This method is used to establish the value of a land for properties intended for the development of urban or real estate projects of multi-family housing, condominiums, shopping centers, business centers, among others. This method considers variables such as: Urban planning regulations, construction indexes, occupancy, permitted height in floors, type of structure, minimum area to develop the project and destination (housing, commercial, endowment, institutional, industrial, among others), in synthesis, determine based on the development and sales potential of a project, which is the incidence factor of the land and thus determine the value of the same.

The valuations of investment properties are considered in Level 3 of the fair value measurement hierarchy. There have been no changes in the valuation technique for each asset during the year 2022.

Any increase in the leases used in the valuation would generate an increase in the fair value of the asset, and vice versa.

6.5 TRANSFERS BETWEEN LEVELS

In general, the transfers between Level 1 and Level 2 of the investment portfolios at fair value through profit or loss and investments at fair value through other comprehensive income correspond mainly to changes in the liquidity levels of the securities in the markets. The transfers presented as of December 31, 2022, are listed below:

	Level 1 to Level 2	Level 2 to Level 1
Securities at fair value through OCI		
Issued or secured by the Colombian government	\$ 0	635,746
Issued or secured by the Other Colombian government entities	0	265,536
Issued or secured by foreign governments	0	24,098
Other	52,210	1,796
Total	\$ 52,210	927,176

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6.6 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES RECORDED AT AMORTIZED COST FOR DISCLOSURE PURPOSES

The following table presents a summary of the Bank's financial assets and liabilities recorded at nominal cost or amortized cost, compared to their fair value for which it is practicable to calculate.

	December 31, 2022		December 31, 2021	
	Book value	Estimate of fair value	Book value	Estimate of fair value
Assets				
Investments held to maturity	\$ 3,470,518	3,454,592	3,223,206	3,173,400
Loan portfolio, net	95,277,032	96,450,892	150,168,654	146,757,105
Total	98,747,550	99,905,484	153,391,860	149,930,505
Liabilities				
Customer deposits	88,027,473	87,698,728	163,733,574	164,662,828
Financial obligations	30,327,761	31,026,901	37,084,050	37,538,263
Total	\$ 118,355,234	118,725,629	200,817,624	202,201,091

- **Investments at amortized cost**

The fair value of investments in debt securities at amortized cost was determined using the dirty price supplied by the price vendor. Securities that have an active market and have an observable market price for the day of the valuation are classified as Level 1. Those that do not have an active market and / or a price provided by the price vendor; that is, securities with an estimated price (the present value of all future cash flows, discounted with the benchmark rate and the respective margin) are classified as Level 2 and Level 3.

- **Loan portfolio and financial leases**

For the loan portfolio at amortized cost, the fair value was determined based on cash flow models discounted at interest rates using the zero coupon risk-free rate, for operations in legal currency, and the zero coupon curve in USD SOFR (Secured Overnight Financing Ratio), for operations in foreign currency. The credit portfolio valuation process is considered Level 3.

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- **Customer deposits**

The fair value of demand deposits is equal to their book value. In the case of term deposits with maturities under 180 days, their fair value was considered to be equal to their book value. For time deposits with maturities over 180 days, the fair value was estimated using a discounted cash flow model at the interest rates offered by banks, according to the maturity period. This is regarded as a Level 2 valuation.

- **Financial obligations**

The book value of financial obligations and other short-term liabilities is regarded as their fair value. The fair value of long-term financial obligations was determined using discounted cash flow models at risk-free interest rates adjusted for the particular risk premiums of each entity. The fair value of bonds outstanding is determined by their prices quoted on the stock market, in which case the valuation is Level 1 and Level 2 for the other obligations.

NOTE 7 – FINANCIAL RISK MANAGEMENT

Banco de Bogotá and its financial sector subsidiaries Multi Financial Holding (MFH), Fiduciaria Bogotá S.A. and Aval Soluciones Digitales S.A, manage risk pursuant to the applicable regulations and internal policies.

The Bank's non-financial sector subsidiaries are less exposed to certain financial risks, although they are exposed to adverse changes in the prices of their products and to operational risk of money laundering, terrorist financing and proliferation of weapons of mass destruction and legal risks.

7.1 DESCRIPTION OF RISK MANAGEMENT OBJECTIVES, POLICIES AND PROCESSES

The Bank and its subsidiaries objective are to maximize returns for its investors, through proper risk management. The Bank and its subsidiaries guiding principles on risk management have been the following:

- Security and continuity plan in the services being offered to clients.
- Make risk management a part of every institutional process.
- Collective decision-making on commercial credit operations and other investments at the level of each of the Boards of directors of the Bank and its subsidiaries.
- Extensive and in-depth market knowledge, because of our leadership and experience of the management.
- Clear risk policies based on a top-down approach with respect to:
 - Compliance with know-your-customer policies.
 - Structures for granting commercial loans based on a clear identification of the sources of repayment and the capacity to generate the flow of debtors.
- Diversification of the commercial loan portfolio with respect to industries and economic groups.
- Specialization in consumer products niches.

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- Extensive use of continuity updated credit rating and scoring models to ensure the growth of high credit quality consumer lending.
- Conservative policies in terms of:
 - Trading portfolio competition with a bias toward instruments, with lower volatility.
 - Proprietary trading.
 - Variable remuneration for the trading staff.
- Properly administer and manage the risks of money laundering, terrorist financing and proliferation of weapons of mass destruction, in accordance with international standards, current regulations, the Bank's policies and Grupo Aval's corporate policies.

7.2 RISK CULTURE

The Bank and its subsidiaries risk culture is based on the principles indicated in the section above. They are transmitted to all the business and management units, and they are supported, among other things, by the following drivers:

- The risk function is independent and monitored at the level of each entity.
- The structure of delegation of powers within the Bank and its subsidiaries requires large number of transactions to be sent to the risk committees at the bank central services. The high number and frequency of meetings held by these committees guarantee great agility in resolving proposals, while ensuring the senior management's intense participation in the daily management of risk.
- The Bank and its subsidiaries have implemented a risk limit system that is updated on a regular basis to address new conditions in the markets and the risks to which they are exposed.
- There are adequate information systems to monitor risk exposure on a recurring basis, so as to ensure the approval limits are systematically met and, if necessary, to take the proper corrective action.
- The main risks are analyzed not only when they arise or when problems occur during the normal course of business, but also on a permanent basis.
- The Bank and its subsidiaries offer adequate, permanent training programs on risk culture. These courses are given at every level within the organization.

7.3 CORPORATE STRUCTURE OF THE RISK FUNCTION

In accordance with the guidelines established by the Bank and its subsidiaries, the corporate structure for managing the different risks is made up of the following levels:

- Board of Directors.
- Risk committees.
- Credit and treasury risk management.
- Compliance control unit management

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- Integral risk management.
- Risk management administrative processes.
- Internal Audit.

7.3.1 BOARD OF DIRECTORS

The Board of Directors of the Bank and of each subsidiary is responsible for adopting, among others, the following decisions regarding the adequate organization of the risk management system:

- Define and approve general policies and strategies related to the internal control system for risk management.
- Analyze the existing risk management process and adopt the necessary measures to strengthen it in those aspects that require it.
- Approve policies in relation to the management of different risks, as well as general exposure limits and strategies to manage: (i) risks, (ii) capital, (iii) liquidity and (iv) conflicts of interest and their disclosure.
- Approve the Risk Appetite Framework (MAR) and the Risk Appetite Statement (DAR), as well as their respective updates, upon recommendation of the Integral Management Committee of the Board of Directors, which must reflect the general level of tolerance or exposure to risks based on its corporate strategy, its capital plan and its financial and operating structure.
- Approve the measures to be implemented and follow up on their application and effectiveness when required:
 - Increase in exposure to risks resulting from exceeding the thresholds defined in the DAR.
 - Weaknesses in the Comprehensive Risk Management System to manage risks in accordance with the economies and market in which the entity operates, its level of capital and liquidity, the regulatory framework, the business plan and the entity's risk profile and appetite.
 - Corrective and improvement actions, once the previous instances in the governance structure have been overcome.
- Analyze and evaluate the adequacy of human, physical and technical resources and technological tools for the development of the Bank's risk management function, in order to ensure that the operation of the entity is within the approved MAR.
- Approve the governance structure for the Entity's risk management, as well as the responsibilities and powers assigned to the positions and areas in charge.
- Approve: the guidelines for internal reports submitted to it in relation to risk management.
- Monitor, at least once a year, the effectiveness and suitability of the Comprehensive Risk Management System for adequate risk management and its consistency with the business plan and with the economies and markets in which the entity operates, as well as approve improvement actions.

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- Conduct monitoring and follow-up at regular meetings, based on periodic reports submitted by the Audit Committee on risk management within the Bank and its subsidiaries and the measures taken to control or mitigate the more relevant risks.
- Pre-approve the reclassification of a position in the treasury book or in the bank book, as a result of an identified hedging strategy.
- Approve the training policy for personnel who are part of the entity's risk governance structure, as well as the guidelines on ethics or conduct and internal control related to the Comprehensive Risk Management System.

7.3.2 RISK COMMITTEES

Comprehensive risk management committee board of directors

The purpose of this committee is to assist the Board of Directors in fulfilling its oversight responsibilities in relation to the Bank and its subsidiaries risk management. Among its main functions are:

- Advise the Board of Directors regarding the Integrated Risk Management System (IRMS), the Risk Appetite Framework (MAR) and its consistency with the Bank's business plan and strategic plan, capital levels and incentive schemes when applicable.
- Evaluate the methodologies for the definition of the risk appetite, in accordance with the objectives and policies established by the Board of Directors and supervise the implementation of the MAR.
- Monitor the risk profile in order to validate that the risk level is within the limits established in the MAR and DAR.
- Propose to the Board of Directors for its respective approval: i) Exposure and concentration limits, which must be consistent with the risk appetite and risk profile; ii) Guidelines for dealing with overruns of the limits established for operations, as well as corrective and improvement actions to be followed.
- Advise the Board of Directors on operations, events or activities, including the incursion into new markets, that may (i) affect the entity's exposure and risk profile, (ii) constitute deviations from the business plan, risk appetite and internal and regulatory limits, or (iii) compromise the viability of the business.
- Monitor the performance of the risk management function, including risk limits and risk management reports, and make appropriate recommendations.
- Evaluate the evidence and adequacy of the contingency plans defined to face stress scenarios and/or events.

Assets and liabilities committee

It is comprised of members of senior management and other officers. The purpose of this committee is to govern the strategy and processes of asset and liability management and the definition of policies and limits, follow-up, control, and measurement systems that accompany the management of liquidity risk and interest rate risk.

Its main duties include:

- Establishing adequate procedures and mechanisms for liquidity risk management.
- Monitoring liquidity risk exposure reports.
- Identifying the origin of risk exposure through sensitivity analysis, in order to assess the probability of lower returns for the entity to assess the necessity of new liquidity resources.

Audit Committee and Comptroller General

Its objective is to evaluate and monitor the internal control system.

Among the main duties of these committees are the following:

- Proposing to the Board of Directors, for its approval, the structure, procedures, and methods required for the Internal Control System to operate.
- Assessing the structure of the internal control of the Bank and its subsidiaries, to establish if the procedures are designed reasonably to protect its assets, as well as those of third parties under its administration and custody, and if there are controls to verify that transactions are being properly authorized and registered. For such purpose, the areas in charge of the administration of the various systems of risk and the Comptroller's submit the established periodical reports to the Committee as well as other reports that the members of the Committee may require.
- Monitoring risk exposure, implications for the entities, and control and mitigating actions.
- The internal audit activity of the Bank and its subsidiaries is independent from management, the Comptroller General's Office reports directly to the Audit Committee, in the development of its functions it performs periodic evaluations on compliance with policies and procedures in order to support the Bank and its subsidiaries in meeting their institutional and strategic objectives, adding value through the opportunities, improvements and findings identified in the evaluation of the internal control system, risk management and corporate governance. The reports are submitted directly to the risk committees and the audit committee, which are responsible for following up with management regarding the action plans and corrective measures implemented.

7.3.3 CREDIT AND TREASURY RISK MANAGEMENT

The Credit and treasury risk management have, among others, the following duties.

- Oversee of each subsidiary in the Bank and its subsidiaries adequate compliance of the policies and procedures established by the Board of Directors and the various committees for risk management.
- Designing methodologies and procedures to be followed by the administration for risk management.

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- Establishing ongoing monitoring procedures to allow timely identification of any deviations of the policies established for risk management.
- Preparing timely reports for the different risk committees, the Board of Directors of each subsidiary and for the government entities in charge of control and supervision in relation with compliance of risk policies and assess the results of indicators, detecting deviations, analyzing causalities and executing corrective actions.
- Measure and analyze market risk for its respective application to the banking book and treasury book, and liquidity risk management.

7.3.4 COMPLIANCE CONTROL UNIT MANAGEMENT

The main objective of the Control and Compliance Unit is to verify compliance with the regulations of the risk management systems, namely: Risk Management System for Money Laundering, Financing of Terrorism and Financing the Proliferation of Weapons of Mass Destruction (SARLAFT-FPADM), Operational Risk Management System (SARO), Foreign Account Tax Compliance Act FATCA and Common Reporting Standard CRS, Internal Control System, Compliance Function, Sarbanes - Oxley Act (SOX), Banking and Information Security and Personal Data Protection (Law 1581 of 2012). The operation is reported by the Director on a quarterly basis to the members of the Bank's Board of Directors.

7.3.5 INTEGRAL RISK MANAGEMENT

The Integral Risk Department, assigned to the Vice-Presidency of Financial Control and Regulation, is the area in charge of analyzing risks in an integral and consolidated manner in such a way that it generates synergy of the normative and organizational directives with the risk management areas, as well as applying the methodologies for the calculation of liquidity risk indicators using the standard methodologies of the Financial Superintendence of Colombia.

7.3.6 ADMINISTRATIVE PROCESSES FOR RISK MANAGEMENT

In accordance with its business models, the Bank and its subsidiaries have well defined structures and procedures which are documented in manuals on administrative processes that must be followed for managing different risks and also has different technological tools to monitor and control risks.

Multi Financial Holding (MFH)

This subsidiary consolidates the Multi Financial Group Inc. located in Central America. Group has its own policies, functions and procedures for risk management, which are aligned with the guidelines established by the Bank.

Risk is periodically managed and monitored through the following corporate-governance bodies, established at the regional level and in the countries where Group operates: the Comprehensive Risk Management Committee, the Assets and Liabilities Committee (ALICO, Spanish acronym), the Compliance Committee, the Credit Committee, the Audit Committee and the Investment Committee, as applicable.

- Credit Risk: MFH has a centralized structure with a Vice-Presidency of Integral Risk Management and a Vice-Presidency of Quality Assurance reporting to the Group's Country Manager and Board of Directors, who are responsible for establishing the growth strategies, policies and procedures applicable according to the risk level of each client and/or Economic Group.

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- Market and liquidity risk: MFH has a Vice-Presidency for investment policy and asset and liability management policy, which establishes guidelines for country and counterparty risk limits, foreign currency position limits and guidelines for liquidity, interest rate and foreign exchange risk management.

The establishment of risk management policies is the responsibility of the Integrated Risk Management Committee, which is composed of members of the Board of Directors of MFH.

7.4 INDIVIDUAL RISK ANALYSIS

The Bank and its subsidiaries are comprised largely of entities in the financial sector. Consequently, they are exposed to a range of financial, operational, reputational and legal risks in the normal course of their business.

Financial risks include: i) market risk (trading risk, price risk, interest rate risk and exchange rate risk, as explained later), and ii) structural risks stemming from the composition of the assets and liabilities on the Bank and its subsidiaries consolidated statement of financial position, among which stand out these include credit and liquidity risks.

The Bank's subsidiaries whose business activity is different from that of the financial sector, commonly known as the "non-financial sector" have a lower exposure to financial risks but are exposed to fluctuations in the prices of their products, operational risks, reputational risks and legal.

An analysis of each of the aforementioned risks, in order of importance, is provided below. These risks are managed separately by each of the entities, unless otherwise indicated, the Bank consolidates Multi Financial Holding (MFH) risk information.

7.4.1 CREDIT RISK

Consolidated credit risk exposure

The Bank and its subsidiaries have exposed to credit risk, which consists of the debtor causing a financial loss by not fulfilling its obligations in a timely manner and in the full amount of the debt. Exposure to credit risk as a result of their loan activities and transactions with counterparties that give rise to financial assets acquisition.

The detail of the parameters considered for determining the existence of low credit risk, or on the contrary, significant increase of the same, are as follows:

7.4.1.1 LOW CREDIT RISK

The Bank and its subsidiaries establish that the financial asset has not suffered any significant increase in credit risk as from its initial recognition, if the same is cataloged as of low risk as of the reporting date.

Thus, considers the following as low risk financial assets that:

- Have an international rating of investment grade.
- Be a government debt issued in national currency.

In case the financial asset loses its low-risk condition, it is not transferred to stage 2 automatically, but it is assessed if it has suffered a significant increase in credit risk.

7.4.1.2 SIGNIFICANT INCREASE IN CREDIT RISK

When it has been determined that the credit risk of a financial asset has significantly increased as from its initial recognition, the Bank and its subsidiaries consider reasonable and sustainable information which is relevant and available without disproportionate cost or effort, including information and qualitative and quantitative analysis, based on historical experience, as well as an assessment by experts in credit risk of the Bank and its subsidiaries, including information with future projection.

It is identified if a significant increase in credit risk has occurred by comparing between:

- The likelihood of default during the remaining life as of the reporting date; with
- The remaining life to this point in time, which was estimated at the time of initial recognition of the exposure.
- Qualitative aspects as well as the refutable presumption that there is a significant increase in credit risk shall be considered when the financial asset shows more than 30 days of default.

7.4.1.3 OBJECTIVE EVIDENCE OF IMPAIRMENT

A financial asset will be considered in default when:

- It is unlikely that the debtor pays all of its credit obligations to the Bank and its subsidiaries, without resources for taking actions such as realizing the guarantee (in case they hold); or
- The debtor presents default of more than 90 days in any material credit obligation. Overdrafts are deemed as in default once the customer has exceeded the recommended limit, or if a shorter limit has been recommended for the balance in force, except for housing portfolios for which, given their characteristics, the 90 days of default were rejected for considering a credit in default and the default term was defined as greater than 180 days.
- Customers under bankruptcy proceedings, such as Law 1116 of the Republic of Colombia.

For financial assets for investment, the objective evidence of impairment includes the following concepts, among others:

- Decrease in the issuer's external rating.
- Contractual payments are not carried out on their expiration date or during the term or grace period established.
- A virtual certainty exists regarding payment suspension.
- It is likely that bankruptcy occurs or a petition of bankruptcy or similar action is filed
- The financial asset does not have more than one active market due to its financial difficulties.

While assessing if a debtor is in default, the Bank and its subsidiaries consider the following indicators:

- Qualitative such as breach of contractual clauses,
- Quantitative such as status of delay and non-payment of another obligation of the same issuer; and
- Based on data developed internally and obtained from external sources.

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The inputs utilized for the assessment of the fact that the financial instruments are in default and its importance may vary throughout time for reflecting changes in circumstances.

Measurement of Estimated Credit Loss - ECL

ECL is the estimated weighted probability of credit loss according to a credit risk exposure and is measured as follows:

- Financial assets not showing credit impairment as of the reporting date: the present value of all delays of contractual payments of cash (i.e. the difference between the cash flows owed to the Bank and its subsidiaries pursuant to the contract and the cash flows expected to be received).
- Financial assets impaired as of the reporting date: difference between the book value and the present value of estimated future cash flows;
- Commitments of pending loans: the present value of the difference between contractual cash flows owed to the Bank and its subsidiaries in case that the commitment is executed and the cash flows they expect to receive; and
- Financial guarantees contracts: expected payment for reimbursing the holder less any amount that the Bank and its subsidiaries expect to recover.

Rating for credit risk categories

The Bank and its subsidiaries assign a credit risk rating to each exposure based on a variety of data determine as predictive of the Likelihood of Default - **LD**, applying expert credit judgment. The Bank and its subsidiaries use these ratings for purposes of identifying significant increases in credit risk. Credit risk ratings are defined utilizing qualitative and quantitative factors indicating risk of loss. These factors may vary depending on the nature of the exposure and type of borrower.

To each exposure is assigned to a credit risk rating at the time of initial recognition based on the debtor's information available. Exposures are subject to continued monitoring, that may result in displacement of an exposure to a different credit risk rating.

Inputs for measuring the ECL

The key inputs for measuring **ECL** are usually the structures of the terms of the following variables:

- Likelihood of default (LD)
- Loss due to default (LDD)
- Exposure due to default (ED)

The aforementioned parameters derive from internal statistical models for analyzing data stored and generate estimates of impairment likelihood for the remaining life of the exposures, and how such impairment likelihood will change as a result of time elapsing. Such analysis includes identifying and tuning the relationships among changes in the impairment rates and in key macroeconomic factors as well as a deep analysis of certain factors in impairment risk (for example, write-offs of loan portfolio). For most credits, key economic factors include gross domestic product growth, changes in market interest rates and unemployment.

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These models shall be adjusted for reflecting the prospective information as described below:

The **LDs** are estimated as of a given date, calculated based on classification statistical models and assessed using classification tools adjusted to the different counterparty categories and exposures. These statistical models are based on data internally collected comprising both, qualitative as quantitative factors. If a counterparty or exposure migrates between different ratings, then this shall give rise to a change of the estimated **LD**. **LDs** are estimated considering the contractual terms of expiration of the exposures and the estimated rates of prepayments.

The **LDD** is the magnitude of the probable loss in case of a default. The Bank and its subsidiaries estimate the **LDD** parameters based on the history of the recovery rates of losses against the non-complying parties. **LDD** models consider the structure, collateral and prevalence of the debt loss, the counterparty's industry and the recovery costs of any collateral integrated to the financial asset. For loans guaranteed with properties, the indexes regarding the amount of the guarantee in connection with the loan probably (Loan to Value "LTV") are the parameters utilized for determining the **LDD**. Such loans are calculated based on discounted cash flows using the effective interest rate of the credit.

ED represents the exposure expected in case of default. The Bank and its subsidiaries derive the current **ED** exposure of the counterparty as well as potential changes in the current amount allowed under the terms of the contract, including amortization and prepayments. The **ED** of a financial asset shall be the gross value at the time of default. For commitments of loans and financial guarantees, the **ED** shall consider the amount withdrawn as well as potential future amounts that could be withdrawn or collected under the contract, which are estimated based on historic observations and in prospective information projected. For some financial assets, the Bank and its subsidiaries determine the **ED** modeling a range of possible results of exposures in several points in time, using scenarios and statistical techniques. As described above, and subject to utilizing a maximum **LD** for the twelve months for which the credit risk has increased significantly, the Bank and its subsidiaries measure the **ED** considering the risk of default during the maximum contractual period, (including options of debt extension for the customer) over which there is a credit risk exposure, even if for purposes of risk management deem a longer period of time. The maximum contractual period shall extend to the date in which the Bank and its subsidiaries have entitled to require the payment of the loan or terminating the loan commitment, or a guarantee granted.

For consumption overdrafts, balances of credit cards and revolving corporate credits which include a loan as well as a component of a loan not withdrawn by the customer, the Bank and its subsidiaries measure the **EDs** over a period of time greater than the maximum contractual period, if the contractual ability of the Bank and its subsidiaries for demanding payment and cancelling the payment commitment not withdrawn does not limit exposure to credit losses to the contractual period of contract. These conditions do not have a fixed term or collection structure and are managed on a collective basis. The Bank and its subsidiaries may cancel the same with immediate effect, but such contractual right is not forced within the normal management of the Bank and its subsidiaries on a daily basis, but only when they are aware of an increase in the credit risk of each loan. The larger period of time is estimated taking into account the actions for credit risk management expected to be taken by the Bank and its subsidiaries and useful for mitigating the **ED**. These measures include the reduction of limits and cancelling the credit contracts.

When the modeling of parameters is carried out on a collective basis, financial instruments are grouped on the basis of characteristics of shared risks, including:

- Type of instrument.
- Credit risk rating.
- Guarantee.

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- Date of initial recognition.
- Remaining term for expiration.
- Industry.
- Geographic location of the debtor.

The foregoing groups are subject to regular revisions for assuring that the exposures of a particular group remain properly homogeneous. For portfolios for which the Bank and its subsidiaries have limited historic information, comparative information shall be used for supplementing the internal information available.

Forecast of future economic conditions

The Bank and its subsidiaries include information with a projection of future conditions both for assessing if the credit risk of an instrument has increased significantly as from its initial recognition as well as its **ECL** measurement. Based on the recommendations of the Bank and its subsidiaries Market Risk Committee, use of economic experts and considering of multiple current and projected external information, the Bank and its subsidiaries formulates a “base case” of the projection of relevant economic variables as well as a representative range of other possible projected scenarios. This process involves the development of two or more additional economic scenarios and considers the probabilities relating to each result.

External information may include economic data and publications of projections by governmental committees and monetary authorities in those countries where the Bank and its subsidiaries operate, Supranational organizations such as “Organización para la Cooperación y el Desarrollo Económico” (OECD-Spanish acronym) and “Fondo Monetario Internacional” (FMI- Spanish acronym), and others, academic projections as well as of the private sector.

The base case is expected to represent the most probable result aligned with the information utilized by the Bank and its subsidiaries for other purposes, such as strategic planning and budget. Other scenarios would represent a more optimistic and pessimistic results. The Bank and its subsidiaries also plan to perform periodical stress tests for tuning the determination of these other representative scenarios.

The economic scenarios used as at December 31, 2022 include the following ranges of key indicators for Colombia for the year 2023:

Variables	Year 2023							
	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Base %	Range %	Base %	Range %	Base %	Range %	Base %	Range %
Variation (annual) housing price index (used) (%)	(1.74)	(2.91) - (0.45)	(0.11)	(1.67) - 1.55	(0.32)	(1.88) - 1.29	0.07	(1.48) - 1.75
Annual variation of GDP (Gross domestic product) of the last twelve months period at constant prices	6.50	5.77 - 6.85	3.82	2.64 - 4.42	2.23	0.62 - 3.11	1.29	(0.53) - 2.37
Quarterly variation of GDP at constant prices	(0.84)	(1.35) - (0.57)	0.48	0.34 - 0.71	0.72	0.73 - 0.85	0.47	(0.88) - 1.15
Annual variation of quarterly GDP of at constant prices	2.28	0.60 - 3.08	1.46	(0.34) - 2.50	0.62	(1.16) - 1.77	0.82	(1.18) - 2.14
Annual variation of GDP of the last twelve months period at current prices	20.35	18.13 - 20.91	15.45	13.15 - 17.09	11.91	9.34 - 14.32	8.93	7.50 - 11.68
Unemployment rate 7 areas	12.48	12.99 - 11.81	11.23	11.72 - 10.51	11.05	11.65 - 10.18	10.44	11.15 - 9.46
Effective annual real interest rate (DTF – inflation)	0.68	0.03 - 0.98	1.17	0.39 - 1.03	1.63	1.01 - 1.49	1.07	0.70 - 1.50
Effective annual real interest rate (Central Bank- inflation)	0.30	0.14 - 0.63	0.96	0.01 - 0.58	1.44	0.41 - 1.36	0.92	0.07 - 1.39

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The following table shows the estimate of the allowance for loan impairment assuming that each prospective scenario (scenarios A, B and C) was weighted at 100% instead of applying probability weights in all three scenarios.

	December 31, 2022			December 31, 2021		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Carrying amount						
Commercial	\$ 59,136,930	59,136,930	59,136,930	83,851,170	83,851,170	83,851,170
Consumer	21,738,368	21,738,368	21,738,368	44,321,631	44,321,631	44,321,631
Mortgage	10,797,850	10,797,850	10,797,850	22,598,109	22,598,109	22,598,109
Microcredit	265,340	265,340	265,340	314,350	314,350	314,350
Financial leases	4,139,470	4,139,470	4,139,470	5,133,874	5,133,874	5,133,874
Repos, interbank and others	4,492,352	4,492,352	4,492,352	1,586,667	1,586,667	1,586,667
Total	100,570,310	100,570,310	100,570,310	157,805,801	157,805,801	157,805,801
Impairment						
Commercial	3,299,820	3,331,117	3,374,378	3,690,687	3,776,248	3,872,156
Consumer	1,294,483	1,325,826	1,346,947	2,658,452	2,773,219	2,870,826
Mortgage	163,678	164,041	164,680	478,807	537,040	587,726
Microcredit	3,071,887	37,966	39,382	101,753	104,466	106,456
Financial leases	414,350	417,326	421,211	435,905	444,934	455,436
Repos, interbank and others	2	2	3	0	0	0
Total	\$ 8,244,220	5,276,278	5,346,601	7,365,604	7,635,907	7,892,600
Portion of assets in stage 2						
Commercial	5.59%	5.60%	5.60%	8.13%	8.33%	8.58%
Consumer	14.23%	14.24%	14.30%	14.17%	14.32%	14.63%
Mortgage	7.97%	8.05%	8.19%	19.79%	20.55%	21.30%
Microcredit	5.29%	5.29%	5.29%	13.79%	13.79%	13.79%
Financial leases	12.20%	12.20%	12.20%	17.42%	17.57%	18.00%

Modified financial assets

Credit contractual terms may be modified for a number of reasons, including changes in market conditions, customer retention and other factors not relating to a current or potential impairment of the customer's credit.

When the terms of a financial asset are changed and the modification does not result in a withdrawal of the asset in the statement of financial position, determining if the credit risk has significantly increased reflects comparisons of:

- The probability of default in the remaining life as of the date of the statement of financial position based in the terms modified, with. The probability of default in the remaining life estimated based on the date of initial recognition and the original contractual terms.
- The Bank and its subsidiaries re-negotiate loans with customers having financial difficulties for maximizing collection opportunities and minimizing default risk.

Under re-negotiation policies of the Bank and its subsidiaries, customers with financial difficulties are granted concessions that generally correspond to decreases in interest rate, extension of payment terms, rebates in the balances owed or a combination of the foregoing.

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For financial assets modified as part of the Bank and its subsidiaries policies for re-negotiation, the estimate of LD shall reflect if the modifications have improved or restored the ability to collect interest and principal and previous experiences of similar actions. As part of this process, the Bank and its subsidiaries will evaluate compliance with payments by the debtor against the modified terms of the debt and will consider various performance indicators of said group of modified debtors.

Generally restructuring indicators are a relevant factor for increasing credit risk. Therefore, a restructured debtor is required to evidence a consistent payment behavior over a period of time before not being considered as an impaired loan or that the **LD** has decreased in such a manner that the provision may be reverted, and the loan measured for impairment within a twelve-month time span subsequent to the closing date of the financial statements.

The Bank and its subsidiaries maximum exposure to credit risk at the consolidated level is reflected in the carrying value of the financial assets listed in the consolidated statement of financial position as follows:

	December 31, 2022	December 31, 2021
Cash and cash equivalents (1)	\$ 5,315,396	22,474,524
Debt securities investments at fair value through profit or loss		
Government	150,704	585,743
Financial entities	162,262	599,602
Other sectors	150,247	212,458
	463,213	1,397,803
Debt securities investments at fair value through OCI		
Government	8,717,529	17,439,319
Central Banks	194,098	1,857,719
Financial entities	732,933	2,586,410
Other sectors	1,182,260	1,852,174
	10,826,820	23,735,622
Investments at amortized cost		
Government	1,216,849	1,169,962
Financial entities	105,540	136,113
Other sectors	2,158,259	1,926,929
	3,480,648	3,233,004
Derivatives at fair value	786,282	408,484
Loan portfolio		
Repos, interbank, overnight and money market operations	4,492,352	1,586,667
Commercial	62,525,843	88,044,197
Consumer	21,747,435	44,671,128
Mortgage	11,539,340	23,189,459
Microcredits	265,340	314,350
	100,570,310	157,805,801
Other accounts receivable	3,284,793	2,760,224
Total financial assets with credit risk	124,727,462	211,815,462
Off- statement of financial position credit risk instruments at their face value		
Financial guarantees and unused letters of credit	3,063,321	4,739,797
Credit commitments	12,489,574	31,477,764
Total exposure to off- statement of financial position credit risk	15,552,895	36,217,561
Total maximum exposure to credit risk	\$ 140,280,357	248,033,023

(1) Not including cash held by the entity because they do not have credit risk because they are in their own power.

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For guarantees and commitments to extend the credit amounts, the maximum exposure credit risk is the amount of the commitment.

Credit commitments

The entities in the Bank and its subsidiaries mainly grant guarantees and letters of credit to their customers in the normal course of their operations. In doing so, they irrevocably commit to make payments to third parties in the event the customer does not comply with its commitments with said third parties. These guarantees and letters of credit imply the same credit risk as the financial assets in the loan portfolio, and they are subject to the same authorization policies on loan disbursement in terms of the customer's credit rating. The collateral considered appropriate under the circumstances is obtained.

Commitments to extend loans represent unused portions of authorizations to extend credit in the form of loans, credit card use, overdraft limits and letters of credit.

As for the credit risk involved in commitments to extend lines of credit, the Bank and its subsidiaries are potentially exposed to losses in an amount equal to the total amount of the unused commitment, if the total unused amount were to be withdrawn in full. However, the amount of the loss is less than the total amount of the unused commitment, since most commitments to extend credit are contingent on the customer maintaining specific credit-risk standards. The Bank and its subsidiaries monitor the maturities on its lines of credit, since long-term commitments imply more credit risk than short-term commitments.

Commitments in unused lines of credit

Following is a breakdown of guarantees, letters of credit and loan commitments in unused lines of credit:

	December 31, 2022	December 31, 2021
	Notional amount	Notional amount
Unused credit card limits	\$ 5,701,273	24,104,594
Opened lines of credit	3,852,955	4,464,003
Guarantees	2,126,968	3,606,231
Loans approved but not disbursed	2,935,346	2,909,167
Unused letters of credit	936,353	1,133,566
Total	\$ 15,552,895	36,217,561

The outstanding balances of unused credit lines and guarantees do not necessarily represent future cash requirements, because the amount of credit available can expire and might not be used all or in part.

Following are the details on loan commitments, by type of currency:

	December 31, 2022	December 31, 2021
Colombian pesos	\$ 12,207,885	11,129,637
US dollars	3,339,130	24,705,157
Euros	5,880	7,674
Others	0	375,093
Total	\$ 15,552,895	36,217,561

Credit risk is mitigated by guarantees and collateral, as described below:

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Mitigation of credit risk, collateral and other credit risk enhancements

In specific cases, maximum exposure to credit risk for the Bank and its subsidiaries is reduced by collateral and other credit enhancements, which lower credit risk. The existence of collateral can be a necessary measure; however, in and of itself, collateral only is not enough to accept credit risk. The credit risk policies require, first and foremost, an assessment of the debtor's ability to pay and its capacity to generate enough sources of funding to allow for the debt to be paid. At the Bank and its subsidiaries, collateralized loans accounted for 48.6% of total exposure at December 31, 2022 (50.8% at December 31, 2021), including commercial and personal loans. This percentage is higher for mortgage and commercial loans, whereas consumer loans generally are not collateralized.

The methods used to assess collateral involve the use of independent real estate appraisers, the market value of securities or the valuation of the companies issuing the securities. All collateral must be legally evaluated and drafted following the parameters for its creation, pursuant to Colombian legal regulations.

Mortgage portfolio

The loan-to-value (LTV) ratio is used to monitor mortgage loan exposure; it is calculated as the ratio of the gross loan amount, or the amount committed for loan commitments, to the value of the collateral. The collateral value for residential mortgage loans is based on the collateral value at origination, updated based on changes in home price indexes. For credit-impaired loans, the collateral value is based on the most recent appraisals. The following tables show mortgage loan credit exposures by LTV ranges:

Total mortgage portfolio and leasing		December 31, 2022	December 31, 2021
LTV ratio			
Less than 50%	\$	3,521,551	5,860,907
51 – 70%		3,985,224	7,991,462
71 – 90%		3,031,796	8,109,176
91 – 100%		966,585	1,142,939
More than 100%		34,184	84,975
Total	\$	11,539,340	23,189,459

Impaired mortgage loans		December 31, 2022	December 31, 2021
LTV ratio			
Less than 50%	\$	67,968	140,745
51 – 70%		117,731	286,856
More than 70%		76,758	427,995
Total	\$	262,457	855,596

The following is the detail of the loan portfolio by type of guarantee received in support of the loans granted by the Bank and its subsidiaries at a consolidated level:

	December 31, 2022						Total
	Commercial	Consumer	Mortgage	Microcredit	Financial leases	Repos, interbank and others	
Unsecured loans	\$ 33,043,361	18,337,318	0	222,372	0	0	51,603,051
Secured loans by other banks	69,622	0	0	0	5,116	0	74,738
Collateralized loans:							
Mortgage	212,088	73,897	10,733,461	528	5,274	0	11,025,248

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December 31, 2022							
	Commercial	Consumer	Mortgage	Microcredit	Financial leases	Repos, interbank and others	Total
Other real estate	11,493,643	193,122	6,494	168	106,710	0	11,800,137
Deposits in cash or cash equivalents	1,046,535	166,529	0	0	0	0	1,213,064
Leased assets	0	0	0	0	2,448,887	0	2,448,887
Non-real estate assets	0	0	0	0	1,413,634	0	1,413,634
Trust, stand-by and guarantee fund agreements	6,447,514	29,170	57,895	41,354	144,954	0	6,720,887
Pledging of rents	1,639,927	0	0	0	340	0	1,640,267
Pledges	2,250,399	2,931,046	0	52	3,549	0	5,185,046
Other assets	2,933,841	7,286	0	866	11,006	4,492,352	7,445,351
Total	\$ 59,136,930	21,738,368	10,797,850	265,340	4,139,470	4,492,352	100,570,310

December 31, 2021							
	Commercial	Consumer	Mortgage	Microcredit	Financial leases	Repos, interbank and others	Total
Unsecured loans	\$ 41,090,641	36,299,569	0	195,856	0	0	77,586,066
Collateralized loans:							
Mortgage	209,108	57,945	22,528,364	806	3,377	0	22,799,600
Other real estate	25,165,810	1,630,427	4,769	153	110,927	0	26,912,086
Deposits in cash or cash equivalents	1,703,890	221,040	0	0	6,834	0	1,931,764
Leased assets	0	0	0	0	3,438,970	0	3,438,970
Non-real estate assets	0	0	0	0	1,446,437	0	1,446,437
Trust, stand-by and guarantee fund agreements	6,901,364	31,576	64,975	114,188	106,747	0	7,218,850
Pledging of rents	1,640,621	0	0	0	1,449	0	1,642,070
Pledges	4,694,556	6,073,463	1	124	3,760	0	10,771,904
Other assets	2,445,180	7,611	0	3,223	15,373	1,586,667	4,058,054
Total	\$ 83,851,170	44,321,631	22,598,109	314,350	5,133,874	1,586,667	157,805,801

Policies to prevent excessive credit-risk concentration

In order to prevent excessive concentrations of credit risk at an individual, country or economic sectors level, the Bank and its subsidiaries maintain updated the maximum risk-level concentration rates at the individual level and for sector portfolios. The Bank and its subsidiaries exposure limit in a loan commitment to a specific customer depends on the customer's risk rating.

Pursuant to Colombian regulations the Bank and its subsidiaries cannot grant unsecured loan to a borrower, which on a combined basis exceed 10% of its regulatory capital calculated according to the regulations. However, such loans and no more than 25% of the bank's regulatory capital if they are secured by acceptable guarantees.

The following is a breakdown of Bank and its subsidiaries-wide credit risk in the different geographic areas. It is determined according to the debtor's country of residence, without considering credit-risk impairment:

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December 31, 2022							
	Commercial	Consumer	Mortgage	Microcredit	Financial leases	Repos, interbank and others	Total
Colombia	\$ 43,507,798	17,712,881	6,858,731	265,340	4,093,681	4,451,918	76,890,349
Panama	10,166,664	4,025,173	3,936,629	0	45,274	36,577	18,210,317
United States	5,021,268	0	0	0	0	0	5,021,268
Costa Rica	0	314	2,490	0	515	3,857	7,176
Guatemala	4,851	0	0	0	0	0	4,851
Other countries	436,349	0	0	0	0	0	436,349
Total	\$ 59,136,930	21,738,368	10,797,850	265,340	4,139,470	4,492,352	100,570,310

December 31, 2021							
	Commercial	Consumer	Mortgage	Microcredit	Financial leases	Repos, interbank and others	Total
Colombia	\$ 38,757,538	15,265,592	5,164,950	314,350	3,750,296	75,780	63,328,506
Panama	14,566,306	10,896,996	6,197,405	0	103,605	149,311	31,913,623
United States	4,110,466	0	0	0	0	796,009	4,906,475
Costa Rica	7,236,610	6,326,405	5,737,863	0	1,100,732	38,379	20,439,989
Nicaragua	2,022,599	1,133,029	411,393	0	4,489	9	3,571,519
Honduras	5,081,293	3,144,701	1,350,711	0	60,251	385,660	10,022,616
El Salvador	3,586,325	3,482,727	1,277,469	0	1,354	65,090	8,412,965
Guatemala	8,300,375	4,072,181	2,458,318	0	113,147	16,712	14,960,733
Other countries	189,658	0	0	0	0	59,717	249,375
Total	\$ 83,851,170	44,321,631	22,598,109	314,350	5,133,874	1,586,667	157,805,801

The following is a breakdown of the loan portfolio, by economic sector:

	December 31, 2022		December 31, 2021	
	Total	% Share	Total	% Share
Consumer services	\$ 38,055,407	38%	72,778,226	47%
Commercial services	24,182,173	24%	33,991,059	23%
Construction	9,639,538	10%	11,559,749	7%
Food, beverages and tobacco	5,781,280	6%	9,042,859	6%
Transport and communications	4,014,289	4%	5,260,563	3%
Others industrial and manufactured products	3,963,998	4%	6,559,129	4%
Chemical products	3,449,883	3%	3,515,967	2%
Public services	3,395,502	3%	5,097,446	3%
Agriculture	3,096,337	3%	4,551,661	3%
Government	2,330,602	2%	1,956,825	1%
Trade and tourism	1,269,361	1%	2,362,963	1%
Mining products and oil	869,957	1%	623,776	0%
Others	521,983	1%	505,578	0%
Total	\$ 100,570,310	100%	157,805,801	100%

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Sovereign debt

Investments in debt instruments as at December 31, 2022 and 2021, consisted largely of securities issued or guaranteed by Colombian government institutions or foreign governments, representing 69.6% and 74.2% respectively of the total investment portfolio.

The following is a breakdown of sovereign debt exposure, by country:

	December 31, 2022		December 31, 2021	
	Amount	% Share	Amount	% Share
Investment grade (1)	\$ 8,858,124	86.18%	8,973,774	42.63%
Colombia	5,323,776	51.80%	5,145,527	24.44%
USA	2,213,308	21.53%	1,675,216	7.96%
Panama	1,321,040	12.85%	2,113,014	10.04%
México	0	0.00%	35,581	0.17%
Perú	0	0.00%	4,436	0.02%
Speculative (2)	1,421,055	13.82%	12,078,969	57.37%
Colombia	1,326,184	12.90%	1,131,041	5.37%
Costa Rica	94,871	0.92%	4,873,536	23.15%
Guatemala	0	0.00%	2,161,023	10.26%
Honduras	0	0.00%	1,986,864	9.44%
Nicaragua	0	0.00%	1,160,924	5.51%
El Salvador	0	0.00%	761,743	3.62%
Chile	0	0.00%	3,838	0.02%
Total sovereign risk	10,279,179	100.00%	21,052,743	100.00%
Others (3)	4,491,502		7,313,686	
Total	\$ 14,770,681		28,366,429	

(1) Investment grade includes F1+ to F3 credit ratings from Fitch Ratings Colombia S.A., Central Bank of Colombia (BR) 1+ to (BR) 3 from B Central Bank, and A1 to A3 from Standard & Poor's.

(2) Speculative Grade includes B to E credit ratings from Fitch Ratings Colombia S.A., Central Bank of Colombia (BR) 4 to (BR) 6 from Central Bank, and B1 to D from Standard & Poor's.

(3) Corresponds to other debt securities with non-financial sector, other public agencies and multilateral entities, Default - In bankruptcy law and not rated or not available.

The process for granting counterpart loans and allocations

The Bank and its subsidiaries assume credit risk on two fronts. One involves lending activity, which includes commercial, consumer, mortgage and microcredit operations. The other is treasury activity, which includes interbank operations, investment portfolio management, transactions in derivatives and foreign exchange trading, among other operations. Although these are independent businesses, the nature of the insolvency risk of the counterparty is equivalent and, therefore, the criteria being applied are the same.

The principles and rules on managing loans and credit risk are outlined in our Loan Manual, which is conceived for traditional banking activity, as well as treasury operations. The assessment criteria applied to measure credit risk follows the principal guidelines set by the Credit and Treasury Risk Committee.

The Board of Directors is the highest authority on credit within the Bank and its subsidiaries. This board guide policy and have the power to grant the largest amount of credit allowed. In the banking operation, the authority to grant loans and limits on credit depends on the amount, the term, credit rating and the collateral offered by the customer.

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The Board of Directors of each subsidiary has delegated part of their lending authority to different areas and executives who process the loan applications and are responsible for analysis, follow-up and results.

In terms of treasury operations, it is the Boards of Directors that approve operational and counterparty limits. Risk control is carried out essentially through three mechanisms: annual allocation of operational limits and daily control; quarterly assessment of solvency by issuer; and reporting on the concentration of investments, by economic group. Additionally, for the approval of credits certain considerations are taken into account, including but not limited to the probability of default, counterpart lines of credit, and recovery percentage of guarantees received, tenor and concentration by economic sector.

The Bank and its subsidiaries have a Credit Risk Management System (SARC- Spanish acronym), managed by the Credit and Treasury Risk Directorate and the Credit Vice Presidency of Banco de Bogotá, SARC focuses on designing, implementing and assessing the risk policies and tools defined by the risk committees and the Boards of Directors. These policies are reviewed and amended regularly in light of changes and expectations in the markets where operate, in regulations and in other factors to be considered when formulating guidelines of this type.

For the granting the loans, there are different credit-risk assessment models, such as the financial-rating models for commercial loans. These models are based on the customer's financial information and its financial history with the Bank and its subsidiaries or with the financial system in general. There are also scoring models for massive portfolios (consumer, mortgage and microcredit). These models are based on information regarding behavior with the Bank and with the system, as well as demographic and customer profile variables. Additionally, an analysis of the financial risk of the operation is done, based on the debtor's ability to pay or to generate funds in the future.

The credit-risk monitoring process

The monitoring process used by the Bank and its subsidiaries is conducted in several stages. These include daily collection monitoring and management based on an analysis of past due loans according to the amount of time they are overdue, classification according to risk levels, permanent monitoring of high-risk customers, a restructuring process, and the receipt of foreclosed assets.

The following is a summary of the past due non-impaired or impaired loan portfolio:

December 31, 2022					
	1 to 30 days	31 to 60 days	61 to 90 days	Total customers in arrears but not impaired	Impaired
Commercial	\$ 1,991,203	136,111	94,350	2,221,664	2,290,988
Consumer	1,101,081	369,548	256,227	1,726,856	587,379
Mortgage	1,118,663	139,506	48,258	1,306,427	292,656
Microcredit	23,315	4,741	3,600	31,656	28,475
Financial leases	200,178	25,774	9,658	235,610	179,972
Total	\$ 4,434,440	675,680	412,093	5,522,213	3,379,470

December 31, 2021					
	1 to 30 days	31 to 60 days	61 to 90 days	Total customers in arrears but not impaired	Impaired
Commercial	\$ 1,668,541	291,564	112,584	2,072,689	2,204,782
Consumer	1,451,021	593,542	435,527	2,480,090	1,158,645

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	December 31, 2021				
	1 to 30 days	31 to 60 days	61 to 90 days	Total customers in arrears but not impaired	Impaired
Mortgage	1,207,144	292,371	133,862	1,633,377	583,824
Microcredit	27,755	7,970	5,518	41,243	86,377
Financial leases	158,522	36,982	46,571	242,075	166,933
Total	\$ 4,512,983	1,222,429	734,062	6,469,474	4,200,561

The Bank and its subsidiaries evaluate commercial loans quarterly, by economic sector, including an assessment of macro sectors. The objective, in this respect, is to monitor concentration by economic sector and risk-level. It also conducts an annually assessment of individual credit risk on outstanding balances in excess of \$2,000, evaluated on the basis of updated financial information on the customer, compliance with agreed terms, collateral received and inquiries with credit bureaus. This information is used to classify customers at different risk levels. The following categories are used for this purpose: Category A – Normal, B – Acceptable, C – Appreciable, D – Significant and E – Being uncollectible. These categories are described below.

Category A – “Normal risk”: Loans and financial leases in this category are appropriately serviced. The debtor’s financial statements or its projected cash flows, and all other credit information available to the Bank and its subsidiaries, reflect adequate capacity to pay.

Category B – “Acceptable risk”: Loans and financial leases in this category are acceptably serviced and guaranty protected, but there are weaknesses that potentially could affect, temporarily or on a permanent basis, the debtor’s paying capacity or its projected cash flows. If not corrected in due course, these weaknesses would affect the normal collection of loans or contracts.

Category C – “Appreciable risk”: Loans and financial leases in this category have debtors with insufficient paying capacity or relate to projects with an insufficient cash flow, which could compromise normal collection of the respective obligations.

Category D – “Significant risk”: Loans and financial leases in this category largely have the same shortcomings as those in category C but the probability of collection is highly uncertain.

Category E – “Risk of being uncollectible”: Loans and financial leases in this category are regarded as uncollectible.

The foregoing classification, by risk level, is done monthly for mortgage and microcredit, essentially according to the amount of time past due and other risk factors.

The Bank and its subsidiaries also consolidate each customer’s debts and determines and calculates the probability of impairment at a consolidated level.

Exposure to credit risk is managed through a regular analysis of borrowers and potential borrowers to determine their ability to pay principal and interest. Exposure to credit risk also is mitigated, in part, by obtaining collateral and corporate or personal guarantees.

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The following is a summary of the loan portfolio divided according to risk-rating levels:

	December 31, 2022	December 31, 2021
Commercial		
"A" Normal risk	\$ 51,957,141	73,916,142
"B" Acceptable risk	1,453,199	3,950,281
"C" Appreciable risk	1,719,360	2,054,987
"D" Significant risk	2,358,962	2,570,037
"E" Risk of Being Uncollectible	1,648,268	1,359,723
	59,136,930	83,851,170
Consumer		
"A" Normal risk	19,880,466	37,359,147
"B" Acceptable risk	546,487	2,405,004
"C" Appreciable risk	487,035	2,958,984
"D" Significant risk	698,357	1,227,954
"E" Risk of Being Uncollectible	126,023	370,542
	21,738,368	44,321,631
Mortgage		
"A" Normal risk	10,211,947	18,067,667
"B" Acceptable risk	174,889	1,389,077
"C" Appreciable risk	209,177	2,338,502
"D" Significant risk	50,046	415,177
"E" Risk of Being Uncollectible	151,791	387,686
	10,797,850	22,598,109
Microcredit		
"A" Normal risk	225,541	210,950
"B" Acceptable risk	4,427	7,900
"C" Appreciable risk	4,267	6,260
"D" Significant risk	4,400	5,877
"E" Risk of Being Uncollectible	26,705	83,363
	265,340	314,350
Financial leases		
"A" Normal risk	3,558,290	4,363,356
"B" Acceptable risk	71,039	195,769
"C" Appreciable risk	71,353	138,936
"D" Significant risk	296,096	313,589
"E" Risk of Being Uncollectible	142,692	122,224
	4,139,470	5,133,874
Repos, interbank and others		
"A" Normal risk	4,492,352	1,586,667
	4,492,352	1,586,667
Total	\$ 100,570,310	157,805,801

Based on the foregoing classifications, the Bank and its subsidiaries prepare a list of clients who potentially could have an important impact on losses, based on that list, it assigns a staff to monitor each customer individually. This process includes meetings with the customer to identify potential sources of risk and to work together to find solutions that will enable the debtor to fulfill its obligations.

The portfolio according to the different stages is detailed at Note 11.4.

Relevant risk factors at the 2022 juncture

During 2022, inflation levels showed a significant increase, closing the year at 13.12%, the highest figure in 23 years, mainly due to the delta in variables such as food and utilities (energy).

Based on this scenario, early warnings of a reduction in the growth of the economy and greater pressure on Colombian households' spending arose. Therefore, during the first half of 2022, considering a potential deterioration due to macroeconomic conditions, we identified which clients in the consumer portfolio presented greater vulnerability or increased risk and defined changes in approvals restricting exposure in this profile.

On the other hand, the Central Bank's (Banco de la República) monetary policy interest rate increased by 12% during 2022 compared to December 2021, which was at 3%, generating an increase in financial expenses and affecting customers' cash flow, which could weaken their payment capacity. During the 2022 operation, we included this situation in our stress scenario analysis to identify which type of customers could be affected in their cost structure. With the results obtained, we included the clients identified within the semi-annual individual portfolio evaluation process carried out between November and December 2022. Some of these clients were subject to quota or rating adjustment, recognizing their risk and respective provision while maintaining the monitoring and control of exposure.

Another risk factor identified is the devaluation of the Colombian peso, generating possible defaults in our clients from two points of view: i) negative impacts on their cost structure, ii) increase of indebtedness in clients with debt in foreign currency and without hedges to mitigate the effects of the devaluation affecting the balance sheet structure. For the analysis of these risk factors, approaches were made through the following activities: i) the Portfolio Evaluation Committees for the first half of 2022 included the commercial portfolio customers with financial information at the end of 2021, to identify the impact on the EBITDA financial indicator (acronym for Earnings Before Interest Taxes Depreciation and Amortization) of the increase in import costs for customers without natural hedging. In this exercise, no impairment derived from this alert was identified because the clients were able to transfer the higher cost per MER to the price. This risk is permanently validated with the update of financial information for the 2022 cut-off date. For the situation ii) an analysis will be carried out during the first quarter of 2023 to identify the clients with an impact on their balance sheet indicators due to an increase in debt derived from the increase in the MER during 2022, understanding whether or not they have hedges and the impact of the increase in financial expenses.

During 2023, these risk factors will be monitored through the follow-up and early warning processes inherent to the credit risk management function, to manage the quotas in the granting process, identify emerging risks in the individuality of each client, recognize in the rating that reflects the level of individual risk and constitute adequate provisions to maintain the appropriate portfolio coverage.

Credit operations restructuring

The Bank and its subsidiaries periodically restructure the debts of customers who have problems fulfilling their loan obligations. This restructuring is done at the debtor's request and usually consists of extending terms, lowering interest rates or a new restructuring in accordance with the client's needs.

The base policy on granting this sort of refinancing is to provide the customer with the financial feasibility that will enable it to adapt debt payment conditions to a new situation for generating funds, based on its financial viability.

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When a loan is restructured due to the debtor's financial problems, the debt is flagged in the Bank and its subsidiaries as a restructured loan, pursuant to the regulations established by the Financial Superintendence of Colombia. The restructuring process has a negative impact on the debtor's risk rating. After restructuring, the customer's risk rating will only improve if it complies with the terms of the agreement, within a reasonable period of time, and the customer's new financial situation is adequate, or additional and sufficient collateral is provided.

Restructured loans are included for impairment assessment and to determine impairment. However, flagging a restructured loan does not necessarily mean it is classified as impaired, since new collateral to secure the obligation is obtained in most cases.

The following is the balance of restructured loans:

	December 31, 2022	December 31, 2021
Local	\$ 1,586,984	1,152,494
Foreign	1,590,174	6,931,326
Total	\$ 3,177,158	8,083,820

Foreclosed assets

When persuasive collection or loan restructuring processes do not produce satisfactory results within a reasonable period of time, collection is carried out through legal means or agreements are reached with the customer to receive foreclosed assets.

The Bank and its subsidiaries have clearly established policies for receiving foreclosed assets and has separate departments that specialize in handling these cases, in receiving foreclosed assets and in the subsequent sale thereof.

The following table shows foreclosed assets and those sold:

	December 31, 2022	December 31, 2021
Additions (See Note 13)	\$ 69,811	195,775
Disposals/ Sales (See Note 13)	\$ 30,149	46,632

7.4.2 MARKET RISK

The Bank and its subsidiaries take part in monetary, exchange and capital markets to satisfy its needs and those of its customers. This is done pursuant to established policies and risk levels. In that regard, it manages various portfolios of financial assets within the limits and the risk levels allowed.

Market risk arises from the Bank and its subsidiaries positions in investment portfolios of debt securities, equity securities, foreign exchange exposures, and derivative operations that are impacted by adverse changes in risk factors such as prices, interest rates, foreign currency exchange rates, share prices, credit margins of instruments.

The activity through which market risks are assumed is based on trading. The Bank and its subsidiaries trade financial instruments for various reasons, the following are the main ones:

- To offer products tailored to the customer's needs. One such function, among others, is to hedge the customer's financial risks.

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- To structure portfolios to take advantage of arbitrage between different curves, assets and markets, and to obtain returns on the adequate use of equity.
- To conduct derivative operations to hedge asset and liability risk positions on the statement of financial position, to act as brokers for customers or to capitalize on opportunities for arbitrage concerning exchange and interest rates on local and foreign markets.

In carrying out these operations, the entities incur risks within defined limits or mitigates them with operations in other financial instruments, derivatives or not.

The following is a breakdown of the Bank and its subsidiaries financial assets and liabilities at fair value that were subject to market risk:

	December 31, 2022	December 31, 2021
Assets		
Debt financial assets		
investments at fair value through profit or loss	\$ 463,213	1,397,803
investments at fair value through other comprehensive income	10,826,820	23,735,622
	11,290,033	25,133,425
Trading derivatives	786,175	403,105
Hedging derivatives	107	5,379
Total assets	12,076,315	25,541,909
Liabilities		
Trading derivatives	631,876	395,424
Hedging derivatives	2,015	51,989
Total liabilities	633,891	447,413
Net position	\$ 11,442,424	25,094,496

Description of risk management objectives, policies and processes

The risks assumed in bank book and treasury book operations are consistent with the Bank's overall business strategy and its risk appetite established in the Risk Appetite Statement (DAR - Spanish acronym) and the Risk Appetite Market (MAR - Spanish acronym) Framework approved by Grupo Aval and the Board of Directors of the different entities that consolidate, based on the depth of the market for each instrument, its impact on risk-weighted assets and capital adequacy, the profit budget established for each business unit, and the structure of the balance sheet.

Business strategies are established based on approved limits, in an effort to balance the risk / return ratio. Moreover, there is a structure of limits consistent with the Bank and its subsidiaries general philosophy; it is based on its capital levels, earnings performance and tolerance for risk.

The Market Risk Management System (SARM - Spanish acronym) allows the Bank and its subsidiaries to identify, measure, control and monitor the market risk it might be exposed to, according to the positions assumed in carrying out their operations.

There are several scenarios in which its Bank and its subsidiaries are exposed to trading risks.

Description of risk exposure

- **Interest rate**

The Bank and its subsidiaries treasury portfolios are exposed to interest-rate risk when a change in the market value of asset positions compared to a change in interest rates does not match the change in the

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market value of the liability position, and this difference is not offset by a change in the market value of other instruments, or when the future margin depends on interest rates, due to pending operations.

- **Exchange rate**

The Bank and its subsidiaries' treasury portfolios are exposed to exchange risk when i) the current value of its asset positions in each currency does not match the current value of its liability positions in the same currency, and the difference is not offset, ii) positions are taken in derivative products where the underlying asset is exposed to exchange risk and the sensitivity of the value to variations in exchange rates has not been immunized completely, iii) positions are taken at interest-rate risk in currencies other than the reference currency; these can alter the parity between the value of asset positions and the value of the liability positions in said currency, which generates losses or profits, iv) when the margin depends directly on exchange rates.

Risk management

Senior management and the Board of Directors of the Bank and its subsidiaries play an active role in managing and controlling risk. They do so by analyzing a protocol of established reports and presiding over a number of committees that comprehensively monitor - both technically and fundamentally - the different variables that influence domestic and foreign markets. This process is intended to support strategic decisions.

Likewise, the analysis and monitoring of the different risks incurred by entities in their operations is essential for decision-making and for the evaluation of results. An ongoing analysis of macroeconomic conditions is vital to achieving an ideal combination of risk, return and liquidity.

The risks assumed in financial operations are reflected in a structure of limits based on a Risk Appetite Framework (MAR -Spanish acronym), on positions in different instruments, according to their specific strategy, the depth of the markets in which they operate, the impact on level of risk assets and capital adequacy, as well as the structure of the statement of financial position and liquidity management. The Risk Appetite Framework is monitored and reported periodically to both the Board of Directors and the Bank's Comprehensive Risk Committee.

In addition, and to minimize interest-rate and exchange-rate risks to certain statement of financial position items, the Bank and its subsidiaries implement hedging strategies by taking positions in derivative instruments.

According to the risk management strategy, the exposure to exchange risk generated by investments in foreign subsidiaries and agencies is partially hedged through a combination of "non-derivative" instruments (bonds issued in USD) and "derivative instruments" (portfolio of dollar-peso forward type operations), these receive hedge accounting treatment, once they comply with the respective requirements.

The economic relationship between financial instrument and hedged item is contained in Note 10.5.

Methods used to measure risk

Market risks are quantified using value-at-risk models (internal and standard), and measurements are done according to the historical simulation method. The Board of Directors approves a framework of limits based on the value-at-risk associated with the annual budget for profits and establishes additional limits, according to the different types of risk (Risk Appetite Framework - MAR) and asset appreciation or devaluation alerts for strategic and/or structural positions.

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The Bank and its subsidiaries use the standard model to measure, control and manage market interest, exchange risk and the price of the shares in both the treasury and bank books, as stipulated by the Financial Superintendence of Colombia. Actually, it also maps the asset and liability positions in the treasury book within zones and bands according to the duration of the portfolios, the investments in equity securities and the net position (asset minus liability) in foreign currency, (excluding the value of the uncovered portion of its controlled investments abroad), both in the bank book and the treasury book. This process is consistent with the standard model recommended by the Basel Committee.

The entities have parametric and non-parametric models for internal management based on the value-at-risk (VaR) method. These models make it possible to supplement market risk management by identifying and analyzing variations in the risk factors (interest rates, exchange rates and price indexes) that affect the value of the different instruments that make up the portfolios. VaR parametric, C-VaR and the historical simulation method are prime examples of such models.

The use of these methods makes it possible to estimate profits and capital at risk, facilitating resource allocation to the various business units, as well as a comparison of activities in different markets and identification of the positions that pose the most risk to the treasury business. These tools also are used to set limits on traders' positions and to carry out a sensitivity analysis of positions and strategies, as market conditions changes.

The methods used for measuring different types of risk are assessed regularly and backtesting to verify their efficiency. In addition, banks have tools to carry out portfolio stress and/or sensitivity tests, using simulations of extreme scenarios. Comparisons are made between the scenarios provided for the Resistance Testing Scheme by the Financial Superintendence of Colombia, compared to the historical scenarios used in the internal methodologies that have been applied to set limits for the risk management of treasury portfolios, with the purpose to verify that they are contained in them.

There are also limits that depend on the "risk type" associated with each of the instruments that comprise the portfolios (sensitivity or impact on portfolio value due to interest rate fluctuations or respective factors - effect of variations in specific risk factors: interest rate (Rho), exchange rate (Delta) and volatility (Vega), among others.

The Bank and its subsidiaries have counterpart and trading limits, per operator, for each trading platform in the markets where it does business. These limits are controlled daily by the Back Office and the Middle Office of the Bank and its subsidiaries. The trading limits, per operator, are assigned to the different levels of hierarchy within the treasury business, based on the officer's experience in the market, in trading the type of product in question, and in portfolio management.

There is also a process to monitor the prices and valuation input published by PRECIA S.A. (the price vendor) that allows to identify on a daily basis those prices with significant differences compared to other financial information tools (e.g., the Bloomberg platform).

This monitoring is done to contest the prices published by these services, if necessary. In the case of MFH, there is a process to monitor the clean prices in the international vector published by financial information platforms.

In the same way, the Bank and its subsidiaries also have a model to analyze the liquidity of debt securities (bonds) issued abroad for determining the depth of the market for instruments of this type and their level in the fair value hierarchy.

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Lastly, as part of the effort to monitor operations, the different aspects of trading are controlled, such as the terms agreed on, unconventional or off-market operations, operations with related parties, etc.

According to the standard model, the market value at risk VaR (maximum, minimum and average values) for the Bank and its main financial subsidiaries was as follows:

	December 31, 2022				December 31, 2021			
	Minimum	Average	Maximum	Latest	Minimum	Average	Maximum	Latest
Interest rate	\$ 437,422	438,977	440,531	440,531	834,269	881,819	953,656	834,270
Exchange rate	94,303	132,910	171,517	171,517	16,782	75,904	122,718	70,029
Shares of stock	3,759	3,815	3,870	3,870	2,714	8,623	15,898	2,820
Mutual funds	108,165	125,935	143,705	143,705	103,577	243,525	390,295	106,827
Total VaR	\$ 643,648	701,637	759,624	759,623	978,400	1,209,871	1,464,241	1,013,946

Following is a summary the VaR indicators for the Bank and its main financial subsidiaries:

	December 31, 2022		December 31, 2021	
	Amount	Basis points of regulatory capital	Amount	Basis points of regulatory capital
Banco de Bogotá and financial subsidiaries	\$ 759,623	116	1,013,946	100

The following is the sensitivity of the average portfolio of debt securities at fair value through profit or loss would have had on earnings, if the market interest rates for the Bank and its subsidiaries had increased by 25 or 50 basis points (BP):

	December 31, 2022			December 31, 2021		
	Average value of the portfolio	25 basis points	50 basis points	Average value of the portfolio	25 basis points	50 basis points
Banco de Bogotá	\$ 644,058	1.610	3.220	1,119,982	2.800	5.600
Banco de Bogotá Panamá S.A. and subsidiary	130,516	326	653	203,540	509	1.018
Multi Financial Holding (MFH)	60,315	151	302	31,483	79	157
Fiduciaria Bogotá S.A.	25,702	64	129	37,321	93	187
BAC Holding International (BHI)	\$ 0	0	0	166,044	415	830

Investment price risk in equity securities

Equity investments

The Bank and its subsidiaries also are exposed to financial asset price risk in equity securities listed on the stock exchange (mainly the Colombian Stock Exchange). If the prices of these investments had change by +/-1% higher or lower, the greater or lesser impact on the OCI of the Bank and its subsidiaries, before taxes, would have been \$36 and \$52 as of December 31, 2022, and 2021, respectively.

The Bank and its subsidiaries also have equity investments that are not listed on the stock market, in which their fair value is provided by the official price vendor. A sensitivity analysis of the variables used by the price vendor is provided (See Note 6.4.1).

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• **Foreign exchange rate risk**

The Bank and its subsidiaries operate internationally and is exposed to changes in the exchange rate that come from exposure in several currencies, primarily the United States dollar and the euro. For the most part, foreign exchange risk is present when there are assets and liabilities and the investments made in subsidiaries and branches abroad, loan portfolios, obligations in foreign currency, and in future commercial transactions, also in foreign currency.

Banks in Colombia are authorized by the Central Bank of Colombia to trade currencies and to maintain balances in foreign currency in accounts abroad. The legal standards in Colombia allow banks to hold their own positions in foreign currency, determined by the difference between foreign currency-denominated rights and obligations recorded on and off the statement of financial position, whose three-day average cannot exceed the equivalent in foreign currency of twenty percent (20%) of the technical capital as indicated further below in note 33. Also, the three business-day average in foreign currency can be negative, without exceeding the equivalent in foreign currency of five percent (5%) of said technical capital.

To calculate the own position, the value of investments controlled abroad must be excluded. They must also exclude derivatives and other obligations designated as hedging instruments for investments controlled abroad.

Determination of the maximum or minimum amount of the own daily position and its own cash position in foreign currency is established based on the regulatory capital reported with the financial statements to the Financial Superintendence of Colombia corresponding to the second previous calendar month. Regulatory capital is converted to US dollars using the average of the official exchange rate for the previous calendar month on which the own position is calculated.

The following is a breakdown of assets and liabilities in foreign currency, by its equivalent in Colombian pesos, held by the Bank and its subsidiaries:

	December 31, 2022			
	US millions of dollars	Millions of Euros	Other currencies expressed in millions of US Dollars	Total (in millions of Colombian pesos)
Assets				
Cash and cash equivalents	804.05	20.52	11.31	\$ 4,027,155
Debt securities investments at fair value through profit or loss	48.18	0.00	0.00	231,750
Equity securities investments at fair value through profit or loss	21.94	0.00	0.00	105,518
Debt securities investments at fair value through other comprehensive income	1,321.81	0.00	0.00	6,358,189
Equity securities investments at fair value through other comprehensive income	108.10	0.00	0.00	519,983
Investments at amortized cost	85.27	0.00	0.00	410,163
Trading derivatives	0.07	0.00	0.00	327
Hedging derivatives	0.02	0.00	0.00	107
Loan portfolio	5,607.75	0.17	0.97	26,979,922
Other accounts receivable	326.65	0.00	63.04	1,874,487
Total assets	8,323.84	20.69	75.32	40,507,601
Liabilities				
Trading derivatives	0.46	0.00	0.00	2,228
Hedging derivatives	0.16	0.00	0.00	786

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December 31, 2022				
	US millions of dollars	Millions of Euros	Other currencies expressed in millions of US Dollars	Total (in millions of Colombian pesos)
Checking accounts deposits	1,133.26	8.13	6.75	5,525,304
Savings accounts deposits	659.18	0.00	0.00	3,170,811
Time certificates of deposit	3,666.08	0.77	0.00	17,638,541
Others deposits	73.39	0.74	0.08	357,190
Interbank borrowings and overnight funds	193.97	1.41	0.00	940,214
Borrowings from banks and others	3,116.62	0.17	0.94	14,996,950
Bonds issued	2,157.93	0.00	0.00	10,380,074
Development entities	0.09	0.00	0.00	451
Lease contracts	13.99	0.00	0.00	67,313
Accounts payables and other liabilities	68.07	0.20	0.00	328,475
Total liabilities	11,083.20	11.42	7.77	53,408,337
Net asset position (liabilities)	(2,759.36)	9.27	67.55	\$ (12,900,736)

December 31, 2021				
	US millions of dollars	Millions of Euros	Other currencies expressed in millions of US Dollars	Total (in millions of Colombian pesos)
Assets				
Cash and cash equivalents	3,930.65	54.05	1,964.67	\$ 23,714,169
Debt securities investments at fair value through profit or loss	184.22	0.00	32.52	862,856
Equity securities investments at fair value through profit or loss	34.16	0.00	1.70	142,731
Debt securities investments at fair value through other comprehensive income	3,792.62	0.00	1,173.36	19,770,349
Equity securities investments at fair value through other comprehensive income	1.83	0.00	1.26	12,296
Investments at amortized cost	110.46	0.00	4.52	457,749
Trading derivatives	1.16	0.00	0.29	5,778
Loan portfolio	18,477.75	0.23	5,803.38	96,668,104
Other accounts receivable	160.67	0.01	229.32	1,552,679
Total assets	26,693.52	54.29	9,211.02	143,186,711
Liabilities				
Trading derivatives	0.30	0.00	0.00	1,177
Hedging derivatives	4.77	0.00	0.00	18,973
Checking accounts deposits	6,136.96	16.73	3,358.02	37,876,539
Savings accounts deposits	3,471.38	3.47	2,026.75	21,904,571
Time certificates of deposit	10,433.25	4.36	1,937.13	49,268,186
Others deposits	53.40	1.09	45.65	399,272
Interbank borrowings and overnight funds	71.20	0.00	54.04	498,626
Borrowings from banks and others	3,901.25	0.36	686.49	18,266,172
Bonds issued	3,285.85	0.00	35.35	13,222,207
Development entities	1.68	0.00	0.00	6,701
Lease contracts	169.45	0.00	4.81	693,765
Accounts payables and other liabilities	18.18	0.20	522.45	2,153,215
Total liabilities	27,547.67	26.21	8,670.69	144,309,404
Net asset position (liabilities)	(854.15)	28.08	540.33	\$ (1,122,693)

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If the exchange rate increased by \$10 Colombian pesos to US\$1, the effect on the net position of the Bank and its subsidiaries would increase \$26,820 and \$2,820 for December 31, 2022, and 2021, respectively.

The objective of the Bank and its subsidiaries with regard to transactions in foreign currency is to meet the needs of its foreign-trade customers in terms of conducting transactions and obtaining financing in foreign currency, in addition to assuming positions within the authorized limits.

The Bank and its subsidiaries have established policies requiring foreign exchange risk management for each of the functional currencies in the countries where its subsidiaries are located. Foreign exchange exposure is hedged economically through the use of derivatives and non-derivative instruments.

The net foreign currency position of each subsidiary is monitored daily by the treasury division at the subsidiary that is responsible for closing these positions by adjusting them to the established tolerance levels.

The Bank and its subsidiaries have a number of investments in foreign subsidiaries and agencies whose net assets are exposed to risk from translation of financial statements for consolidation purposes. The exposure arising from net assets in foreign operations is partially hedged primarily with financial obligations, bonds and derivative instruments in foreign currency (see Note 10.5).

- **Interest-rate structure risk:**

The Bank and its subsidiaries have exposures to the effects of fluctuations in the interest rate market that affect capital and earnings, because they modify the present value and future cash flows of the entity's assets, liabilities and off-balance sheet items and, therefore, the Economic Value of Equity (EVA). Changes in interest rates also affect the Net Interest Margin (NIM) by altering interest rate sensitive revenues and expenses.

The main sources of interest rate risk in the banking book are: i) Gap risk (repricing), generated by the difference in the maturity terms in which assets or liabilities are held, ii) Basis risk, which corresponds to the impact for financial instruments with similar maturity terms, but whose prices are set with different interest rate indexes (v. g. fixed vs. floating rate) and iii) Option risk, which is the probability of incurring losses as a result of the exercise of implicit or explicit options, such as prepayment of loans. (v.g. fixed rate vs. variable rate) and iii) Option Risk, which is the probability of incurring losses as a consequence of the exercise of implicit or explicit options, such as loan prepayments.

The following table shows the financial assets and liabilities subject to repricing bands:

	December 31, 2022				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Cash and cash equivalents	\$ 7,274,061	0	0	0	7,274,061
Debt securities investments at fair value through profit or loss	389,491	7,538	0	66,184	463,213
Debt securities investments at fair value through other comprehensive income	355,091	571,049	150,081	9,750,599	10,826,820
Investments at amortized cost	1,222,991	377,286	214,288	1,666,083	3,480,648
Repos, interbank, overnight and others	4,492,352	0	0	0	4,492,352
Commercial loans	15,617,147	12,472,488	7,507,701	26,928,507	62,525,843
Consumer loans	4,192,211	369,493	995,692	16,190,039	21,747,435

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December 31, 2022					
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Mortgage loans	4,087,452	440	1,838	7,449,610	11,539,340
Microcredits loans	18,636	9,427	31,523	205,754	265,340
Abandoned accounts - ICETEX	0	0	0	226,380	226,380
Other accounts receivable (1)	0	0	0	1,445,881	1,445,881
Total assets	37,649,432	13,807,721	8,901,123	63,929,037	124,287,313
Liabilities					
Checking accounts deposits	16,280,516	0	0	0	16,280,516
Savings accounts deposits	32,316,968	0	0	0	32,316,968
Time certificates of deposit	3,363,827	17,031,121	10,919,674	7,691,978	39,006,600
Interbank borrowings and overnight funds	543,395	475,380	77,463	0	1,096,238
Borrowings from banks and others	1,574,888	11,578,145	845,920	997,997	14,996,950
Bonds issued	189,170	3,105,854	246,303	7,746,823	11,288,150
Development entities	2,299,204	257	0	0	2,299,461
Lease contracts	2,697	44,264	80,223	519,778	646,962
Total liabilities	\$ 56,570,665	32,235,021	12,169,583	16,956,576	117,931,845

(1) Corresponds to dividends receivable, decreed by BAC Holding International (BHI).

December 31, 2021					
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Cash and cash equivalents	\$ 26,997,907	0	0	0	26,997,907
Debt securities investments at fair value through profit or loss	940,898	0	70,399	386,506	1,397,803
Debt securities investments at fair value through other comprehensive income	650,852	2,426,303	1,473,829	19,184,638	23,735,622
Investments at amortized cost	1,707,714	1,064,072	266,181	195,037	3,233,004
Repos, interbank, overnight and others	1,554,270	32,397	0	0	1,586,667
Commercial loans	35,582,547	19,363,327	6,434,673	26,663,650	88,044,197
Consumer loans	17,531,088	9,688,896	1,049,503	16,401,641	44,671,128
Mortgage loans	14,201,690	697,862	334,265	7,955,642	23,189,459
Microcredits loans	42,173	10,092	36,426	225,659	314,350
Abandoned accounts - ICETEX	0	0	0	203,510	203,510
Total assets	99,209,139	33,282,949	9,665,276	71,216,283	213,373,647
Liabilities					
Checking accounts deposits	49,057,254	0	0	0	49,057,254
Savings accounts deposits	51,086,471	0	0	0	51,086,471
Time certificates of deposit	5,463,984	26,039,419	13,185,058	18,457,132	63,145,593
Interbank borrowings and overnight funds	1,585,957	32,879	0	64,120	1,682,956
Borrowings from banks and others	2,814,867	6,875,797	3,359,590	5,217,020	18,267,274
Bonds issued	122,697	953,997	1,688,572	11,360,792	14,126,058
Development entities	1,149,656	527,638	5,929	103,655	1,786,878
Lease contracts	49,621	237,443	169,232	764,588	1,220,884
Total liabilities	\$ 111,330,507	34,667,173	18,408,381	35,967,307	200,373,368

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The following is a breakdown of the interest rate on financial assets and liabilities:

December 31, 2022					
	Under one year		More than one year		Total
	Variable	Fixed	Variable	Fixed	
Assets					
Debt securities investments at fair value through profit or loss	\$ 68,618	172,443	12,624	209,528	463,213
Debt securities investments at fair value through other comprehensive income	0	1,818,605	117,105	8,891,110	10,826,820
Investments at amortized cost	1,887,090	1,255,672	204,905	132,981	3,480,648
Repos, interbank, overnight and others	0	4,492,352	0	0	4,492,352
Commercial loans	27,117,783	4,461,568	27,896,230	3,050,262	62,525,843
Consumer loans	91,687	5,627,222	3,961,513	12,067,013	21,747,435
Mortgage loans	28	468,318	3,939,091	7,131,903	11,539,340
Microcredits loans	103	154,027	0	111,210	265,340
Abandoned accounts - ICETEX	0	0	226,380	0	226,380
Other accounts receivable (1)	0	0	0	1,445,881	1,445,881
Total assets	29,165,309	18,450,207	36,357,848	33,039,888	117,013,252
Liabilities					
Checking accounts deposits	0	16,280,516	0	0	16,280,516
Savings accounts deposits	310,429	32,006,539	0	0	32,316,968
Time certificates of deposit	6,654,225	24,763,975	909,628	6,678,772	39,006,600
Interbank borrowings and overnight funds	0	1,096,238	0	0	1,096,238
Borrowings from banks and others	6,146,983	6,787,469	1,064,501	997,997	14,996,950
Bonds issued	114,252	2,563,112	396,804	8,213,982	11,288,150
Development entities	143,780	0	2,155,681	0	2,299,461
Lease contracts	0	116,063	0	530,899	646,962
Total liabilities	\$ 13,369,669	83,613,912	4,526,614	16,421,650	117,931,845

(1) Corresponds to dividends receivable, decreed by BAC Holding International (BHI).

December 31, 2021					
	Under one year		More than one year		Total
	Variable	Fixed	Variable	Fixed	
Assets					
Debt securities investments at fair value through profit or loss	\$ 56,301	632,533	0	708,969	1,397,803
Debt securities investments at fair value through other comprehensive income	139,603	4,141,746	261,577	19,192,696	23,735,622
Investments at amortized cost	1,635,640	1,305,654	156,573	135,137	3,233,004
Repos, interbank, overnight and others	1,510,888	75,779	0	0	1,586,667
Commercial loans	32,075,686	3,003,213	50,878,030	2,087,268	88,044,197
Consumer loans	350,080	17,337,212	14,460,503	12,523,333	44,671,128
Mortgage loans	11,137	355,767	17,422,022	5,400,533	23,189,459
Microcredits loans	80	187,174	0	127,096	314,350
Abandoned accounts - ICETEX	0	0	203,510	0	203,510
Total assets	35,779,415	27,039,078	83,382,215	40,175,032	186,375,740
Liabilities					
Checking accounts deposits	117,152	48,940,102	0	0	49,057,254
Savings accounts deposits	937,258	50,149,213	0	0	51,086,471
Time certificates of deposit	2,832,698	41,099,018	758,823	18,455,054	63,145,593
Interbank borrowings and overnight funds	0	1,618,836	0	64,120	1,682,956
Borrowings from banks and others	6,878,205	5,768,317	2,257,514	3,363,238	18,267,274
Bonds issued	0	2,165,208	600,057	11,360,793	14,126,058
Development entities	421,187	50,519	1,251,660	63,512	1,786,878

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	December 31, 2021				Total
	Under one year		More than one year		
	Variable	Fixed	Variable	Fixed	
Lease contracts	0	456,493	0	764,391	1,220,884
Total liabilities	\$ 11,186,500	150,247,706	4,868,054	34,071,108	200,373,368

If interest rates had been 50 basis points lower (higher) with all other variables held constant, the Bank and its subsidiaries net income for the years ended December 31, 2022, and 2021, would have increased (decreased) by \$46,984 and \$77,739 respectively. This is mainly due to a lower (higher) interest expense on financial obligations and customer deposits, lower (higher) interest on portfolio interest and lower (higher) investment valuation.

Benchmark interest rate reform

The world is currently undergoing a fundamental reform in the main benchmark interest rates, in which certain inter-bank offered rates (IBOR) are being replaced for alternative near risk-free rates (called "IBOR reform"). The Bank is significantly exposed to the LIBOR in its financial instruments, which is in the process of being reformed as part of these market initiatives.

On July 29, 2021, the Alternative Reference Rates Committee (ARRC) announced its recommendation on the use of the SOFR term rates (Term SOFR) of the Chicago Mercantile Exchange (CME), after completing a key change in the commercial conventions between market intermediaries on July 26, 2021, under the SOFR First initiative, which recommends the end of the use of LiborUSD and instead the use of SOFR for linear swaps trades. This initiative accelerated the transition for all types of products. Additionally, the ARRC recommendation on the use of Term SOFR has facilitated the change towards loans in SOFR. According to an ARRC report, the transition has moved forward with no major obstacles, particularly in derivatives, consumer loans and floating rate markets. The market perceives fluid progress in commercial loans and securitization markets, observing a greater trend towards issuances indexed to SOFR.

During 2022, a successful transition process was evidenced in the markets after the closing of operations in LiborEUR, LiborCHF, LiborYEN and LiborGBP, even though financial institutions have faced some challenges related to the selection of benchmark rates and the renegotiation of contracts indexed to the previous benchmark rates. With respect to LiborUSD, companies are already trading SOFR-indexed products. On May 5, 2022, CME Group launched the SOFR First initiative for options contracts, in order to accelerate the transition to products of this type. The greatest challenges found have been in operating and system aspects.

During 2022 and 2021, the Bank and its subsidiaries had the following LIBOR exposures with respect to financial instruments subject to LIBOR benchmarks, the following table shows the value of financial assets and liabilities indexed to LIBOR rates and those with fallback clauses:

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December 31, 2022					
	Total amount of contracts expiring before June 30, 2023		Total amount of contracts expiring after June 30, 2023		Total Libor indexed contracts
	Total value of indexed contracts	Amount with appropriate fallback clause	Total value of indexed contracts	Amount with appropriate fallback clause	
Trading derivatives					
Interest rate swaps	935	935	8,014	8,014	8,949
Cross-currency swaps	35,942	35,942	36,298	36,298	72,240
	36,877	36,877	44,312	44,312	81,189
Loan portfolio					
Commercial	6,233	0	1,023,058	392,801	1,029,291
Consumer	0	0	6,788	0	6,788
Mortgage	0	0	1,816	0	1,816
	6,233	0	1,031,662	392,801	1,037,895
Total Assets	43,110	36,877	1,280,879	437,113	1,323,989
Liabilities					
Trading derivatives					
Interest rate swaps	881	881	10,182	10,182	11,063
Cross-currency swaps	44,536	44,536	69,114	69,114	113,650
	45,417	45,417	79,296	79,296	124,713
Hedging derivatives					
Interest rate swaps	0	0	786	786	786
	0	0	786	786	786
Financial obligations					
Banks and others	0	0	410,304	219,459	410,304
Development entities	29	0	418	0	447
	29	0	410,722	219,459	410,751
Total Liabilities	\$ 45,446	45,417	490,804	299,541	536,250

December 31, 2021					
	Total amount of contracts expiring before June 30, 2023		Total amount of contracts expiring after June 30, 2023		Total Libor indexed contracts
	Total value of indexed contracts	Amount with appropriate fallback clause	Total value of indexed contracts	Amount with appropriate fallback clause	
Assets					
Investments at fair value through other comprehensive income	\$ 0	0	691,014	453,954	691,014
Investments at amortized cost	2,433	0	157,374	0	159,807
	2,433	0	848,388	453,954	850,821
Trading derivatives					
Interest rate swaps	1,624	0	593	0	2,217
Cross-currency swaps	17,275	0	8,950	0	26,225
	18,899	0	9,543	0	28,442
Loan portfolio					
Commercial	4,360,616	368,154	8,307,147	2,120,203	12,667,763
Consumer	40,481	6,466	1,458,972	605,484	1,499,453
Mortgage	10,750	0	5,422,963	1,486,718	5,433,713
	4,411,847	374,620	15,189,082	4,212,405	19,600,929

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	December 31, 2021				
	Total amount of contracts expiring before June 30, 2023		Total amount of contracts expiring after June 30, 2023		Total Libor indexed contracts
	Total value of indexed contracts	Amount with appropriate fallback clause	Total value of indexed contracts	Amount with appropriate fallback clause	
Total Assets	4,433,179	374,620	16,047,013	4,666,359	20,480,192
Liabilities					
Trading derivatives					
Interest rate swaps	3,758	0	6,179	0	9,937
Cross-currency swaps	40,725	0	29,133	0	69,858
	44,483	0	35,312	0	79,795
Hedging derivatives					
Interest rate swaps	0	0	81,614	81,614	81,614
	0	0	81,614	81,614	81,614
Customer deposits					
Time certificates of deposit	119,435	0	0	0	119,435
	119,435	0	0	0	119,435
Financial obligations					
Banks and others	3,263,263	696,703	6,360,296	2,788,873	9,623,559
Development entities	6,214	0	487	0	6,701
	3,269,477	696,703	6,360,783	2,788,873	9,630,260
Total Liabilities	\$ 3,433,395	696,703	6,477,709	2,870,487	9,911,104

While some of these outstanding LiborUSD-based loans and contracts include back-up provisions to alternative reference rates, most of the outstanding LiborUSD-based loans and contracts may be difficult to modify due to the requirement that all affected parties consent to the respective modifications.

Bank and its subsidiaries activities are framed under a work plan which is subject to adjustments according to the guidelines recommended by local and international regulators, and according to the best practices adopted by the market during this transition. These activities focus on the listing of products indexed to the new reference rates and the conversion of existing contracts based on LIBOR to other alternative rates through i) identification of asset and liability operations indexed to the LIBOR rate, ii) negotiations with clients and counterparties, iii) modifications of contracts, iv) adjustments in information systems, v) modifications of procedures and policies, vi) modifications in valuation models.

7.4.3 LIQUIDITY RISK

Liquidity risk is related to the Bank and its subsidiaries inability to fulfill the obligations acquired with customers and financial market counterparties at any time, currency and place, for which each entity reviews its available resources on a daily basis.

The Bank and its subsidiaries manage liquidity risk according to the rules on liquidity risk management. This is done by adhering to the fundamental principles of the Liquidity Risk Management Systems (SARL Spanish acronym), which signal the minimum reasonable parameters that the entities must monitor in their operations to effectively manage the liquidity risk to which they are exposed.

To measure liquidity risk, the Bank calculates a short-term liquidity risk indicator (LRI) under the standard model at terms of 7, 15 and 30 days. This ratio is defined as the difference between adjusted liquid assets and net liquidity requirements.

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- Liquid assets include total debt securities adjusted by market liquidity and exchange rate, excluding mandatory investments, Central Bank deposits and cash on hand.
- Net liquidity requirements are the difference between expected contractual assets and the cash flows of contractual and non-contractual liabilities. Cash flows from overdue loans are not included in this calculation.

For MFH, liquidity risk is managed in accordance with the policies and guidelines issued by the Vice Presidency, in accordance with the strategies approved by (ALICO - Spanish acronym), and/or the board of directors; complying with the particular regulations of the country, as well as the contractual obligations acquired.

Specifically, liquidity risk is managed by calculating short-term liquidity coverage ratios, net of obligations and requirements, and under normal conditions and under stress, as well as a liquidity stress model based on cash flows that takes into consideration the movements of assets and liabilities over a time horizon of up to one year, under a variety of scenarios covering both normal and severe market conditions. Additionally, Grupo MFH aims to maintain matching maturities to enable it to fulfill its borrowings over time.

As part of the liquidity risk analysis, the Bank and its subsidiaries measure the volatility of deposits, the structure of assets and liabilities, the degree of liquidity of assets, the availability of financing lines and asset and liability management. The foregoing in order to maintain sufficient liquidity (including liquid assets, guarantees and collateral) to face possible internal or systemic stress scenarios.

A quantification of funds obtained on the money market is an integral part of the liquidity measurement each entity of the Bank and its subsidiaries carry out. Based on technical studies, primary and secondary sources of liquidity are identified by in order to ensure funding stability and sufficiency by having a range of funding suppliers. This also minimizes any concentration of funding sources. Once identified, sources of funding are assigned to the different lines of business, according to budget, nature and depth of the markets.

The availability of resources is monitored daily, not only to meet reserve requirements, but also to forecast and/or anticipate possible changes in the Bank and its subsidiaries liquidity risk profile and to be able to make strategic decisions, as appropriate. In this respect, there are liquidity warning indicators to ascertain the current situation, as well as strategies to be implemented in each case.

Through the technical committees on assets and liabilities, senior management at the of each entity knows their liquidity situation and makes the necessary decisions. These take into account the high-quality liquid assets that must be maintained, the tolerance in handling liquidity or minimum liquidity legal floating reserve requirements, the strategies for granting loans and obtaining funds; policies on placing surplus liquidity, changes in the characteristics of new and existing products, diversification of the sources of funds to prevent concentration of deposits funds in few investors or savers, hedging strategies; the Bank and its subsidiaries results, and the changes in the structure of the statement of financial position. Statistical analysis to quantify, with a predetermined level of confidence, the stability of deposits, both with and without contractual maturity, is done to control liquidity risk between assets and liabilities.

For complying with the legal floating reserve requirements, entities both in Colombia and in Central America are required to keep cash on hand and in banks, including deposits in central banks, according to the percentages on customer deposits and other liabilities established in the regulations for each of jurisdiction where the Bank and its subsidiaries operates. As of December 31, 2022, all of the Bank's financial subsidiaries meet the reserve requirements.

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Details on the percentage requested in each country are shown below:

Country	Item	%
Colombia	Checking account and savings accounts	8%
	Time certificates of deposit and certificates of term savings deposit > 18 months	3.5%
	Time certificates of deposit and with a term early redemption 540 days or more	0%
Costa Rica (1)	Deposits and capital raising in local and foreign	15%

- (1) MFH has the following entities MB Créditos, S.A. and MB Leasing S.A. operating in Costa Rica, the mentioned entities are "non-regulated" financial institutions, therefore, legal reserve does not apply to them. Therefore, in note 9, no reserve requirement is reported.

There are no reserve requirements in Panama because there is no Central Bank to regulate them.

The following is a summary of available liquid assets the Banco de Bogotá projected over a period of 30 days:

	Liquid assets available at the end of the period (1)	From 1 to 7 days (2)	From 1 to 15 days (2)	From 1 to 30 days (2)
December 31, 2022	\$ 11,749,890	10,865,287	7,758,033	6,445,745
December 31, 2021	\$ 12,019,528	10,233,924	7,497,866	2,928,010

- (1) Liquid assets are the sum of the assets at the end of each period that is readily convertible to cash, given the characteristics of such assets. These assets include cash on hand and in banks, securities or coupons that have been transferred to the institution in development of the active money market operations that it conducts and have not subsequently been used in borrowing operations on the money market, investment in debt securities at fair value, investments in open mutual funds with no permanence agreement, and debt securities at amortized cost, provided they involve forced or mandatory investments subscribed in the primary market and can be used for money market operations. For purposes of calculating the liquid assets, all the aforementioned investments, without exception, are calculated at their fair value market price on the date of the assessment.
- (2) This balance is the residual value of the institutions' liquid assets in the days following the end of the period, after deducting the net difference between its cash inflows and outflows during that time. This calculation is done by analyzing the mismatch of contractual and non-contractual cash flows from assets, liabilities and off- statement of financial position in the time bands from 1- to-30 day.

The above liquidity calculations are prepared assuming a normal liquidity situation in accordance with the contractual flows and flows not due to contractual maturities in accordance with the methodology defined by the Financial Superintendency of Colombia. For cases involving extreme liquidity events occasioned by the unusual withdrawal of deposits, each bank has contingency plans that include the existence of a lines of credit with other institutions and access to special lines of credit with the Central Bank of Colombia, in accordance with current regulations. These lines of credit are granted when required and are backed by securities issued by the Colombian government and a portfolio of high- quality loans, as stipulated in the regulations of the Central Bank of Colombia. Foreign banks also have access to institutional funding through credit lines granted by other financial institutions, multilateral and development organizations, structured funding (syndicated loans, securitizations), as well as access to repurchase agreements and issues in local market.

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The Bank and its subsidiaries analyzed the maturities for financial assets and financial liabilities showing the following remaining contractual maturities:

	December 31, 2022				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Cash and cash equivalents	\$ 7,274,061	0	0	0	7,274,061
Debt securities investments at fair value through profit or loss	389,633	1,982	9,756	119,138	520,509
Debt securities investments at fair value through other comprehensive income	449,483	852,785	4,313,795	8,009,583	13,625,646
Investments at amortized cost	335,178	1,580,788	1,479,473	303,252	3,698,691
Trading derivatives	786,142	33	0	0	786,175
Hedging derivatives	107	0	0	0	107
Repos, interbank, overnight and others	4,492,352	0	0	0	4,492,352
Commercial loans	6,498,925	18,216,626	11,381,247	38,050,690	74,147,488
Consumer loans	1,200,465	3,829,872	3,999,458	21,915,685	30,945,480
Mortgage loans	183,842	554,435	661,537	20,612,071	22,011,885
Microcredits loans	33,544	82,960	82,181	139,929	338,614
Abandoned accounts - ICETEX	0	0	0	226,381	226,381
Other accounts receivable (1)	0	0	0	1,445,881	1,445,881
Total assets	21,643,732	25,119,481	21,927,447	90,822,610	159,513,270
Liabilities					
Trading derivatives	629,963	1,913	0	0	631,876
Hedging derivatives	1,229	0	0	786	2,015
Checking accounts deposits	16,280,516	0	0	0	16,280,516
Savings accounts deposits	32,316,968	0	0	0	32,316,968
Time certificates of deposit	5,620,271	17,758,223	11,055,772	8,136,562	42,570,828
Others deposits	423,389	0	0	0	423,389
Interbank borrowings and overnight funds	543,394	481,526	77,350	0	1,102,270
Borrowings from banks and others	1,449,985	7,859,191	4,076,002	1,904,653	15,289,831
Bonds issued	16,888	2,744,685	436,616	10,816,036	14,014,225
Development entities	73,724	431,479	439,338	2,040,321	2,984,862
Lease contracts	2,697	44,264	80,676	526,810	654,447
Commercial accounts and others to pay	2,536,933	0	0	0	2,536,933
Total liabilities	\$ 59,895,957	29,321,281	16,165,754	23,425,168	128,808,160

(1) Corresponds to dividends receivable, decreed by BAC Holding International (BHI).

	December 31, 2021				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Assets					
Cash and cash equivalents	\$ 26,998,671	0	0	0	26,998,671
Debt securities investments at fair value through profit or loss	941,944	70,450	59,683	369,345	1,441,422
Debt securities investments at fair value through other comprehensive income	585,672	2,175,925	1,951,006	22,939,500	27,652,103
Investments at amortized cost	652,246	1,161,749	1,080,115	509,282	3,403,392

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	December 31, 2021				
	Under one month	Between one and six months	From six to twelve months	More than one year	Total
Trading derivatives	398,542	4,563	0	0	403,105
Hedging derivatives	5,379	0	0	0	5,379
Repos, interbank, overnight and others	1,554,270	32,397	0	0	1,586,667
Commercial loans	7,372,907	21,796,768	13,131,004	56,007,483	98,308,162
Consumer loans	7,681,930	12,273,720	4,659,491	31,630,689	56,245,830
Mortgage loans	377,967	1,001,484	1,196,344	39,421,724	41,997,519
Microcredits loans	55,325	88,892	87,779	170,119	402,115
Abandoned accounts - ICETEX	0	0	0	203,511	203,511
Total assets	46,624,853	38,605,948	22,165,422	151,251,653	258,647,876
Liabilities					
Trading derivatives	395,424	0	0	0	395,424
Hedging derivatives	33,016	0	0	18,973	51,989
Checking accounts deposits	49,057,254	0	0	0	49,057,254
Savings accounts deposits	51,086,471	0	0	0	51,086,471
Time certificates of deposit	6,232,252	24,883,896	14,070,627	21,341,101	66,527,876
Others deposits	444,256	0	0	0	444,256
Interbank borrowings and overnight funds	1,585,956	33,301	0	63,699	1,682,956
Borrowings from banks and others	2,280,092	6,598,083	4,891,927	4,689,521	18,459,623
Bonds issued	7,218	635,827	1,825,716	14,239,285	16,708,046
Development entities	39,735	224,218	261,724	1,441,994	1,967,671
Lease contracts	49,632	242,635	173,935	810,780	1,276,982
Commercial accounts and others to pay	4,154,664	0	0	0	4,154,664
Total liabilities	\$ 115,365,970	32,617,960	21,223,929	42,605,353	211,813,212

7.4.4 OPERATIONAL RISK

Operational risk is “the possibility that due to deficiencies in people, infrastructure, technology or inadequate or failed internal processes; as well as those produced by external causes, “including legal risk”, losses and negative impacts are generated that go against the fulfillment of the entity's objectives.

The Bank and its subsidiaries have an operational risk management system (SARO- Spanish acronym) implemented as directed in the guidelines established by the Financial Superintendence of Colombia. This system is managed by the Operational Risk Units of the entities.

The Bank and the subsidiaries have strengthened the understanding and control of risks in processes, activities, products and operational lines; have managed to reduce errors and identify opportunities for improvement that support the development and operation of new products and / or services.

The operational risk manual of each entity outlines the policies, standards and procedures that have been adopted to guarantee business management within adequate levels of risk. There is also a manual on the business continuity management system, which contains guidelines for operations in the event basic resources are not available.

Each financial entity keeps a detailed log of incidents that involve operational risk. These incidents are recorded in the assigned expense accounts to ensure proper accounting follow-up.

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The Operational Risk Units (GRO-Spanish acronym) takes part in the organization's activities through their involvement in the committees foreseen to monitor management and compliance with the entity's rules and regulations. These committees can be strategic, tactical and preventive in nature, or designed to monitor risk indicators, complaints and claims. This has been accomplished by using the SARO methodology (risk identification, measurement, control and monitoring) when implementing standards and regulations, such as the Sarbanes-Oxley Law (SOX), ISO 27001 (Information Security), Law 1328 on Financial Consumer Protection, the Anti-corruption and Anti-fraud Act, and Law 1581 on Data Protection. As a result, it has been possible to obtain important synergies for the entities.

The operational-risk management model takes into account the best practices outlined by the Basel Committee on Banking Supervision and by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Regionally speaking, it also meets the regulatory requirements that were designed for that purpose by the supervisory bodies in the countries where the Bank and its subsidiaries operates.

The Bank and its subsidiaries also have formally established policies to manage information security, business continuity and fraud prevention. Likewise, there is an ethics code to support the proper management of operational risks within the organization.

There is an Operational Risk Management System within the region and in all the countries where the Bank and its subsidiaries operates, the objective is to monitor, assist and assess management's efforts to deal with operational risks. Likewise, there are subsidiary committees between the Bank and its subsidiaries where risk management and administration is monitored in each of the entities, as well as in the attention of the instructions issued by Grupo Aval for its implementation.

The Bank and its subsidiaries have established a minimum framework for operational risk management within its entities. The goal, in this case, is to provide general guidelines to make sure operational risks and actual events that can affect the company are identified, assessed, controlled, monitored and reported, so as to guarantee the proper management, mitigation or reduction of managed risks and to provide reasonable assurance regarding achievement of the organization's objectives.

Compliance with the Bank and its subsidiaries standards is supported by a program of periodic reviews conducted by the Internal Auditing Department, which reports its findings to the audit committee of each entity.

The priority is to identify and manage the primary risk factors, regardless of whether or not they might result in monetary loss. This measurement also helps to establish priorities in managing operational risk. The operational risk management system is duly documented in the guidelines and Manual on Operational Risk of each entity. It is a continuous multi-stage process:

- Identification.
- Measurement.
- Control.
- Monitoring - Opportunities to improve action plans.

As of December 31, 2022, the operational risk profile had risks and controls in place for all processes. The model is dynamically updated and takes into consideration the validation of control designs (changes in structure, positions, periodicity, evidence), the correction of ineffective risks and controls (based on audit findings), changes in applications and procedures (updates), and the creation of new processes.

Following table shows the figures from each update of the operational risk profile of each entity during the years ended at December 31, 2022 and 2021:

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	December 31, 2022				December 31, 2021			
	Processes	Risks	Causes	Controls	Processes	Risks	Causes	Controls
Banco de Bogotá	266	1.816	1.908	3.859	273	1.738	1.953	4.268
Banco de Bogota Panamá S.A.	59	286	283	343	63	267	271	311
Fiduciaria Bogota S.A.	40	283	965	1.391	37	277	949	1.545
Almaviva S.A.	18	14	95	605	20	36	78	627
Megalinea S.A.	58	481	82	525	58	510	84	510
Aval Soluciones Digitales S.A.	39	231	169	412	40	214	140	375
Multi Financial Holding (MFH)	78	1.196	22	1.321	77	1.144	18	1.281
Discontinued operation - BHI	0	0	0	0	368	10.450	10.450	10.820
Discontinued operation – Porvenir S.A.	0	0	0	0	16	428	977	1,272
Total	558	4.307	3.524	8.456	952	15.064	14.920	21.009

The following is a detail of the net losses recorded for operational risk events for the Bank and its subsidiaries:

	December 31, 2022	December 31, 2021
Banco de Bogotá	\$ 22,710	35,276
Almaviva S.A.	2,199	6,059
Aval Soluciones Digitales S.A.	464	65
Fiduciaria Bogota S.A.	426	503
Multi Financial Holding. y Subsidiarias	208	949
Megalinea S.A.	109	19
Banco de Bogota Panamá S.A.	3	0
Subtotal	26,119	42,871
Discontinued operation - BHI	0	29,550
Discontinued operation – Porvenir S.A.	0	23,267
Subtotal	0	52,817
Total	\$ 26,119	95,688

Pursuant to the risk classification of Basel the losses are distributed as follows:

Risk of Basel	Amount	Value
External Fraud	58.417	\$ 23,601
Process execution and administration	3.384	5,065
Labor relations and occupational safety	55	1,861
Customers, products and business practices	1.121	295
Technology failures	291	213
Internal fraud (recovery)	157	(1,775)
Damage to physical assets (recovery)	259	(3,141)
Total	63.684	\$ 26,119

This classification shows that the total losses of the Bank and its subsidiaries are concentrated in external fraud; likewise, there were recoveries impacting damage to physical assets and internal fraud.

External Fraud:

- **Banco de Bogota:** The events with the highest incidence in relation to external fraud were the following:

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- Customer impersonation in the application and use of digital credit products includes tablet management for \$10,950, including recoveries with the insured for \$823.
 - Fraudulent use of credit and debit cards for \$6,565, including recovery via commerce for \$664.
 - Spoofing in digital products through allied links - Crediconvenios \$5,288, includes recovery for the return of allied resources for \$505.
 - Recovery with the insurer in the amount of \$4,791 for Dual Tone Multi Frequency (DTMF) through social engineering techniques.
 - Recovery with the supplier Emergía for \$1,110, impacting the fraud purchase of portfolio through Servilínea.
- **Fiduciaria Bogota SA:** Loss associated with transactions made with Bancolombia credit and debit cards through the Place to Pay collection platform, for \$133.

The following are the main recoveries that affected the other Basel classifications, as a result of payments by the insurer, as follows:

Damage to physical assets

- **Banco de Bogota:** Indemnification derived from damages due to vandalism during the national strike of the year 2021, for \$3,058.

Internal Fraud:

- **Banco de Bogota:** Recovery of \$1,284 for fraud in the placement of a financial leasing loan from client QM Proveedores y Consultoría; and \$549 for fraud in the placement of digital credit products via tablet in office center 93.

7.4.5 ANTI-BRIBERY - ANTI-CORRUPTION RISK

The Bank and its subsidiaries has recognized that corruption is a conduct reproached by society and cannot be accepted by our entity, since it erodes values and affects the interests of the community, deteriorates the credibility of our leaders, the governing class and the institutions of our society, as well as the trust of collaborators, investors, shareholders, suppliers, customers and the public in general, within the business scenario. For this reason, the Bank and its subsidiaries has a commitment of "Zero Tolerance" against corruption and its different modalities, for which it has adopted and implemented an Anti-Bribery and Anti-Corruption Policy "ABAC" within the entity and of mandatory compliance for all members of the organization.

With the firm purpose of complying with local laws and regulations and those applicable to it as an issuer of securities in international markets, different international norms and standards have been taken into account for the development of this policy, such as: The Foreign Corrupt Practices Act - for its acronym in English (FCPA), Law 1474 of 2011 - Anti-Corruption Statute, Law 1778 of 2016 - Transnational Bribery, Law 2195 of 2022 on the liability of legal persons for acts of transnational corruption, International Standard ISO 37001 - Anti-Bribery Management System, among others.

- **Risk management stages and steps**

The risk management model adopted by the Bank and its subsidiaries allows identifying, assessing, documenting, managing and mitigating corruption risks. The purpose of this evaluation is to monitor the entity's risk profile, identifying those risks considered as the ones that could have the greatest impact on

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the organization. Through the implementation of controls and the allocation of resources and activities, the previously detected risks are mitigated.

The phases comprising the management of anti-corruption and anti-bribery risks include identification, measurement and assessment, monitoring and control. Regarding the identification stage, aimed at characterizing the risks to which the entity is exposed in the development of its activity, 14 risks and 31 causes have been identified, related within the catalog of generic risks of Grupo AVAL. Regarding the measurement and valuation phase, a committee of experts is formed by the relevant areas for the ABAC processes, within this the inherent risk level is measured under the factors of monetary and reputational impact of each of the risks and causes.

Regarding the monitoring stage, reports have been implemented related to the follow-up of processes that have an impact on ABAC policies, as well as transactional alert models that allow a more effective follow-up of operations related to transactions with a high risk of corruption. Finally, in the control stage, a methodology has been designed to verify the effectiveness of the controls assigned to each risk to subsequently establish ABAC's residual risk profile.

- **Special control operations**

In accordance with the foregoing, and with Colombia's anti-corruption regulations and the typologies defined in studies conducted by organizations that analyze this scourge, the Bank and its subsidiaries has developed a program to identify risks related to operations with a higher risk of corruption, which mainly monitors transactions that, due to their characteristics, may be used as a vehicle for the payment of bribes or corruption-related activities, such as those described below:

- Donations.
- Sponsorships.
- Public or political contributions.
- Gifts, hospitality and gratuities.
- Third party intermediaries (TPI).
- Financial Conglomerate.
- Conflicts of Interest.

- **Other activities**

The Bank and its subsidiaries has developed a communication and training plan for all employees, as we recognize that this is fundamental in the fight against bribery and corruption. The communication plan includes training through different media, in order to maintain the awareness process, providing tools for the protection of the risk of corruption in the development of their tasks. During the year 2022, the commitment of "Zero Tolerance" to the scourges of corruption and bribery was strengthened within the collaborators, for which training sessions were conducted through different models and strategies that seek to cover all members of the organization; as well as the generation of specialized sessions with focus groups that are relevant to ABAC processes.

Finally, the Bank and its subsidiaries commitment to comply with the Anti-Corruption and Anti-Bribery policies, as well as to society, is highlighted.

7.4.6 RISK OF CYBERSECURITY

Information security model and cybersecurity risk

In order to manage information security and cybersecurity risk, the Bank and its subsidiaries have designed a model that supports corporate information security policies. In accordance with legal, regulatory, technical and business requirements. Within the model of information security and cybersecurity risk, have defined and implemented a set of principles, policies, standards, procedures and regulatory requirements, for information management and administration of computer resources, based on best practices and globally recognized standards, focused on preserving and protecting the confidentiality, integrity, availability, privacy and auditability of the information, which allow clear guidelines to maintain a reasonably safe environment in the Bank and its subsidiaries, in order to support the strategies and objectives of the business.

The implementation of the Bank and its subsidiaries information security and cybersecurity model has been done gradually, in accordance with the priorities established in senior management regarding risk control activities, strategic business plans, information technology and requirements of current regulations.

The model is applied to all levels of the organization: users (including Bank employees and shareholders), customers, third parties (suppliers, contractors, control entities, among others) and subsidiaries of the Bank; independent of its location (own, third-party infrastructure or in cyberspace), it applies to all information created, stored, processed or used in the business support.

Process of updating and monitoring compliance with the information security and cybersecurity model

The process of monitoring and follow-up on compliance with the information security and cybersecurity model is reviewed and / or updated annually or when there are significant changes in the law, regulation or regulations adopted by the Bank and its subsidiaries. The adjusted model must be approved by the Strategic Information Security Committee.

Principles of Information Security and Cybersecurity

The Bank has established as fundamental the following principles that govern the information security and cybersecurity model, based on international security standards in accordance with NTC-ISO, COBIT, NIST SP800-53, COSO - Security techniques, ISO/IEC 27001:

- Confidentiality.
- Integrity.
- Availability.
- Privacy.
- Auditability.

The Bank and its subsidiaries During the year 2022, have focused on strengthening its principles, policies, regulations, processes and new operating schemes, as well as continuous alignment with the digital strategy and related to information security and cybersecurity, with the aim of increase the ability to prevent, detect and defend in a timely manner possible threats and / or cyber-attacks.

During the year 2022, there was a security event associated with malware, which was contained by the security controls available to the Bank and which operated to mitigate the risk; According to the above, it can be indicated that the situation did not present material losses for the entity or unavailability of services for customers.

7.4.7 ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT SYSTEM (ESRMS)

The Environmental and Social Risk Management System (ESRMS) consists of a set of mechanisms, tools and policies to identify, assess and manage environmental and social risks. As part of the sustainability strategy, and aware of the need to preserve, protect and conserve the environment and the search for social wellbeing.

During 2022. An assessment was carried out of the customers that underwent the Commercial Loan granting process, based on the environmental and social information they provided, which enabled us to categorize them into three risk levels: high-risk for clients who could cause negative environmental impacts in the absence of adequate risk management; medium-risk for clients who may have negative environmental and social impacts but have effective risk management and mitigation plans in place; and low-risk for clients with little or no probability of causing such effects.

During 2022, 361 analyses were performed, of which 202 are new concepts, 159 renewals. Of the analyses carried out during the year, special conditions were defined for 320 clients for follow-up before and after disbursement. The amount assessed including new requests and renewals at the end of December totaled \$23,436,182. The results of these assessments indicate that 18.6% of the assessed customers were rated as high-risk, 69.8% as medium-risk and 11.6% as low-risk.

It is important to highlight that in addition to the information obtained from the client through the Environmental and Social Risk Identification Form - FIRAS, validations are performed on platforms and tools with public information, according to the geographical location of the main operation of the clients through the Environmental Information System of Colombia - (SIAC) or information from environmental offenders such as: National System of Protected Areas - (SINAP), Integral Window of Environmental Procedures Online - (VITAL), among others. In this way, the entity evaluates the strategies or actions that are in the design or implementation stage by the clients, in terms of mitigation of possible impacts. This allows generating conclusions within the analysis, which imply possible opportunities to include in the sustainability processes of the clients, such as mitigation plans and even the identification and management of climate change risk with actions according to the nature of each activity such as Greenhouse Gas (GHG) inventories, forestry compensation, investment in sustainable portfolios, among others.

The most relevant change within the SARAS policy was the inclusion of the climate change risk analysis methodology, starting with the transition risk, which is understood as the risk inherent to the transformations that take place throughout the processes of decarbonization of the economy, such as regulatory, technological or market changes.

The methodology adopted by the Bank to manage transition risks consists of assigning a score, called "transition score", initially to the clients of the corporate and business segments of the commercial portfolio, to identify their level of exposure to transition risk and their capacity to mitigate it. The estimate of the inherent risks is obtained by evaluating the exposure to changes: regulatory, technological and market, for the main economic activities of the target portfolio. In this first exercise (15) macro-sectors are analyzed, divided into (60) sub-sectors, with which four sectorial classifications were defined to make the respective distribution of the portfolio.

The results of the first estimate for each of the sector classifications are presented below, defining the calculation baseline:

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Exposure of the corporate and business credit portfolio to inherent transition risk (1)		
Ranking	Most significant sectors	% Exposure
Sectors with uncertain impact > 10 years	Agriculture, gas-fired power generation, food and beverages, textiles, automotive.	56.1%
Sectors with no significant impact	Communication, financial services, logistics, entertainment, hospitality, among others.	33.1%
Sectors with significant impact > 10 years	Oil & Gas, cement, steel, iron, transportation, livestock, construction, plastics and chemicals.	9.4%
Sectors with significant impact < 10 years	Coal mining, coal-fired power generation.	1.4%

(1) The results presented correspond to companies in the corporate and business segments, which represent 69% of the total commercial portfolio and 47% of the Bank's total portfolio as of December 2022. Does not include: (SMEs, consumer, housing, microcredit).

SARAS is focused using the new methodologies through the initial credit granting process, based on clients with indebtedness greater than or equal to \$21billion, through which it is concluded that within this same flow a concept on the client's exposure to the inherent transition risk, and its mitigation capacity, will be included. To this end, elements of climate change risk management are being included in the credit policy, and the training plan for the areas involved is being defined.

In addition, following the road map proposed for climate change risk management, in the third quarter of 2022, the construction of a methodology to measure the impact of physical risk on the portfolio began. The methodology was defined considering three components:

- Threat: potential for damage that may occur to assets.
- Sensitivity: which considers exposure to geographically identified hazards and vulnerability to potential impacts.
- Adaptive capacity: to reduce the damage caused by the identified hazards.

In the same way as in the transition risk methodology, the evaluation began with clients belonging to the corporate and business segments, taking into account the impacts that may materialize, given the variations in climate conditions according to different scenarios with time horizons to 2030 and 2050, in order to have a medium- and long-term vision where the effects of climate change are tangible and relevant.

7.4.8 RISK OF MONEY LAUNDERING, TERRORISM FINANCING AND FINANCING OF THE PROLIFERATION OF WEAPONS OF MASS DESTRUCTION

The purpose of the Money Laundering, Terrorist Financing and Proliferation of Weapons of Mass Destruction Risk Management System (SARLAFT-FPDM- Spanish acronym) is to prevent the entry of resources derived from illegal activities; as well as to detect and report in a timely manner transactions intended to give the appearance of legality to operations related to Money Laundering, Terrorist Financing and Proliferation of Weapons of Mass Destruction (ML/TF/PWMD).

The Bank and its subsidiaries have reported satisfactory results in the management, prevention and control of the risks of Money Laundering, Terrorist Financing and Proliferation of Weapons of Mass Destruction (ML/TF/PWMD), which are aligned with applicable laws and regulations, to international recommendations, standards and best practices; as well as with the policies and methodologies adopted by the Board of Directors, and the corporate policy issued by Grupo Aval on the matter.

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- **Risk management**

The activities carried out in terms of ML/TF/FPWMD risk management and administration were developed taking into account the methodologies approved by the Board of Directors and adopted by the Bank, which have been shared with its subsidiaries in its capacity as parent company. , which has made it possible to continue mitigating the exposed risks, results achieved as a result of the application of controls designed for each of the defined risk factors (client, user, product, channel and jurisdiction), maintaining a risk profile acceptable, which is reflected in the non-existence of events or situations that were contrary to the good reputation of the Bank and its subsidiaries.

Additionally, as part of the management model for risk management, Banco de Bogotá as parent company, follow-ups on indicators designed to observe the evolution of its stages and elements in its subsidiaries. These indicators allow monitoring risks, controls, inherent and residual measurements, segmentation of risk factors, technological infrastructure, management of higher risk transactions, regulatory changes, reports from control and supervision entities, among others.

The management model also contemplates the implementation of committees of national subsidiaries (Almaviva S.A, Fiduciaria Bogotá S.A Megalinea S.A., Aval Soluciones Digitales S.A., and the participation in the compliance committees of our international subsidiaries and agencies such as: Banco Multi Financial Holding, Banco de Bogotá Panamá S.A., Banco de Bogotá Nassau, Banco de Bogotá Agencia Miami and Banco de Bogotá Agencia New York: Banco Multi Financial Holding, Banco de Bogotá Panamá S.A., Banco de Bogotá Nassau, Banco de Bogotá Agencia Miami and Banco de Bogotá Agencia New York; and that by the year 2022 the following will be carried out:

- 12 committees at the national affiliates.
- 12 compliance committees Multi Financial Holding (MFH).
- 6 compliance committees Banco de Bogotá Panamá S.A.
- 6 compliance committees Banco de Bogotá Nassau.
- 12 compliance committees Banco de Bogotá Miami Agency.
- 12 compliance committees Banco de Bogotá New York Agency.

- **Stages of the risk management model**

Following international recommendations and standards, as well as the legislation in force in the countries where the Bank and its subsidiaries are present, the approach to dealing with what the Bank and its subsidiaries has identified as the risks of money laundering, financing of terrorism and financing of the proliferation of weapons of mass destruction (ML/TF/FPWMD) is based on the idea of continuous improvement and on minimizing the existence of such risks, insofar as is reasonably possible.

Methods for solid risk management have been adopted successfully to develop the stages that frame SARLAFT - Spanish acronym. As a result, it has been able to pinpoint and analyze (ML/TF/FPWMD) risks within the organization and to design and effectively apply policies and procedures consistent with those risks. In that respect, all relevant, inherent and residual risk factors in the banking sector and in commerce, among other areas, have been taken into account on a nationwide basis, and even beyond, if necessary, to determine the Bank's risk profile and the level of mitigation that is appropriate.

Regarding the identification stage, the Bank and its subsidiaries continue to carry out periodic reviews and updates to the risks identified, without relevant news. Faced with the measurement stage, the identified risks are associated with the inherent measurements as a result of the evaluation of the probability and the impact derived from the associated risks defined by the applicable regulation, that the identified risk may generate, without taking into account the mitigation measures or controls.

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As for the control stage, the Bank and its subsidiaries has adopted the methodology defined by the parent company, to subsequently establish the residual risk profile of (ML/TF/FPWMD) Currently, each entity has the inventory of controls assigned to each risk, thus allowing defining the residual risk level of (ML/TF/FPWMD).

Finally, in the monitoring stage, each entity continues to verify the evolution of the (ML/TF/FPWMD) risk profile. In this way, it can be established that the residual risk is calculated in Level 1, which translates into a frequency and an impact tending to zero, maintaining a stable behavior in comparison with the previous periods.

- **Elements of the risk management system**

The Bank and its subsidiaries orient its activities in line with the guiding principle on risk management, which indicate the institution's operations must comply with the highest ethical and control standards. Therefore, sound banking practices and compliance with the law are the top priority, above and beyond business goals. In practical terms, this translates into application of the criteria, policies and procedures used to manage ML/TF/FPWMD risk management, making it possible to mitigate these risks down to the lowest level of the organization, as is customary at the Bank and its subsidiaries.

In compliance with the provisions of the legal regulations and in accordance with the amounts and characteristics required, the Bank and its subsidiaries at the national level timely submitted institutional reports and reports to the Financial Information and Analysis Unit (UIAF – Spanish acronym); In the same way, the information that was required in accordance with the principle of collaboration and within the indicated terms and deadlines was provided to the competent authorities. In this same sense, the foreign entities complied with the presentation of reports and reports to the control and surveillance entities within the times established in each of the local regulatory frameworks.

This administration model works as a complement to the commercial work developed by the Bank and its subsidiaries, taking into account that control is part of commercial management, and where these processes are used to meet the needs or requirements of the clients.

During the year 2022, the reports prepared by the control entities on ML/TF/FPWMD were monitored in order to meet the recommendations aimed at optimizing the System.

The Bank and its subsidiaries remain dedicated to risk management and it has the technological tools to implement policies such as those focused on “knowing the customer” and “knowing the market”. The objective is to single out unusual transactions and to report suspicious ones to the Financial Information and Analysis Unit (UIAF – Spanish acronym), taking into account the objective criteria the organization has establish, as provided for by law. It is worth noting that the elements and mechanisms the Bank and its subsidiaries has at its disposal to help SARLAFT operate successfully are being improved constantly, particularly in terms of applications and methods for analysis to monitor and avert (ML/TF/FPWMD) risk.

The Bank and its subsidiaries also continue to operate an institutional training program that imparts guidelines to all employees on the regulatory framework and the control mechanisms that are being implemented to prevent and mitigate the risk of (ML/TF/FPWMD) within the organization, thus strengthening the culture of zero tolerance for the materialization of exposed risks The Money Laundering, Terrorist Financing and Proliferation of Weapons of Mass Destruction in each entity.

Likewise, the Bank and its subsidiaries continued with the management of the previous periods, accepting the guidelines made by Grupo Aval S.A., Parent company, the Board of Directors, and the Control Bodies.

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The management in the administration of the risk of ML/TF/FPWMD was carried out following the structure of the system. The focus is on adequate risk management, as described herein, particularly management that reflects an undeviating commitment from our employees to be part of the culture the Bank has developed.

Finally, it should be noted that the Bank and its subsidiaries maintains its commitment to risk management and administration of ML/TF/FPWMD, as part of its Corporate Responsibility, in the face of society and regulators.

7.4.9 LEGAL RISK

The Legal Vice-Presidencies support the legal risk management work in the operations carried out by the Bank and its subsidiaries. In particular, they define and establish the policies and procedures necessary to adequately control the legal risk of the operations, ensuring that they comply with the legal regulations, that they are documented, and they analyze and draft the contracts that support the operations carried out by the different business units.

The Bank and its subsidiaries, in accordance with the instructions issued by the controlling entity, valued the claims of the lawsuits against them based on the analysis and concepts of the lawyers in charge and constituted the necessary provisions to cover the probabilities of loss. Note 32 to the financial statements details the significant lawsuits against them, other than those classified as remote probability.

NOTE 8 – OPERATING SEGMENTS

Operating segments are defined as a component of an entity that: (i) develops business activities from which it may earn income from ordinary activities and incur expenses; (ii) generates operating results that are reviewed regularly by the highest operational decision-making authority within the Bank and its subsidiaries, make decision about on the resources that should be allocated to the segment and assess its performance; and (iii) has discrete financial information about its operations.

Based on this definition and given that the Board of Directors, which is the maximum operational decision-making authority, regularly reviews and assesses a wide range of information and key financial data for of the Bank and its subsidiaries results as a whole evaluating performance and decision-making related to investment and the allocation of funds, obtaining additional information from the subsidiaries, with an emphasis on financial data from the major institutions that are part of the consolidated entity, the operational segments were defined considering the business activities and geographic areas where each subsidiary conducts its activities.

The Bank and its Subsidiaries defined operating through two (2) segments that correspond to: Banco de Bogotá and Multi Financial Holding. See its main activity and place of operation in Note 1.

The Bank has discontinued the operating segments of BAC Holding International (BHI) as of March 2022 when it was transferred from Subsidiary to Associate and in December passed as investment at fair value through other comprehensive income and Porvenir and Subsidiary S.A. as of July 2021 as a consequence of the loss of control of the entities, therefore, the comparative information of such segment is presented as discontinued operation in Note 2.1.1, 2.1.2 and 2.2 and the new relationship of the Bank with Porvenir S.A as an investor with significant influence is presented as Associates in the Banco de Bogotá segment

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8.1 BANCO DE BOGOTÁ

Banco de Bogotá is a lending institution that offers different types of financial services at different maturities. For the most part, these include loans, financial leases, commercial, consumer and residential mortgage loans, and microcredit loans. Banco de Bogotá has a portfolio of bonds and equity investments, including a stake in subsidiaries and other firms. It also operates on the currency and derivatives markets.

8.2 MULTI FINANCIAL HOLDING

Provides financial services primarily corporate, investment, mortgage and consumer banking, as well as insurance, securities brokerage, factoring, leasing and real estate services, mainly in Panama.

The operating segments identified above are based on the way in which the Bank and its subsidiaries carry out internal management, taking into account the economic activity and specialized financial services provided through their entities.

The following is information, by segment, on the assets, liabilities, equity, income and expenses that must be reported:

Assets and liabilities, by segment

	December 31, 2022				
	Segments		Conciliations		Consolidated
	Banco de Bogotá	Multi Financial Holding	Other subsidiaries	Eliminations	
Assets					
Cash and cash equivalents	\$ 6,400,464	983,135	1,524,066	(1,633,604)	7,274,061
Financial assets	11,014,171	4,459,735	3,312,153	(1,328,138)	17,457,921
Investments at fair value through profit or loss	1,228,984	163,182	156,286	0	1,548,452
Investments at fair value through other comprehensive income	5,896,283	3,928,746	1,828,280	(640)	11,652,669
Investments at amortized cost	3,103,090	367,429	1,327,497	(1,327,498)	3,470,518
Derivatives at fair value	785,814	378	90	0	786,282
Loan portfolio, net	74,989,072	17,786,214	2,501,829	(83)	95,277,032
Repos, interbank, overnight and money market operations	4,451,918	40,434	0	0	4,492,352
Clients and financial leases transactions, net	70,537,154	17,745,780	2,501,829	(83)	90,784,680
Commercial	49,957,366	10,071,702	2,496,858	(83)	62,525,843
Consumer	17,704,593	4,031,531	11,311	0	21,747,435
Mortgage	7,600,221	3,939,119	0	0	11,539,340
Microcredits	265,340	0	0	0	265,340
Impairment	(4,990,366)	(296,572)	(6,340)	0	(5,293,278)
Other accounts receivable, net	2,664,787	394,387	165,835	(3,369)	3,221,640
Non-current assets held for sale	24,107	43,421	0	0	67,528
Investments in associates and joint ventures	11,448,272	0	262,609	(2,974,316)	8,736,565
Property, plant and equipment	618,631	372,835	93,382	0	1,084,848
Right of use assets	431,200	77,983	42,464	(1,435)	550,212
Investment property	224,048	12,475	83	0	236,606
Goodwill	465,905	175,219	0	0	641,124
Other intangible assets	588,543	149,929	36,689	0	775,161

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December 31, 2022					
	Segments		Conciliations		Consolidated
	Banco de Bogotá	Multi Financial Holding	Other subsidiaries	Eliminations	
Income tax	1,936,143	315,735	25,119	0	2,276,997
Current	486,663	126,106	23,761	0	636,530
Deferred	1,449,480	189,629	1,358	0	1,640,467
Other assets	19,907	253,543	725	(31)	274,144
Total assets	110,825,250	25,024,611	7,964,954	(5,940,976)	137,873,839
Liabilities					
Financial liabilities derivatives at fair value	630,877	1,092	1,922	0	633,891
Financial liabilities at amortized cost	91,968,320	22,628,656	6,721,736	(2,963,478)	118,355,234
Customer deposits	69,736,338	14,578,754	6,674,183	(2,961,802)	88,027,473
Checking accounts	15,533,277	1,829,332	527,080	(1,609,173)	16,280,516
Savings accounts	29,448,265	2,125,439	767,367	(24,103)	32,316,968
Time certificates of deposit	24,354,667	10,616,796	5,363,663	(1,328,526)	39,006,600
Others	400,129	7,187	16,073	0	423,389
Financial obligations	22,231,982	8,049,902	47,553	(1,676)	30,327,761
Interbank borrowings and overnight funds	543,394	552,844	0	0	1,096,238
Borrowings from banks and others	7,897,881	7,099,069	55	(55)	14,996,950
Bonds issued	10,956,941	331,209	0	0	11,288,150
Development entities	2,299,461	0	0	0	2,299,461
Lease contracts	534,305	66,780	47,498	(1,621)	646,962
Employee benefits	190,573	18,211	27,356	0	236,140
Provisions	22,371	3,583	6,531	0	32,485
Income tax	1,411	75,194	1,191	0	77,796
Current	1,411	63	0	0	1,474
Deferred	0	75,131	1,191	0	76,322
Accounts payables and other liabilities	2,335,719	303,265	92,174	(3,426)	2,727,732
Total liabilities	\$ 95,149,271	23,030,001	6,850,910	(2,966,904)	122,063,278

December 31, 2021						
	Segments			Conciliations		Consolidated
	Banco de Bogotá	BAC Holding International (BHI)	Multi Financial Holding	Other subsidiaries	Eliminations	
Assets						
Cash and cash equivalents	\$ 7,325,655	18,963,992	632,576	1,477,465	(1,401,781)	26,997,907
Financial assets	9,557,567	14,621,946	3,665,134	4,299,053	(2,223,852)	29,919,848
Investments at fair value through profit or loss	1,565,651	190,188	155,344	356,256	0	2,267,439
Investments at fair value through other comprehensive income	4,786,850	14,074,493	3,113,110	2,046,876	(610)	24,020,719
Investments at amortized cost	2,802,359	357,113	395,669	1,891,307	(2,223,242)	3,223,206
Derivatives at fair value	402,707	152	1,011	4,614	0	408,484
Loan portfolio, net	61,642,616	73,183,254	14,063,235	1,298,779	(19,230)	150,168,654
Repos, interbank, overnight and money market operations	75,779	1,442,178	68,710	0	0	1,586,667
Clients and financial leases transactions, net	61,566,837	71,741,076	13,994,525	1,298,779	(19,230)	148,581,987

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	December 31, 2021					Consolidated
	Segments		Conciliations			
	Banco de Bogotá	BAC Holding International (BHI)	Multi Financial Holding	Other subsidiaries	Eliminations	
Commercial	45,042,253	33,754,592	7,972,441	1,294,141	(19,230)	88,044,197
Consumer	15,260,629	26,123,830	3,276,887	9,782	0	44,671,128
Mortgage	5,756,301	14,438,863	2,994,295	0	0	23,189,459
Microcredits	314,350	0	0	0	0	314,350
Impairment	(4,806,696)	(2,576,209)	(249,098)	(5,144)	0	(7,637,147)
Other accounts receivable, net	2,324,048	1,108,254	250,953	168,267	(1,186,059)	2,665,463
Non-current assets held for sale	50,620	63,820	57,499	0	0	171,939
Investments in associates and joint ventures	24,492,562	0	0	283,950	(16,372,253)	8,404,259
Property, plant and equipment	661,775	1,447,531	323,125	85,203	0	2,517,634
Right of use assets	437,380	586,986	83,314	52,664	(2,226)	1,158,118
Investment property	232,392	0	10,978	83	0	243,453
Goodwill	465,905	6,256,286	145,020	0	0	6,867,211
Other intangible assets	479,883	214,208	139,057	32,199	0	865,347
Income tax	1,447,144	272,962	191,812	21,251	0	1,933,169
Current	259,183	28,884	32,155	19,488	0	339,710
Deferred	1,187,961	244,078	159,657	1,763	0	1,593,459
Other assets	19,672	211,607	190,166	482	(34)	421,893
Total assets	109,137,219	116,930,846	19,752,869	7,719,396	(21,205,435)	232,334,895
Liabilities						
Financial liabilities derivatives at fair value	427,262	178	19,973	0	0	447,413
Financial liabilities at amortized cost	80,768,089	99,607,545	17,581,776	6,508,325	(3,648,111)	200,817,624
Customer deposits	61,869,615	87,280,715	11,759,963	6,449,780	(3,626,499)	163,733,574
Checking accounts	14,547,037	33,104,642	1,449,603	947,856	(991,884)	49,057,254
Savings accounts	29,307,390	19,898,767	1,631,404	260,233	(11,323)	51,086,471
Time certificates of deposit	17,932,769	33,933,444	8,672,815	5,229,857	(2,623,292)	63,145,593
Others	82,419	343,862	6,141	11,834	0	444,256
Financial obligations	18,898,474	12,326,830	5,821,813	58,545	(21,612)	37,084,050
Interbank borrowings and overnight funds	1,184,331	394,359	104,266	0	0	1,682,956
Borrowings from banks and others	5,731,310	8,473,496	4,080,526	1,139	(19,197)	18,267,274
Bonds issued	9,723,397	2,833,217	1,569,444	0	0	14,126,058
Development entities	1,786,878	0	0	0	0	1,786,878
Lease contracts	472,558	625,758	67,577	57,406	(2,415)	1,220,884
Employee benefits	207,220	221,029	12,628	24,312	0	465,189
Provisions	26,248	41,613	2,579	6,377	0	76,817
Income tax	1,411	511,773	64,107	864	0	578,155
Current	1,411	192,233	957	0	0	194,601
Deferred	0	319,540	63,150	864	0	383,554
Accounts payables and other liabilities	2,357,628	3,065,179	228,178	145,837	(1,186,095)	4,610,727
Total liabilities	\$ 83,787,858	103,447,317	17,909,241	6,685,715	(4,834,206)	206,995,925

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Statement of income for the period, by segment

	For the year ended at December 31, 2022				
	Segments		Conciliations		Consolidated
	Banco de Bogotá	Multi Financial Holding	Other subsidiaries	Eliminations	
Interest income	\$ 8,034,599	1,156,837	168,352	(66,787)	9,293,001
Loan portfolio and financial leases	7,564,173	1,071,054	89,990	(32,007)	8,693,210
Repos, interbank, overnight and money market operations	58,208	0	0	0	58,208
Investments	412,218	85,783	78,362	(34,780)	541,583
Interest expenses	3,930,464	602,510	131,797	(67,000)	4,597,771
Customer deposits	2,951,806	373,984	127,814	(66,876)	3,386,728
Checking accounts	157,624	10,586	8,030	(30,435)	145,805
Savings accounts	1,368,967	14,092	1,336	(1,656)	1,382,739
Time certificates of deposit	1,425,215	349,306	118,448	(34,785)	1,858,184
Financial obligations	978,658	228,526	3,983	(124)	1,211,043
Interbank borrowings and overnight funds	163,841	7,185	11	(3)	171,034
Borrowings from banks and others	68,171	159,514	96	0	227,781
Bonds issued	574,899	58,982	0	0	633,881
Development entities	147,812	0	0	0	147,812
Lease contracts	23,935	2,845	3,876	(121)	30,535
Net interest income	4,104,135	554,327	36,555	213	4,695,230
Net impairment loss on financial assets	1,143,300	219,162	(582)	506	1,362,386
Loan portfolio, financial leases and accounts receivable	1,470,890	220,166	643	0	1,691,699
Recovery of write-offs	(327,786)	0	0	0	(327,786)
Investments	196	(1,004)	(1,225)	506	(1,527)
Net interest income, after impairment	2,960,835	335,165	37,137	(293)	3,332,844
Income for commissions and other services	1,248,810	124,005	303,990	(3,364)	1,673,441
Banking services	614,684	104,955	10,150	(1,005)	728,784
Credit cards	617,360	19,050	0	0	636,410
Trust activities	0	0	162,580	(1,433)	161,147
Storage services	0	0	130,740	(926)	129,814
Drafts, checks and checkbooks	12,925	0	520	0	13,445
Office network services	3,841	0	0	0	3,841
Expenses for commissions and other services	404,924	19,564	6,315	(2,439)	428,364
Net income for commissions and other services	843,886	104,441	297,675	(925)	1,245,077
Net income from trading financial assets or liabilities	1,175,710	(7,601)	11,660	0	1,179,769
Gain on valuation of derivatives instruments for trading	1,184,085	(45)	19,579	0	1,203,619
Gain on valuation of derivatives instruments for hedging	13,943	244	0	0	14,187
Loss on valuation of investments for trading	(22,318)	(7,800)	(7,919)	0	(38,037)
Gain on fair value measurement in the deconsolidation (loss of control) of subsidiaries	137,427	0	0	0	137,427
Exchange difference expense, net	1,479,467	241	27,630	(125)	1,507,213
Other income	907,358	146,077	167,694	(256,023)	965,106
Other expenses	2,507,419	475,161	413,414	(138,668)	3,257,326
Administrative	1,453,815	140,094	110,072	(138,118)	1,565,863
Employee benefits	807,678	196,990	124,722	0	1,129,390

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	For the year ended at December 31, 2022				
	Segments		Conciliations		Consolidated
	Banco de Bogotá	Multi Financial Holding	Other subsidiaries	Eliminations	
Depreciation and amortization	219,065	52,787	30,886	(229)	302,509
Others	26,861	85,290	147,734	(321)	259,564
Net income before income tax	2,038,330	102,680	73,122	(118,448)	2,095,684
Income tax expense	261,412	10,012	18,790	0	290,214
Net income for the period from continuing operations	\$ 1,776,918	92,668	54,332	(118,448)	1,805,470

	For the year ended at December 31, 2021				
	Segments		Conciliations		Consolidated
	Banco de Bogotá	Multi Financial Holding	Other subsidiaries	Eliminations	
Interest income	\$ 5,230,011	919,506	69,164	(48,157)	6,170,524
Loan portfolio and financial leases	4,980,723	849,278	25,069	(42,616)	5,812,454
Repos, interbank, overnight and money market operations	3,777	3,096	8	(460)	6,421
Investments	245,511	67,132	44,087	(5,081)	351,649
Interest expenses	1,640,841	454,851	54,271	(27,775)	2,122,188
Customer deposits	973,207	314,781	49,936	(26,832)	1,311,092
Checking accounts	51,710	7,852	1,413	(6,295)	54,680
Savings accounts	366,896	14,316	256	(4,663)	376,805
Time certificates of deposit	554,601	292,613	48,267	(15,874)	879,607
Financial obligations	667,634	140,070	4,335	(943)	811,096
Interbank borrowings and overnight funds	62,475	2,179	8	468	65,130
Borrowings from banks and others	22,672	67,526	84	(1,284)	88,998
Bonds issued	498,595	66,377	0	0	564,972
Development entities	57,721	0	0	0	57,721
Lease contracts	26,171	3,988	4,243	(127)	34,275
Net interest income	3,589,170	464,655	14,893	(20,382)	4,048,336
Net impairment loss on financial assets	1,478,072	202,424	305	(1,190)	1,679,611
Loan portfolio, financial leases and accounts receivable	1,697,272	203,044	(1,006)	0	1,899,310
Recovery of write-offs	(219,603)	0	0	1	(219,602)
Investments	403	(620)	1,311	(1,191)	(97)
Net interest income, after impairment	2,111,098	262,231	14,588	(19,192)	2,368,725
Income for commissions and other services	1,051,012	92,603	292,179	(2,799)	1,432,995
Banking services	542,931	79,909	11,625	(1,121)	633,344
Credit cards	491,885	12,694	0	0	504,579
Trust activities	0	0	157,335	(1,182)	156,153
Storage services	0	0	122,780	(481)	122,299
Drafts, checks and checkbooks	12,352	0	439	0	12,791
Office network services	3,844	0	0	(15)	3,829
Expenses for commissions and other services	316,092	6,750	5,229	(2,491)	325,580
Net income for commissions and other services	734,920	85,853	286,950	(308)	1,107,415
Net income from trading financial assets or liabilities	523,759	4,753	10,070	0	538,582
Gain on valuation of derivatives instruments for trading	537,678	7	20,579	0	558,264
Gain on valuation of derivatives instruments for	38,602	3,722	0	0	42,324

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	For the year ended at December 31, 2021				
	Segments		Conciliations		
	Banco de Bogotá	Multi Financial Holding	Other subsidiaries	Eliminations	Consolidated
hedging					
Loss on valuation of investments for trading	(52,521)	1,024	(10,509)	0	(62,006)
Gain on fair value measurement in the deconsolidation (loss of control) of subsidiaries	1,302,301	0	0	0	1,302,301
Exchange difference expense, net	408,482	49	23,733	(7)	432,257
Other income	2,582,185	150,167	209,240	(2,113,313)	828,279
Other expenses	2,264,158	395,210	388,333	(154,970)	2,892,731
Administrative	1,235,399	116,754	103,182	(154,370)	1,300,965
Employee benefits	779,461	164,120	114,486	0	1,058,067
Depreciation and amortization	209,478	49,829	26,752	(387)	285,672
Others	39,820	64,507	143,913	(213)	248,027
Net income before income tax	4,581,623	107,745	108,782	(1,977,836)	2,820,314
Income tax expense	221,721	13,589	17,284	0	252,594
Income for the year from continuing operations	\$ 4,359,902	94,156	91,498	(1,977,836)	2,567,720

The geographic zones defined by the Bank and its subsidiaries are: Colombia, Panama, Costa Rica and others (Cayman Islands), these are distributed by income and assets at the consolidated level (property, plant and equipment, right of use assets, intangible assets, and deferred income tax-assets).

The following table shows the geographic distribution of the Bank and its subsidiaries consolidated income and assets, for which information is provided:

	For the year ended at December 31, 2022					
	Colombia	Panamá	Costa Rica	Others (2)	Eliminations	Consolidated
Income for the period (1)	\$ 10,750,609	1,465,469	279	5	(70,151)	12,146,211
Non-current assets other than financial instruments	3,663,170	1,030,078	0	0	(1,436)	4,691,812
Property, plant and equipment	657,268	427,580	0	0	0	1,084,848
Right of use assets	473,241	78,407	0	0	(1,436)	550,212
Intangible assets	1,081,823	334,462	0	0	0	1,416,285
Deferred Income Tax -Assets	\$ 1,450,838	189,629	0	0	0	1,640,467

	For the year ended at December 31, 2021						
	Colombia	Panama	Guatemala	Costa Rica	Others (2)	Eliminations	Consolidated
Income for the period (1)	\$ 7,081,997	1,110,052	0	1,004	3	(50,955)	8,142,101
Non-current assets other than financial instruments	3,352,046	7,513,842	296,510	924,207	917,390	(2,226)	13,001,769
Property, plant and equipment	700,607	539,986	178,901	473,800	624,340	0	2,517,634
Right of use assets	488,977	173,895	68,594	243,129	185,749	(2,226)	1,158,118
Intangible assets	972,737	6,461,575	28,288	190,684	79,274	0	7,732,558
Deferred Income Tax -Assets	\$ 1,189,725	338,386	20,727	16,594	28,027	0	1,593,459

(1) Corresponds to income from interest, commissions and other services and income financial assets and liabilities held for sale, net.

(2) Corresponds to Cayman Islands December 2022 and December 2021 Nicaragua, Honduras, El Salvador, United States, the British Virgin Islands and Cayman Islands.

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The Bank and its subsidiaries reported no concentration of income in customers with more than a 10% share of income from ordinary activities. For this purpose, a single client is considered, those other than related parties, which are under common control based on the information available. See Note 35 for details on income of related parties.

NOTE 9 – CASH AND CASH EQUIVALENTS

The following table shows cash and cash equivalents:

	December 31, 2022	December 31, 2021
In Colombian pesos		
Cash	\$ 1,864,120	1,667,125
Bank of the Republic (Central Bank of Colombia)	1,378,577	1,613,127
Bank and other financial entities	4,209	3,486
	3,246,906	3,283,738
In foreign currency (1)		
Cash	94,545	2,856,258
Bank and other financial entities	3,309,045	19,150,775
Equivalents cash	623,565	1,707,136
	4,027,155	23,714,169
Total	\$ 7,274,061	26,997,907

- (1) Main variation in correspondent banks for (\$1,085,102) especially in the account of the Federal Reserve Bank of Miami for (\$2,310,280) and increase in the Citibank account for \$962,282, increase for \$281,174 for opening investments of less than 90 days.

Cash in foreign currency at 31 December 2022 is US\$ 837 million and at 31 December 2021 is US\$ 5,957 million, with a decrease of US\$ 4,678 million due to the effect of the deconsolidation of BAC Holding International (BHI).

The following table shows a breakdown of the credit ratings determined by independent credit-rating agencies for the principal financial institutions where the Bank and its subsidiaries have cash accounts:

	December 31, 2022	December 31, 2021
Investment grade	\$ 5,270,871	9,600,457
Speculative	9,765	12,801,307
Without grade or not available	34,760	72,760
Cash held by the entity	1,958,665	4,523,383
Total (1)	\$ 7,274,061	26,997,907

- (1) Cash shows a decrease in Banks and other financial entities M/L for a value of (\$17,570,390) due to the deconsolidation of BIH as of March 2022.

For December 31, 2022, and 2021, there are no restrictions on cash and cash equivalents, except for the legal reserve required in Colombia and Central American countries (see table of reserve requirement percentages Note 7.4.3.).

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The reserve required by country is detailed below:

Country	December 31, 2022	December 31, 2021
Colombia	\$ 3,844,989	3,579,080
Guatemala	0	2,142,669
El Salvador	0	1,675,114
Honduras	0	2,982,763
Nicaragua	0	974,664
Costa Rica	0	3,648,797
Total	\$ 3,844,989	15,003,087

There is a variation in the legal reserve requirement of (\$11,424,007) due to the deconsolidation of BHI and \$265,909 corresponding to the reserve requirement in Colombia.

At 31 December 2022 and 31 December 2021 there are no restrictions on cash and cash equivalents, except for the legal reserve required in Colombia and Central American countries.

NOTE 10 – FINANCIAL ASSETS

10.1 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The balance of investments in debt and equity securities at fair value through profit or loss includes the following:

	December 31, 2022	December 31, 2021
Debt securities issued or secured		
In Colombian Pesos		
Colombian government (1)	\$ 93,104	371,881
Other colombian government entities	133,952	130,951
Other financial entities	119,989	428,241
Non-financial sector entities	0	2,134
Others	16,231	24,575
	363,276	957,782
In foreign currency		
Other colombian government entities	0	54,734
Other financial entities	42,273	171,361
Foreign governments (2)	57,600	213,862
Others	64	64
	99,937	440,021
Total debt securities	463,213	1,397,803
Equity securities		
In Colombian Pesos		
Collective investment funds	3,610	1,150
Mandatory investment funds	95,665	101,720
Private investment funds	880,446	624,035
	979,721	726,905
In foreign currency		
Collective investment funds	100,028	86,233
Corporate stock	5,490	56,498

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	December 31, 2022	December 31, 2021
	105,518	142,731
Total equity securities	1,085,239	869,636
Total	\$ 1,548,452	2,267,439

- (1) As of December 31, 2022, there is a variation in investments in debt securities with respect to December 31, 2021, mainly in the parent company due to the reduction of positions in securities of the National Treasury Department (Fixed rate).
- (2) Decrease presented in debt securities issued or guaranteed by foreign Governments as of December 31, 2022, compared to December 31, 2021, mainly due to the deconsolidation of BAC Holding International (BHI).

The following is the breakdown of the credit quality, by credit risk level and type of issuer based on the rating issued by the independent credit rating agency:

	December 31, 2022	December 31, 2021
Debt securities issued or secured		
Investment grade		
Sovereign (1)	\$ 71,386	434,782
Financial entities	62,261	437,256
	133,647	872,038
Speculative grade		
Sovereign (1)	79,318	150,961
Corporate	16,231	26,709
Financial entities	100,001	162,346
Other colombian government entities (2)	133,952	185,685
	329,502	525,701
Without grade or not available		
Corporate	64	64
	64	64
Total debt securities	463,213	1,397,803
Equity securities		
Investment grade	99,352	729,081
Without grade or not available	985,887	140,555
Total equity securities	1,085,239	869,636
Total	\$ 1,548,452	2,267,439

- (1) A sovereign credit rating considers the risk of treasury issuer or similar agency (government debt portfolio).
- (2) Derived from operations with government entities, including public administrations regional and local governments.

Debt securities pledged as collateral

The following is a list of investments at fair value through profit or loss that are being used as collateral in repo operations, pledged as collateral for transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks.

	December 31, 2022	December 31, 2021
Pledged as collateral in money market operations		
Foreign governments	\$ 0	36,005

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10.2 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The balance of investments in debt and equity securities at fair value through other comprehensive income includes the following:

December 31, 2022

	Cost	Unrealized gain	Unrealized loss (1)	Fair value
Debt securities issued or secured				
In Colombian Pesos				
Colombian government	\$ 5,097,019	6,900	(930,363)	4,173,556
Other colombian government entities	214,350	0	(36,380)	177,970
Other financial entities	235,809	0	(29,438)	206,371
	5,547,178	6,900	(996,181)	4,557,897
In foreign currency				
Colombian government	1,257,863	0	(57,958)	1,199,905
Other colombian government entities	380,502	0	(12,942)	367,560
Other financial entities	784,699	0	(51,766)	732,933
Non-financial sector entities	38,977	0	(2,067)	36,910
Central banks	242,047	0	(47,949)	194,098
Foreign Governments (2)	3,685,997	17,215	(359,144)	3,344,068
Others	425,282	16,817	(48,650)	393,449
	6,815,367	34,032	(580,476)	6,268,923
Total debt securities	12,362,545	40,932	(1,576,657)	10,826,820
Equity securities				
In Colombian Pesos				
Corporate stock	661,587	167,179	(2,936)	825,830
In foreign currency				
Corporate stock	19	0	0	19
Total equity securities	661,606	167,179	(2,936)	825,849
Total	\$ 13,024,151	208,111	(1,579,593)	11,652,669

December 31, 2021

	Cost	Unrealized gain	Unrealized loss (1)	Fair value
Debt securities issued or secured				
In Colombian Pesos				
Colombian government	\$ 4,133,387	16	(475,379)	3,658,024
Other colombian government entities	153,080	0	(11,166)	141,914
Other financial entities	26,032	0	(300)	25,732
Others	239,142	0	(7,290)	231,852
	4,551,641	16	(494,135)	4,057,522
In foreign currency				
Colombian government	1,152,506	360	(18,416)	1,134,450
Other colombian government entities	234,874	106	(985)	233,995
Other financial entities	2,586,751	7,400	(33,473)	2,560,678
Non-financial sector entities	492,921	784	(1,596)	492,109
Central banks	1,874,511	1,199	(17,991)	1,857,719
Foreign governments (2)	12,437,742	305,841	(96,738)	12,646,845
Others	737,323	18,988	(4,007)	752,304

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December 31, 2021

	Cost	Unrealized gain	Unrealized loss (1)	Fair value
Total debt securities	19,516,628	334,678	(173,206)	19,678,100
Equity securities	24,068,269	334,694	(667,341)	23,735,622
In Colombian Pesos				
Corporate stock	141,623	133,351	(2,174)	272,800
In foreign currency				
Corporate stock	9,603	2,694	0	12,297
Total equity securities	151,226	136,045	(2,174)	285,097
Total	\$ 24,219,495	470,739	(669,515)	24,020,719

(1) The unrealized loss also includes MFG hedging in Foreign Governments for (\$13,801) and others for (\$23,051) for a total of (\$36,852) for the year 2022 and for 2021 Foreign Governments (\$4,716) and others (\$7,514) for a total of (\$12,230).

(2) Decrease presented in securities issued or guaranteed by foreign governments as of December 31, 2022, compared to December 31, 2021, due to the deconsolidation of BAC Holding International (BHI).

Following is a breakdown of the main equity securities at fair value through other comprehensive income:

	December 31, 2022	December 31, 2021
BAC Holding International (1)	\$ 519,964	0
Credibanco S.A.	150,800	143,824
ACH Colombia S.A.	133,191	107,160
Redeban Multicolor S.A.	6,358	7,322
Bolsa de Valores de Colombia S.A.	3,627	5,128
Aportes en Línea S.A. (Gestión y Contacto)	3,745	2,422
Cámara de Riesgo Central de Contraparte de Colombia S.A.	2,653	2,408
Flor del Monte S.A.	1,448	1,448
Sociedad Portuaria Regional de Buenaventura S.A.	2,449	1,417
Others	1,614	13,968
Total	\$ 825,849	285,097

(1) Recognition of the 4.1% interest in BHI after the sale through the tender offer (See Notes 2.1.1 and 14.1).

The following is the breakdown of the credit quality, by credit risk level and type of issuer based on the rating issued by the independent credit rating agency:

	December 31, 2022	December 31, 2021
Debt securities issued or secured		
Investment grade		
Sovereign (1)	\$ 7,375,792	7,117,660
Central banks	194,098	251,370
Corporate	67,499	312,760
Financial entities	652,093	1,671,873
Multilaterals	372,767	322,050
Other colombian government entities (2)	95,529	114,758
	8,757,778	9,790,471
Speculative grade		
Sovereign (1)	1,341,737	10,321,659
Central banks	0	1,606,349

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	December 31, 2022	December 31, 2021
Corporate	159,049	423,272
Financial entities	80,840	910,531
Multilaterals	4,460	3,935
Other colombian government entities (2)	450,001	261,150
	2,036,087	13,526,896
Not rated or not available		
Corporate	32,955	414,249
Financial entities	0	4,006
	32,955	418,255
Total debt securities	10,826,820	23,735,622
Equity securities		
Investment grade	523,592	256,155
Without grade or not available	302,257	28,942
Total equity securities	825,849	285,097
Total	\$ 11,652,669	24,020,719

(1) A sovereign credit rating considers the risk of treasury issuer or similar agency (government debt portfolio).

(2) Derived from operations with government entities, including public administrations regional and local governments.

Debt securities pledged as collateral

The following is a list of investments at fair value through other comprehensive income that are being used as collateral in repo operations, pledged as collateral for transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks.

	December 31, 2022	December 31, 2021
Pledged as collateral in money market operations		
Colombian government	\$ 114,988	1,071,751
Other financial entities	87,687	0
real sector entities	32,955	0
Central banks	39,212	37,797
Foreign governments	1,651,796	1,235,018
Others	52,210	65,976
	1,978,848	2,410,542
Pledged as collateral to special entities such as CRCC, BR and/or BVC (1)		
Colombian government	473,949	521,076
	473,949	521,076
Total	\$ 2,452,797	2,931,618

(1) Cámara de Riesgos Central de Contraparte (CRCC), Banco de la República (BR), Bolsa de Valores de Colombia (BVC).

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Impairment of investments at fair value through other comprehensive income

The following is the movement of impairment of investments at fair value through other comprehensive income, by stages:

	Stage 1	Stage 2	Total
Balance at December 31, 2020	\$ 87,888	179	88,067
Impairment with effect in net income	24,272	(1)	23,272
Recoveries with effect in income	(11,074)	(189)	(11,263)
Exchange difference	13,328	16	13,344
Reclassification between stages	5	(5)	0
Balance at December 31, 2021	114,419	0	114,419
Impairment with effect in net income	372	0	372
Recoveries with effect in income	(1,112)	0	(1,112)
Exchange difference	569	0	569
Discontinued operation	2,926	0	2,926
Deconsolidation	(111,338)	0	(111,338)
Balance at December 31, 2022	\$ 5,836	0	5,836

Fundamentally, the variations in fair value reflect variations in market conditions, mainly because of changes in interest rates, exchange rates, credit spreads and other economic conditions within the country where the investment is held. The Bank and its subsidiaries consider that the fair value of financial assets reflected no significant losses as of December 31, 2022, and 2021, due to credit risk impairment.

An analysis of sensitivity to changes in interest rates on financial assets at fair value is disclosed in Note 7.4.2 Market risk.

Financial assets in equity securities at fair value through other comprehensive income have been designated in view of the fact that they are strategic investments for the bank and its subsidiaries, as such, they are not expected to be sold in the near future, which implies a greater degree of uncertainty when it comes to determining their fair value. This uncertainty generates significant fluctuations from one period to another.

As for dividends on these investments, \$24,801 and \$18,045 were recognized in the statement of income for the years ended as of December 31, 2022, and 2021, respectively.

10.3 INVESTMENTS AT AMORTIZED COST

The balance of investments in debt securities at amortized cost includes the following:

	December 31, 2022	December 31, 2021
Debt securities issued or secured		
In Colombian Pesos		
Colombian government	\$ 1,183,396	1,142,096
Other colombian government entities	1,887,090	1,633,159
	3,070,486	2,775,255
In foreign currency		
Other financial entities	105,540	136,113
Non-financial sector entities	237,537	266,411
Foreign governments	33,453	27,866
Others	33,632	27,359

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	December 31, 2022	December 31, 2021
	410,162	457,749
	3,480,648	3,233,004
Impairment	(10,130)	(9,798)
Total debt securities	\$ 3,470,518	3,223,206

The following is the breakdown of the credit quality, by credit risk level and type of issuer based on the rating issued by the independent credit rating agency:

	December 31, 2022	December 31, 2021
Investment grade		
Sovereign (1)	\$ 1,216,849	1,169,962
Financial entities	29,026	12,096
	1,245,875	1,182,058
Speculative grade		
Corporate	33,632	27,359
Financial entities	7,215	43,683
Other colombian government entities (2)	1,887,090	1,633,159
	1,927,937	1,704,201
Not rated or not available		
Corporate	237,537	266,411
Financial entities	69,299	80,334
	306,836	346,745
Total	\$ 3,480,648	3,233,004

(1) A sovereign credit rating considers the risk of treasury issuer or similar agency (government debt portfolio).

(2) Derived from operations with government entities, including public administrations (regional and local governments).

Debt securities pledged as collateral

The following is a list of financial assets at amortized cost that are being used as collateral in repo operations, pledged as collateral for transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks.

	December 31, 2022	December 31, 2021
Pledged as collateral in money market operations		
Other financial entities	25,449	42,805
Non-financial sector entities	236,212	21,900
Pledged as collateral to special entities such as CRCC, BR and/or BVC (1)		
Other colombian government entities	999,561	98,401
Pledged as collateral in money market operations	\$ 1,261,222	163,106

(1) Cámara de Riesgos Central de Contraparte (CRCC), Banco de la República (BR), Bolsa de Valores de Colombia (BVC).

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Maturity by time bands of investments at amortized cost

The following is a summary of investments at amortized cost, by time bands:

	December 31, 2022	December 31, 2021
Up to 1 month	\$ 295,953	380,566
More than 1 month and no more than 3 months	34,778	34,872
More than 3 months and no more than 1 year	2,812,032	2,525,857
More than 1 year and no more than 5 years	187,795	137,632
More than 5 years and no more than 10 years	116,458	126,718
More than 10 years	33,632	27,359
	\$ 3,480,648	3,233,004

Impairment of investments at amortized cost

The following is the movement of impairment of investments at amortized cost, by stages:

	Stage 1	Stage 2	Total
Balance at December 31, 2020	\$ 6,378	7	6,385
Impairment with effect in net income	(899)	5,394	4,495
Recoveries with effect in income	(1,810)	(231)	(2,041)
Exchange difference	837	122	959
Reclassification between stages	(1,788)	1,788	0
Balance at December 31, 2021	2,718	7,080	9,798
Impairment with effect in net income	71	57	128
Recoveries with effect in income	(313)	(601)	(914)
Exchange difference	272	1,832	2,104
Discontinued operation	(76)	0	(76)
Deconsolidation	(910)	0	(910)
Balance at December 31, 2022	\$ 1,762	8,368	10,130

There were no reclassifications between investment categories for the period reported.

10.4 TRADING DERIVATIVES

The following is a detail of the derivatives:

	December 31, 2022	December 31, 2021
Asset		
Trading derivatives	\$ 786,175	403,105
Hedging derivatives	107	5,379
Total assets	\$ 786,282	408,484
Liabilities		
Trading derivatives	631,876	395,424
Hedging derivatives	2,015	51,989
Total liabilities	\$ 633,891	447,413

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10.4.1 TRADING DERIVATIVES

The nominal value and fair value of forwards, futures, options and swaps to which the Bank and its subsidiaries are committed during periods under reference are shown in the table below:

	December 31, 2022		December 31, 2021	
	Notional amount	Fair value	Notional amount	Fair value
Assets				
Forward contracts (1)				
Foreign currency to buy	\$ 6,052,322	400,917	7,255,399	264,325
Foreign currency to sell	(4,833,783)	125,681	(2,016,020)	14,706
	1,218,539	526,598	5,239,379	279,031
Swaps				
Cross currency	274,559	78,456	248,424	39,589
Interest rate	3,437,477	121,708	4,573,790	48,314
	3,712,036	200,164	4,822,214	87,903
Futures contracts (2)				
Foreign currency to buy	13,782,907	0	12,156,870	0
Foreign currency to sell	(4,164,912)	0	(2,251,744)	0
Sale of securities	0	0	(10,000)	0
	9,617,995	0	9,895,126	0
Options contracts				
Currency to buy	582,934	59,413	523,222	36,171
	582,934	59,413	523,222	36,171
Total assets	15,131,504	786,175	20,479,941	403,105
Liabilities				
Forward contracts (1)				
Foreign currency to buy	(5,791,317)	125,663	(1,522,687)	10,772
Foreign currency to sell	4,087,381	168,071	6,622,838	195,788
	(1,703,936)	293,734	5,100,151	206,560
Swaps				
Cross currency	361,173	111,103	447,597	69,857
Interest rate	4,289,410	151,077	5,294,850	65,114
	4,650,583	262,180	5,742,447	134,971
Futures contracts (2)				
Currency to buy	(8,751,872)	0	(2,420,545)	0
Currency to sell	8,096,529	0	7,312,794	0
Buy of titles	0	0	10,000	0
	(655,343)	0	4,902,249	0
Options contracts				
Currency to sell	691,651	75,962	674,316	53,893
	691,651	75,962	674,316	53,893
Total liabilities	\$ 2,982,955	631,876	16,419,163	395,424

- (2) The main change in the speculative portfolios corresponds to the strategic management of each portfolio due to conditions created in the market by trading with respect to variations and high fluctuations in the representative market rate of exchange and/or interest rates. With derivatives of this type, gains and losses are settled daily. The Central Counterpart Clearing House (CRCC) reports the results of settlement by the parties, then debits or credits the losses or gains that are made. This is done on a daily basis.

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- (3) In the case of futures, the dollar / peso exchange rate at contract maturity is settled against the underlying price published on the last trading day. Since futures are cleared and settled daily, the amount of the obligation is equal to the amount of the right. These amounts are updated daily, according to the market price of the respective future, and the effect on profit and loss is equivalent to the change in the fair price of the future.

The derivatives net variation as of December 31, 2022, and 2021, is shown as a result of the movement of the valuation curves (interest rate differential), exchange rates, adjustments for counterparty credit risks and the variation in the volume of these.

Financial derivatives contracted by the Bank and its subsidiaries are traded in offshore markets and in the domestic financial markets. The fair value of derivatives varies positively or negatively as a result of fluctuations in foreign exchange rates, interest rates or other risk factors, depending on the type of instrument and the underlying asset.

10.4.2 HEDGING DERIVATIVES

The financial derivatives used for hedging include following:

	December 31, 2022		December 31, 2021	
	Notional amount	Fair value	Notional amount	Fair value
Assets				
Forward contracts				
Foreign currency to buy	\$ 0	0	236,927	4,629
Foreign currency to sell	0	0	(113,463)	750
	0	0	123,464	5,379
Swap				
Interest rate	38,482	107	0	0
	38,482	107	0	0
Futures contracts				
Currency to buy	0	0	437,928	0
Currency to sell	0	0	(1,031,120)	0
	0	0	(593,192)	0
Total assets	38,482	107	(469,728)	5,379
Liabilities				
Forward contracts				
Foreign currency to buy	0	0	(44,023)	484
Foreign currency to sell	0	0	1,854,822	32,532
	0	0	1,810,799	33,016
Swap				
Interest rate	295,128	2,015	81,614	18,973
Total Swaps	295,128	2,015	81,614	18,973
Futures contracts				
Foreign currency to buy	0	0	(1,264,815)	0
Foreign currency to sell	0	0	1,592,464	0
	0	0	327,649	0
Total liabilities	\$ 295,128	2,015	2,220,062	51,989

As of December 31, 2022, there are no hedging derivatives of the net investment in foreign operations, the additional variation corresponds to the fair value hedges of bonds and the implementation of the fair value hedge on term deposit certificates described below.

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Following is a breakdown of the credit ratings determined by independent rating agencies for the principal counterparties in derivative assets:

	December 31, 2022	December 31, 2021
Investment grade	\$ 171,901	297,246
Speculative	0	108
Without grade or not available	614,381	111,130
Total	\$ 786,282	408,484

Derivatives guarantees

Following shows the nominal amounts delivered and received as guarantees to support operations with derivatives:

	December 31, 2022	December 31, 2021
Cash		
Delivered	\$ 22,489	9,875
Received	231,824	152,797
Financial instruments		
Delivered	\$ 1,490,500	581,595

Hedge accounting

The Bank has decided to use hedge accounting for net investments in foreign operations with non-derivative instruments (foreign currency bonds) and derivative transactions (forward contracts). The purpose of these operations is to protect the Bank from the exchange risk (dollar/peso) of net investments in foreign currency business, denominated in dollars.

It has also implemented fair value hedge accounting on Time Certificates of Deposit (CDT's) in COP.

Hedging instruments

Non-derivatives: Financial asset or liability that is not a derivative may be designated as a hedging instrument only to hedge a risk in foreign currency. Likewise, a portion of a complete instrument for hedging, such as 50% of the notional amount, may be designated as a hedging instrument in a hedging relationship.

The effects of variations in the peso/ US dollar exchange rate generated by debt in US dollars designated for hedging are recorded under other comprehensive income (OCI).

Derivatives: The Bank uses financial derivatives (dollar - peso forwards) seeking to protect their balance sheet and solvency indicators as much as possible from the effect of the dollar/peso spot exchange rate. Derivative instruments are valued daily, discriminating the result attributable to the exchange risk. In addition, the effect of the exchange rate variation on the portion of net investments abroad hedged with derivative instruments is determined daily. In this way, the effectiveness of the hedging relationship is calculated on a day-by-day basis.

On the other part it uses interest rate swaps, exchanging flows indexed to a fixed rate for flows indexed to IBR, to hedge the variation in the fair value of financial liabilities (CTD's).

Measuring effectiveness and ineffectiveness

A hedge is considered effective if, at the beginning of the period and in subsequent periods, the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge has been designated are offset and the hedge effectiveness is between 80% and 125%, in accordance with the accounting requirements of IAS 39.

The Bank has documented hedge effectiveness testing of its foreign currency assets and liabilities of foreign subsidiaries and agencies, based on the portion of the net investment hedged at the inception of the hedging relationship. The hedge is considered perfectly effective, since the critical terms and risks of the obligations that serve as hedging instruments are identical to those of the primary hedged position.

Hedge effectiveness is measured on a pre-tax basis.

In the case of fair value hedges of financial liabilities, it documents evidence of effectiveness, comparing the changes in the fair value of the hedged instrument compared to the changes in the fair value of the hedging instrument.

With the adoption of the new regulatory framework provided in Decree 1477 of 2018 on Adequate Equity Requirement, in accordance with Basel III standards, the core solvency ratio is more sensitive to movements in the USD to peso exchange rate. A devaluation generates a decrease in the goodwill in dollars in the Basic Ordinary Equity - PBO and at the same time increases the Assets Weighted by Risk Level (APNRs) for the portion denominated in foreign currency, generating a decrease in the basic solvency. Given the above, and as an alternative to immunize the solvency ratio to the exchange rate, the Board of Directors approved according to minutes Nos. 1639 of November 16, 2021, and 1662 of March 30, 2022, to continue "uncovering" part of the value of the net investment abroad through the reduction in the size of the hedge with debt instruments and derivatives. The amount authorized to exclude must not exceed 150% of the value of the "technical equity for Controlled Investments Abroad" nor the value of the investments in foreign subsidiaries, for individual financial statements. Likewise, it may not exceed 40% of the Technical Equity for consolidated financial statements.

- **Effectiveness of hedge forward type contracts**

For measuring the hedging effectiveness of derivative instruments, the Dollar offset method is utilized, determining the ratio between the exchange in fair value of the forward contract attributable to USD/COP exchange rate variations and daily changes of the value in pesos of the portion of the net investment hedged abroad.

- **Effectiveness of hedging with debt instruments in foreign currency**

For foreign currency debt designates as hedge instrument, the gain or loss arising from debt conversion into Colombian pesos is based on the current US dollar exchange rate for the peso, which is the functional currency of the Bank. The effectiveness tests are based on the Comparison Method of the critical terms. To the extent that the amount (fixed) of the hedge instrument matches exactly the portion of the net investment hedged in foreign operations, the relationship is perfectly effective.

Hedging net investments in foreign currency

The assets and liabilities of the hedging strategy of the foreign exchange risk exposure of i net investments in foreign currency business, are converted from dollars to Colombian pesos at the market representative rate certified daily by the Financial Superintendency of Colombia, which generates an unrealized gain or loss from exchange differences that is recognized in Other Comprehensive Income in equity.

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The following is the detail of the hedges on investments in foreign subsidiaries:

Millions of U.S. dollars							
	December 31, 2022				December 31, 2021		
		Multi Financial Holding	Banco de Bogotá Panamá, other subsidiaries and agencies (1)	Total	BAC Holding International (BHI) and Multi Financial Holding	Banco de Bogotá Panamá, other subsidiaries and agencies (1)	Total
Book value of the investment	\$	394	132	526	3,862	145	4,007
Value of the investment (hedging part)		390	120	510	2,858	85	2,943
Value of foreign currency bond hedge		(390)	(120)	(510)	(1,486)	0	(1,486)
Value of hedging with forward and futures contracts		Assets	0	0	(72)	(13)	(85)
		Liabilities	\$ 0	0	(512)	(131)	(643)

	Millions of Colombian pesos						
	December 31, 2022			December 31,2021			
	Multi Financial Holding	Banco de Bogotá Panama, other subsidiaries and branches (1)	Total	BAC Holding International (BHI) and Multi Financial Holding	Banco de Bogotá Panama, other subsidiaries and branches (1)	Total	
Exchange difference of foreign subsidiaries and associates	\$	400,812	340,250	741,062	7,391,903	234,996	7,626,899
Exchange difference Investment (hedging part) (2)		339,795	233,882	573,677	6,921,493	233,388	7,154,881
Exchange difference on bonds in foreign currency		(339,360)	(3,470)	(342,830)	(2,872,535)	0	(2,872,535)
Exchange difference on derivatives in foreign currency		(435)	(230,412)	(230,847)	(4,048,958)	(233,388)	(4,282,346)
Net of hedging	\$	0	0	0	0	0	

- (1) Includes Finance, Ficentro and investment in foreign branch Panama and agencies in Miami and New York.
- (2) The exchange difference on the unhedged investment amounted to \$167,385 and (\$472,019) at December 31, 2022 and 2021, respectively, resulting in a movement of \$304,634 and a realization of \$22,420 in December 2022 (see Note 28).
- (3) The significant variation from one period to another is due to the loss of control of BAC Holding International (BHI) and the dismantling of the hedge (see Note 2.1.1).

Hedging with forwards contracts

Forward sale contracts in US dollars were formally designated as hedging instruments for part of the net foreign investment of Multi Financial Holding, Banco de Bogotá Panama S.A and the foreign agencies of Banco de Bogotá. The forward contracts were executed with other financial sector counterparts and subsequently documented as a "dynamic hedging strategy" through which new forward contracts are entered into simultaneously when the previous ones expire. As of December 31, 2022, there were no derivative instruments designated as hedges of net investments in foreign currency.

Hedging with financial liabilities in foreign currency in U.S. dollars

Debt financial instruments that are not derivatives may be designated as hedging instruments for the risk of changes in foreign currency exchange rates. Based on the foregoing, the Bank proceeded to designate debt securities as hedging instruments for its net investments in foreign operations. With the spin-off of

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75% of BAC Holding International (BHI) (see Note 2.1.1), the value of the investments abroad was reduced and, therefore, the hedging strategy was redefined by unmarking bonds for US\$305 million. To cover the investment in BHI, resulting from the spin-off process whose initial amount was US\$894 million, part of tranches I and II of subordinated bonds issued by the Bank maturing in 2026 were designated for US\$861 million.

With the sale of shares of BAC Holding International (BHI) through the tender offer (see Note 2.1.2.), the Board of Directors approved the revocation of this hedging designation and made a new designation as follows:

- Position 1: To hedge the investment in Multi Financial Holding, US\$390 million in subordinated bonds tranche I coupon 6.25% maturing in 2026, distributed in 39 tranches of US\$10 million each, and
- Position 2: To cover the investments in Agencies and Branches abroad and the foreign subsidiaries Banco de Bogotá Panamá, Finance and Ficentro, subordinated bonds tranche I, coupon 6.25% maturing in 2026 distributed in 12 parts with a nominal value of US\$10 each for a total of US\$120 million.

Fair value hedging of financial liabilities

Following table shows the gains or losses for current hedges and the items currently hedged:

Interest rate hedging CDT's

December 31, 2022					
	Notional value of hedged investment	Book value of hedged investment		Change in fair value	Accumulated income
		Assets	Liabilities		
Hedging instrument					
Swap contract	\$ 235,000	0	(1,228)	1,228	1,228
Hedged item					
Term deposit certificate	\$ 235,000	0	0	(1,242)	(1,242)

Hedging of investments at fair value with effects on OCI

December 31, 2022					
	Notional value of hedged investment	Book value of hedged investment		Change in fair value	Accumulated income
		Assets	Liabilities		
Hedging instrument					
Swap contract	\$ 98,609	107	(787)	22,141	22,141
Hedged item					
Government and corporate bonds	\$ 98,609	969	0	(21,973)	(21,973)

December 31, 2021					
	Notional value of hedged investment	Book value of hedged investment		Change in fair value	Accumulated income
		Assets	Liabilities		
Hedging instrument					
Swap contract	\$ 81,614	0	18,973	5,872	5,872
Hedged item					
Government and corporate bonds	\$ 81,614	19,073	0	(6,382)	(6,382)

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10.5 TRANSFER OF FINANCIAL ASSETS

Banco de Bogotá and its subsidiaries carry out transactions in the normal course of business, whereby they transfer financial assets to third parties. Depending on the circumstances, these transfers may result in these financial assets being derecognized or continue to be recognized in the financial statements. As of December 31, 2022, and 2021, the bank and its subsidiaries continue to recognize securities pledged as collateral in money market operations (see note 10.1, 10.2 and 10.3), as well as the associated financial liabilities as of December 31, 2022, and 2021, for \$667,597 and \$1,331,729, respectively.

Additionally, as of December 31, 2022, and 2021, Banco de Bogotá and its subsidiaries have not recorded any securities loans.

NOTE 11 – LOAN PORTFOLIO, NET

The loan portfolio at amortized cost in the statement of financial position is classified into commercial, consumer, mortgage and microcredit portfolios; however, taking into account the importance that the financial leases portfolio represents at the level of the Bank and its subsidiaries, for disclosure purposes, these loans have been separated in all tables of the note of credit risks and in this note as follows:

	December 31, 2022		
	Balance on the consolidated statement of financial position	Reclassification of financial leases	Balance according to disclosure
Commercial	\$ 62,525,843	(3,388,913)	59,136,930
Consumer	21,747,435	(9,067)	21,738,368
Mortgage	11,539,340	(741,490)	10,797,850
Microcredit	265,340	0	265,340
Financial leases	0	4,139,470	4,139,470
Repos, interbank and others	4,492,352	0	4,492,352
Total	\$ 100,570,310	0	100,570,310

	December 31, 2021		
	Balance on the consolidated statement of financial position	Reclassification of financial leases	Balance according to disclosure
Commercial	\$ 88,044,197	(4,193,027)	83,851,170
Consumer	44,671,128	(349,497)	44,321,631
Mortgage	23,189,459	(591,350)	22,598,109
Microcredit	314,350	0	314,350
Financial leases	0	5,133,874	5,133,874
Repos, interbank and others	1,586,667	0	1,586,667
Total	\$ 157,805,801	0	157,805,801

The foreign currency portfolio as of December 31, 2022, and 2021, is US\$5,609 million and US\$24,281 million, respectively.

As of December 31, 2022, compared to December 31, 2021, the net decrease is mainly concentrated in:

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- Deconsolidation of entity BAC Holding International (BHI) for \$69,778,335.
- Banco de Bogotá increase in the placements of commercial portfolio for \$3,889,105, consumer portfolio for \$2,443,964 and mortgage portfolio for \$1,843,921; similarly, increase in the repos and interbank for \$4,372,015.
- Multi Financial Holding increase in the placements of commercial portfolio for \$363,550 and mortgage portfolio for \$276,360.
- Also, an increase of \$4,502,902 product of the exchange rate.

11.1 LOAN PORTFOLIO, BY CREDIT LINES

The following shows the distribution of the Bank and its subsidiaries loan portfolio, by credit lines:

	December 31, 2022	December 31, 2021
Ordinary loans	\$ 63,109,804	89,531,024
Mortgage	10,448,448	22,316,273
Payroll installment loans	7,803,005	12,939,255
Credit cards	3,933,319	17,275,312
Financial leases out immovable property	2,405,063	3,522,594
Loans with resources from other institutions	2,329,138	1,829,046
Home builder loans	2,047,327	1,500,449
Financial leases out movable assets	1,734,407	1,611,279
Loans to micro - businesses and SMEs	652,909	3,333,343
Found in current banking account	423,078	558,826
Employee loans	355,222	291,748
Microcredit	265,340	314,350
Discounts	203,237	545,084
Non-recourse factoring	99,295	195,593
Letters of credit, hedged	63,972	62,886
Consignment in transit	36,648	195,263
Repos and interbank	4,492,352	1,586,667
Others	167,746	196,809
Total gross loan portfolio	100,570,310	157,805,801
Impairment	(5,293,278)	(7,637,147)
Total	\$ 95,277,032	150,168,654

11.2 LOAN PORTFOLIO, BY MATURITY

The following shows the distribution of the Bank and its subsidiaries loan portfolio, by maturity:

	December 31, 2022				
	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Commercial	\$ 30,870,353	15,943,127	8,027,045	4,296,405	59,136,930
Consumer	5,716,222	6,169,530	4,393,305	5,459,311	21,738,368
Mortgage	424,656	616,717	669,268	9,087,209	10,797,850
Microcredit	154,130	104,577	5,559	1,074	265,340
Financial leases	755,374	1,061,573	814,171	1,508,352	4,139,470
Repos, interbank and other	4,492,352	0	0	0	4,492,352
Total	\$ 42,413,087	23,895,524	13,909,348	20,352,351	100,570,310

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December 31, 2021					
	Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Commercial	\$ 34,314,512	18,979,457	11,321,037	19,236,164	83,851,170
Consumer	17,679,749	6,912,327	6,485,776	13,243,779	44,321,631
Mortgage	336,577	569,242	698,170	20,994,120	22,598,109
Microcredit	187,254	109,322	13,658	4,116	314,350
Financial leases	802,258	1,234,266	1,314,855	1,782,495	5,133,874
Repos, interbank and other	1,586,667	0	0	0	1,586,667
Total	\$ 54,907,017	27,804,614	19,833,496	55,260,674	157,805,801

11.3 LOAN PORTFOLIO, BY TYPE OF CURRENCY

The following is the classification of the loan gross portfolio, by type of currency:

December 31, 2022				December 31, 2021		
	Local	Foreign	Total	Local	Foreign	Total
Commercial	\$ 40,273,385	18,863,545	59,136,930	36,627,290	47,223,880	83,851,170
Consumer	17,701,569	4,036,799	21,738,368	15,255,811	29,065,820	44,321,631
Mortgage	6,858,731	3,939,119	10,797,850	5,164,950	17,433,159	22,598,109
Microcredit	265,340	0	265,340	314,350	0	314,350
Financial leases	4,040,740	98,730	4,139,470	3,705,349	1,428,525	5,133,874
Repos, interbank and others	4,450,623	41,729	4,492,352	69,947	1,516,720	1,586,667
Total	\$ 73,590,388	26,979,922	100,570,310	61,137,697	96,668,104	157,805,801

11.4 LOAN PORTFOLIO, BY STAGES

The following is a breakdown of the portfolio according to the different stages:

December 31, 2022				
	Stage 1	Stage 2	Stage 3	Total
Commercial	\$ 50,027,806	3,337,018	5,772,106	59,136,930
Consumer	18,033,606	3,109,099	595,663	21,738,368
Mortgage	9,666,261	885,143	246,446	10,797,850
Microcredit	222,837	14,028	28,475	265,340
Financial leases	3,146,989	496,732	495,749	4,139,470
Repos, interbank and others	4,492,351	0	1	4,492,352
Total	\$ 85,589,850	7,842,020	7,138,440	100,570,310

December 31, 2021				
	Stage 1	Stage 2	Stage 3	Total
Commercial	\$ 70,936,327	7,076,479	5,838,364	83,851,170
Consumer	35,785,257	6,487,955	2,048,419	44,321,631
Mortgage	16,933,926	4,821,513	842,670	22,598,109
Microcredit	184,744	43,229	86,377	314,350
Financial leases	3,720,633	900,681	512,560	5,133,874
Repos, interbank and others	1,586,667	0	0	1,586,667
Total	\$ 129,147,554	19,329,857	9,328,390	157,805,801

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11.5 MOVEMENT IN THE ALLOWANCE FOR IMPAIRMENT OF THE LOAN PORTFOLIO

The following is the movement in the impairment allowance by type:

	Commercial	Consumer	Mortgage	Microcredit	Financial leases	Total
Balance at December 31, 2020	\$ 3,363,871	3,091,430	374,774	122,919	391,987	7,344,981
Write-offs	(506,863)	(1,528,168)	(21,750)	(49,381)	(46,855)	(2,153,017)
Impairment with effect in net income	651,725	1,088,737	92,587	17,687	41,647	1,892,383
Reversal of caused interests (1)	167,305	45,429	6,679	13,163	18,412	250,988
Effect of movements in exchange rates	12,308	9,460	4,779	0	117	26,664
Discontinued operation	229,481	969,315	70,415	0	29,891	1,299,102
Deconsolidation	(112,095)	(907,191)	9,778	0	(14,446)	(1,023,954)
Balance at December 31, 2021	\$ 3,805,732	2,769,012	537,262	104,388	420,753	7,637,147
Write-offs	(252,849)	(1,415,532)	(33,190)	(80,580)	(6,128)	(1,788,279)
Impairment with effect in net income	235,755	1,479,903	(16,557)	5,556	(13,768)	1,690,889
Reversal of caused interests (1)	210,546	25,243	7,483	8,830	25,481	277,583
Effect of movements in exchange rates	36,311	9,812	5,926	0	98	52,147
Discontinued operation	9,113	245,034	5,722	0	4,588	264,457
Deconsolidation	(667,523)	(1,783,505)	(341,632)	0	(48,006)	(2,840,666)
Balance at December 31, 2022	\$ 3,377,085	1,329,967	165,014	38,194	383,018	5,293,278

The following is the movement in the allowance for impairment by stages:

	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2020	\$ 1,009,975	2,515,645	3,819,361	7,344,981
Write-offs	(27,612)	(142,374)	(1,983,031)	(2,153,017)
Impairment with effect in net income	(88,983)	351,602	1,629,764	1,892,383
Reversal of caused interests	0	1	250,987	250,988
Exchange difference	2,652	14,524	9,488	26,664
Reclassification from Stage 1 to Stage 2	(101,423)	101,423	0	0
Reclassification from Stage 1 to Stage 3	(16,514)	0	16,514	0
Reclassification from Stage 2 to Stage 3	0	(686,979)	686,979	0
Reclassification from Stage 3 to Stage 2	0	126,446	(126,446)	0
Reclassification from Stage 2 to Stage 1	111,269	(111,269)	0	0
Reclassification from Stage 3 to Stage 1	23,665	0	(23,665)	0
Discontinued operation	(274,758)	583,619	990,241	1,299,102
Deconsolidation	461,534	(570,239)	(915,249)	(1,023,954)
Balance at December 31, 2021	\$ 1,099,805	2,182,399	4,354,943	7,637,147
Write-offs	(7,154)	(241,293)	(1,539,832)	(1,788,279)
Impairment with effect in net income	55,598	569,132	1,066,159	1,690,889
Reversal of caused interests	0	28	277,555	277,583
Exchange difference	(2,313)	28,272	26,188	52,147
Reclassification from Stage 1 to Stage 2	(128,028)	128,028	0	0
Reclassification from Stage 1 to Stage 3	(25,347)	0	25,347	0
Reclassification from Stage 2 to Stage 3	0	(520,477)	520,477	0
Reclassification from Stage 3 to Stage 2	0	129,107	(129,107)	0
Reclassification from Stage 2 to Stage 1	189,448	(189,448)	0	0
Reclassification from Stage 3 to Stage 1	20,969	0	(20,969)	0
Discontinued operation	(3,843)	14,798	253,502	264,457
Deconsolidation	(640,049)	(1,003,291)	(1,197,326)	(2,840,666)
Balance at December 31, 2022	\$ 559,086	1,097,255	3,636,937	5,293,278

(1) The allowance for interest due on stage 3 loans is reported in the Statement Income within interest income so that interest income is recognized over the amortized cost (after deducting the allowance for Expected Credit Loss - ECL).

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The following table shows the phased impact of the PCE measurement due to changes in PI, PDI, EI and changes made to model assumptions and methodologies; using the parameters at the beginning of the period versus the parameters used at the end of the period:

December 31, 2022				
	Stage 1	Stage 2	Stage 3	Total
Commercial	\$ (57,334)	39,267	85,886	67,819
Consumer	(18,004)	36,959	(8,034)	10,921
Mortgage	(53,644)	(14,620)	(9,446)	(77,710)
Microcredit	(402)	331	(87)	(158)
Financial leases	(1,679)	(6,635)	(514)	(8,828)
Total	\$ (131,063)	55,302	67,805	(7,956)

December 31, 2021				
	Stage 1	Stage 2	Stage 3	Total
Commercial	\$ (26,593)	457,692	78,602	509,701
Consumer	(93,043)	(10,337)	16,460	(86,920)
Mortgage	2,885	(1,375)	38,294	39,804
Microcredit	(10,463)	(6,849)	(26)	(17,338)
Financial leases	1,465	69,447	7,812	78,724
Total	\$ (125,749)	508,578	141,142	523,971

11.6 MOVEMENT OF LOAN PORTFOLIO BALANCES

The following is the movement of balances by type:

	Commercial	Consumer	Mortgage	Microcredit	Financial leases	Repos, interbank and others	Total
Balance at December 31, 2020	\$ 75,326,513	36,825,937	18,587,634	366,969	4,738,422	3,504,987	139,350,462
Principal increases and underwriting costs	40,777,099	12,795,165	2,251,484	177,953	739,483	101,366	56,842,550
Principal decreases and underwriting costs	(40,854,280)	(9,592,237)	(958,001)	(203,314)	(571,110)	(1,448,172)	(53,627,114)
Increases and/or decreases in interest	41,851	196,749	30,551	22,123	822	6,418	298,514
Write-offs	(506,863)	(1,528,168)	(21,750)	(49,381)	(46,855)	0	(2,153,017)
Effect of movements in exchange rates	1,842,776	183,997	255,271	0	15,828	28,107	2,325,979
Discontinued operation	1,796,457	3,339,090	944,744	0	127,969	1,543	6,209,803
Deconsolidation	5,427,617	2,101,098	1,508,176	0	129,315	(607,582)	8,558,624
Balance at December 31, 2021	\$ 83,851,170	44,321,631	22,598,109	314,350	5,133,874	1,586,667	157,805,801
Principal increases and underwriting costs	45,116,593	12,719,540	2,845,933	216,885	965,475	5,087,943	66,952,369
Principal decreases and underwriting costs	(40,307,978)	(8,995,516)	(896,654)	(203,877)	(687,312)	(824,184)	(51,915,521)
Increases and/or decreases in interest	323,407	204,380	54,051	18,562	61,683	58,270	720,353
Write-offs	(252,849)	(1,415,532)	(33,190)	(80,580)	(6,128)	0	(1,788,279)
Effect of movements in exchange rates	3,160,301	691,117	668,464	0	9,335	25,834	4,555,051
Discontinued operation	2,591,494	550,791	(1,601,640)	0	134,243	249	1,675,137
Deconsolidation	(35,345,208)	(26,338,043)	(12,837,223)	0	(1,471,700)	(1,442,427)	(77,434,601)
Balance at December 31, 2022	\$ 59,136,930	21,738,368	10,797,850	265,340	4,139,470	4,492,352	100,570,310

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The following is the movement of portfolio balances by stage:

	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2020	\$ 111,269,502	19,980,903	8,100,057	139,350,462
Principal increases and underwriting costs	55,922,468	337,417	582,665	56,842,550
Principal decreases and underwriting costs	(49,661,917)	(2,598,007)	(1,367,190)	(53,627,114)
Increases and/or decreases in interest	90,640	100,388	107,486	298,514
Write-offs	(27,612)	(142,374)	(1,983,031)	(2,153,017)
Effect of movements in exchange rates	1,582,845	545,568	197,566	2,325,979
Reclassification from Stage 1 to Stage 2	(7,346,010)	7,346,010	0	0
Reclassification from Stage 1 to Stage 3	(917,102)	0	917,102	0
Reclassification from Stage 2 to Stage 3	0	(3,284,240)	3,284,240	0
Reclassification from Stage 2 to Stage 1	3,420,916	(3,420,916)	0	0
Reclassification from Stage 3 to Stage 2	0	702,747	(702,747)	0
Reclassification from Stage 3 to Stage 1	247,319	0	(247,319)	0
Discontinued operation	5,034,771	866,278	308,754	6,209,803
Deconsolidation	9,531,734	(1,103,917)	130,807	8,558,624
Balance at December 31, 2021	\$ 129,147,554	19,329,857	9,328,390	157,805,801
Principal increases and underwriting costs	65,785,659	797,024	369,686	66,952,369
Principal decreases and underwriting costs	(47,459,006)	(3,029,372)	(1,427,143)	(51,915,521)
Increases and/or decreases in interest	268,530	254,308	197,515	720,353
Write-offs	(7,154)	(241,293)	(1,539,832)	(1,788,279)
Effect of movements in exchange rates	3,675,391	686,083	193,577	4,555,051
Reclassification from Stage 1 to Stage 2	(6,801,554)	6,801,554	0	0
Reclassification from Stage 1 to Stage 3	(1,139,982)	0	1,139,982	0
Reclassification from Stage 2 to Stage 3	0	(2,428,306)	2,428,306	0
Reclassification from Stage 2 to Stage 1	5,324,045	(5,324,045)	0	0
Reclassification from Stage 3 to Stage 2	0	513,769	(513,769)	0
Reclassification from Stage 3 to Stage 1	108,663	0	(108,663)	0
Discontinued operation	4,985,907	(1,228,725)	(2,082,045)	1,675,137
Deconsolidation	(68,298,203)	(8,288,834)	(847,564)	(77,434,601)
Balance at December 31, 2022	\$ 85,589,850	7,842,020	7,138,440	100,570,310

11.7 LOAN PORTFOLIO ASSESSED INDIVIDUALLY AND COLLECTIVELY

The following is a detail of credit risk impairment losses, taking into account the manner in which they were determined, individually for loans over \$2,000 and collectively for all other loans.

The impaired portfolio represents loans with associated credit risk, while the non-performing portfolio only considers the number of days overdue or customer default (without identifying if there is associated credit risk or not).

December 31, 2022						
	Commercial	Consumer	Mortgage	Microcredit	Financial leases	Repos, interbank and others
Impairment						
Individually assessed loans	\$ 2,114,981	1,801	238	0	272,562	0
Collectively assessed loans	1,262,104	1,328,166	164,776	38,194	110,456	0
Total impairment	3,377,085	1,329,967	165,014	38,194	383,018	0

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December 31, 2022							
	Commercial	Consumer	Mortgage	Microcredit	Financial leases	Repos, interbank and others	Total
Gross balance of financial assets by loan portfolio:							
Individually assessed loans (1)	4,896,246	2,699	1,017	0	424,987	1	5,324,950
Collectively assessed loans	54,240,684	21,735,669	10,796,833	265,340	3,714,483	4,492,351	95,245,360
Total gross loan portfolio	\$ 59,136,930	21,738,368	10,797,850	265,340	4,139,470	4,492,352	100,570,310

December 31, 2021							
	Commercial	Consumer	Mortgage	Microcredit	Financial leases	Repos, interbank and others	Total
Impairment							
Individually assessed loans	\$ 1,938,956	1,015	0	0	268,811	0	2,208,782
Collectively assessed loans	1,866,776	2,767,997	537,262	104,388	151,942	0	5,428,365
Total impairment	3,805,732	2,769,012	537,262	104,388	420,753	0	7,637,147
Gross balance of financial assets by loan portfolio:							
Individually assessed loans (1)	4,855,247	1,686	0	0	431,800	0	5,288,733
Collectively assessed loans	78,995,923	44,319,945	22,598,109	314,350	4,702,074	1,586,667	152,517,068
Total gross loan portfolio	\$ 83,851,170	44,321,631	22,598,109	314,350	5,133,874	1,586,667	157,805,801

(1) Includes all individually assessed loans of more than \$2,000, regardless of whether they are judged as impaired or otherwise.

11.8 LOAN PORTFOLIO ASSESSED INDIVIDUALLY

The following is a breakdown of the loans assessed individually for impairment:

December 31, 2022			
	Registered gross value	Collateral guarantees	Constituted impairment
No registered impairment			
Commercial	\$ 138,324	138,324	0
Financial leases	102	0	0
	138,426	138,324	0
With registered impairment			
Commercial	4,757,922	1,246,073	2,114,981
Consumer	2,699	279	1,801
Mortgage	1,017	0	238
Financial leases	424,885	6,668	272,562
Repos, interbank and others	1	0	0
	5,186,524	1,253,020	2,389,582
Totals			

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	December 31, 2022		
	Registered gross value	Collateral guarantees	Constituted impairment
Commercial	4,896,246	1,384,397	2,114,981
Consumer	2,699	279	1,801
Mortgage	1,017	0	238
Financial leases	424,987	6,668	272,562
Repos, interbank and others	1	0	0
Total	\$ 5,324,950	1,391,344	2,389,582

	December 31, 2021		
	Registered gross value	Collateral guarantees	Constituted impairment
No registered impairment			
Commercial	\$ 226,267	226,267	0
Financial leases	85	0	0
	226,352	226,267	0
With registered impairment			
Commercial	4,600,884	1,224,611	1,938,956
Consumer	1,686	0	1,015
Financial leases	459,812	39,448	268,811
	5,062,382	1,264,059	2,208,782
Totals			
Commercial	4,827,151	1,450,878	1,938,956
Consumer	1,686	0	1,015
Financial leases	459,897	39,448	268,811
Total	\$ 5,288,734	1,490,326	2,208,782

11.9 FINANCIAL LEASES PORTFOLIO

The following is the reconciliation of the gross investment in financial leases to the present value of the minimum payments to be received:

	December 31, 2022	December 31, 2021
Gross investment in financial leases agreements	\$ 7,066,911	7,217,128
Less unrealized financial income	(2,927,441)	(2,083,254)
Net investment in financial leases agreements	4,139,470	5,133,874
Impairment of net investment in financial leases agreements	\$ (383,018)	(420,753)

Below is a breakdown of the gross and net investment in financial leases contracts to be received in each of the following periods:

	December 31, 2022		December 31, 2021	
	Gross investment	Net investment	Gross investment	Net investment
Up to 1 year	\$ 131,959	130,407	182,352	180,738
1 to 5 years	1,787,324	1,372,659	2,654,599	1,972,113
More than 5 years	5,147,628	2,636,404	4,380,177	2,981,023
Total	\$ 7,066,911	4,139,470	7,217,128	5,133,874

The Bank and its subsidiaries grant loans in the form of financial leases for purchase of machinery and equipment, computer equipment, real estate, furniture and fixtures, vehicles and ships, trains and aircraft.

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In these cases, the amount of financing generally ranges between a maximum of 100% of the value of the property in the case of new assets to 70% for used assets. The life of these loans varies from a maximum of 120 months to a minimum of 24 months for those who have tax benefits. The option to buy, in most cases, involves a maximum of 20% of the value of asset and a minimum of 1% in the specific case of furniture and fixtures.

NOTE 12 – OTHER ACCOUNTS RECEIVABLE, NET

The following is a breakdown of other accounts receivable:

	December 31, 2022	December 31, 2021
Dividends (1)	\$ 1,469,383	40,630
Prepayments to contractors and suppliers	504,099	392,053
Electronic transfers in process	312,059	288,604
Abandoned account transfers to "Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior (ICETEX)"	226,381	203,511
To customers	198,902	142,575
Accounts payable	92,832	26,674
Prepaid expenses	70,290	148,475
Collateral deposits and others (2)	55,886	210,205
Commissions	47,153	156,503
Transfers to the National Treasury - inactive accounts	46,701	42,436
Storage services	29,768	28,694
Fees, services and others	23,336	283,639
Electronic deposits Offset - Credibanco (3)	12,615	408,472
Sale of goods and services	12,357	24,751
Cash shortage	2,963	2,125
Discountable taxes, prepayments and withholdings	2,838	66,397
Insurance companies	265	35,116
Other	176,965	259,364
	3,284,793	2,760,224
Impairment of other accounts receivable	(63,153)	(94,761)
Total	\$ 3,221,640	2,665,463

- (1) Increase presented mainly by the dividends receivable from entity BAC Holding International (BHI) for \$1,445,881.
(2) Decrease of \$128,679 in collateral deposits from derivative transactions.
(3) These decreases correspond to the deconsolidation of the entity BAC Holding International (BHI).

The following shows the movement in the impairment:

	December 31, 2022	December 31, 2021
Balance at the beginning of the period	\$ 94,761	107,110
Impairment with effect in net income	956	7,178
Write-offs	(695)	(8,333)
Effect of movements in exchange rates	686	7,298
Discontinued operation	469	11,775
Deconsolidation	(33,024)	(30,267)
Balance at the end of the period	\$ 63,153	94,761

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NOTE 13 – NON-CURRENT ASSETS HELD FOR SALE

Non-current assets held for sale are primarily assets received through foreclosure on assets pledged as loan collateral. Accordingly, the Bank and its subsidiaries intend to sell them immediately and has special processes and sales programs for the foreclose of assets are either sold for cash or financing for their sale is provided to potential buyers under normal market conditions. Consequently, they are expected to be sold within a period of 12 months subsequent to their classification as assets held for sale. In fact, there are already purchase commitment agreements for some of these assets

The following is a breakdown of non-current assets held for sale:

	December 31, 2022	December 31, 2021
Non-current assets held for sale		
Movables	\$ 1,744	1,530
Residential real estate	23,780	55,529
Non-mortgaged real estate	36,978	92,714
	62,502	149,773
Assets returned from leasing agreements		
Machinery and equipment	0	140
Vehicles	134	2,678
Property	3,297	18,570
Residential leasing real estate	1,595	778
	5,026	22,166
Total	\$ 67,528	171,939

The following shows the movement of cost of non-current assets held for sale:

	Cost	Impairment	Total
Balance at December 31, 2020	\$ 169,182	(786)	168,396
Additions	121,061	0	121,061
Disposals / Sales	(10,272)	100	(10,172)
Impairment charged to income, net	0	(3,518)	(3,518)
Reclassifications (1)	(136,646)	3,536	(133,110)
Impact on results due to change in sales plan	(1,194)	0	(1,194)
Difference in foreign exchange	(8,309)	0	(8,309)
Discontinued operation	0	(95)	(95)
Deconsolidation	38,854	26	38,880
Balance at December 31, 2021	\$ 172,676	(737)	171,939
Additions	69,811	0	69,811
Disposals / Sales	(30,421)	407	(30,014)
Impairment charged to income, net	0	(76)	(76)
Reclassifications (1)	(94,334)	78	(94,256)
Impact on results due to change in sales plan	(18)	0	(18)
Difference in foreign exchange	8,194	0	8,194
Discontinued operation	(72,083)	69	(72,014)
Deconsolidation	13,969	(7)	13,962
Balance at December 31, 2022	\$ 67,794	(266)	67,528

(1) As of December 31, 2022, corresponds to transfers to other assets of (\$61,297) and to investment property of (\$31,184) and to investments of (\$1,775) See Note 2.5 As of December 31, 2021, corresponds to transfers to other assets of (\$110,263) and to investment property of (\$22,847).

The liabilities associated with the groups of assets held for sale at December 31, 2022 and, 2021, came to \$5,304 y \$4,598, respectively.

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Marketing plan

For the marketing of non-current assets held for sale, the Bank and its subsidiaries carry out the following actions:

- A commercial force specialized in real estate sales has been hired to promote sales, support the commercial areas in the management of the proposals, visit the regions to strengthen the marketing of the properties.
- According to budget availability, periodic visits are made to the properties so that the sales force and the administration know the properties we have for sale; in this way, the strengths of each property, its marketing potential and its state of conservation are identified, which allows us to effectively direct the sales efforts.
- The sale is promoted through the publication of the properties available for sale in specialized real estate web pages, in the Bank and its subsidiaries Internet and Intranet pages, BdB's digital portfolio, installation of billboards and advertisements for sale in each property, targeted offerings to potential clients, investors and real estate brokers.
- The sale of available properties is promoted with the support of the Bank's sales force, with economic benefits for effective customer referrals in accordance with the Incentive Plan for direct Bank employees, efforts that have yielded satisfactory results.

NOTE 14 – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES, NET

Following is a breakdown of investments in associates and joint ventures:

	December 31, 2022	December 31, 2021
Associates	\$ 8,734,980	8,402,777
Joint ventures	1,585	1,482
Total	\$ 8,736,565	8,404,259

14.1 INVESTMENTS IN ASSOCIATES

The following is the corporate purpose and headquarters of the associates:

	Associates	Corporate Purpose	Headquarters
1	Corporación Financiera Colombiana S.A.	Specializes in a wide range of products for private banking, investment banking, treasury operations and investments in equity securities.	Bogotá D.C.
2	Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	Pension and severance fund manager.	Bogotá D.C.
3	Casa de Bolsa S.A.	Brokerage house (securities brokerage and securities fund management).	Bogotá D.C.
4	Servicios de Identidad Digital S.A.S.	Provide basic and special digital citizen services, and digital procedures.	Bogotá D.C.
5	A Toda Hora S.A.	Financial transactions services.	Bogotá D.C.

The following is a summary of the financial information of investments in associates, showing the percentages of ownership and their book value:

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December 31, 2022					
	Corporación Financiera Colombiana S.A.	Porvenir S.A.	Casa de Bolsa S.A.	Servicios de Identidad Digital S.A.S.	A Toda Hora S.A.
Percentage shareholding	34.72%	46.39%	22.80%	33.33%	20.00%
Book value	\$ 6,162,847	2,551,144	11,363	7,049	2,577
Current assets	8,240,861	2,840,203	77,612	8,002	13,901
Non-current assets	15,788,582	653,559	5,405	17,993	715
Total assets	24,029,443	3,493,763	83,017	25,995	14,616
Current liabilities	11,677,819	1,032,337	37,914	4,794	1,731
Non-current liabilities	926,724	0	244	52	0
Total liabilities	12,604,544	1,032,337	38,159	4,846	1,731
Net assets	11,424,899	2,461,426	44,858	21,149	12,885
Revenue	11,222,647	3,058,424	161,303	754	15,838
Expenses	9,439,782	2,904,457	146,024	22,101	15,225
Net income	1,782,865	153,967	15,279	(21,346)	613
Other comprehensive income	(489,166)	(59,131)	(2,928)	0	0
Total comprehensive income	1,293,699	94,837	12,351	(21,346)	613
Cash and cash equivalents	2,063,716	96,768	14,491	5,727	6,906
Current financial liabilities	11,020,763	445,497	30,162	0	304
Non-current financial liabilities	919,437	0	0	52	0
Income from ordinary activities	351,153	1,022,156	45,557	22	14,964
Depreciation and amortization	5,457	14,486	1,757	0	166
Interest income	332,173	136,366	3,278	732	504
Interest expense	910,357	62,699	3,588	157	41
Income tax expense	\$ 120	83,191	0	0	292

December 31, 2021					
	Corporación Financiera Colombiana S.A.	Porvenir S.A.	Casa de Bolsa S.A.	Servicios de Identidad Digital S.A.S.	A Toda Hora S.A.
Percentage shareholding	34.42%	46.39%	22.80%	33.33%	20.00%
Book value	\$ 5,740,353	2,647,430	8,551	3,989	2,454
Current assets	8,652,993	3,517,871	108,355	5,269	12,960
Non-current assets	13,059,816	594,099	3,421	9,857	638
Total assets	21,712,809	4,111,970	111,776	15,126	13,598
Current liabilities	10,396,384	1,445,269	79,254	3,089	1,327
Non-current liabilities	1,018,355	0	0	70	0
Total liabilities	11,414,739	1,445,269	79,254	3,159	1,327
Net assets	10,298,070	2,666,701	32,522	11,967	12,271
Revenue	5,084,297	2,766,126	62,631	118	12,512
Expenses	3,368,621	2,186,523	60,526	17,007	11,799
Net income	1,715,676	579,603	2,105	(16,889)	713
Other comprehensive income	(268,396)	(32,666)	(5,309)	0	0
Total comprehensive income	1,447,280	546,937	(3,204)	(16,889)	713
Cash and cash equivalents	1,602,384	96,780	7,994	3,931	7,828
Current financial liabilities	10,331,011	768,494	76,347	0	463
Non-current financial liabilities	1,012,103	0	0	70	0
Income from ordinary activities	148,143	1,287,005	25,081	1	11,701
Depreciation and amortization	4,084	12,162	1,456	0	607

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	December 31, 2021				
	Corporación Financiera Colombiana S.A.	Porvenir S.A.	Casa de Bolsa S.A.	Servicios de Identidad Digital S.A.S.	A Toda Hora S.A.
Interest income	137,458	88,731	128	117	102
Interest expense	320,495	39,844	1,354	129	40
Income tax expense	\$ 32	185,229	12	0	276

The following is the movement in investments in associates:

	December 31, 2022	December 31, 2021
Balance at beginning of the period	\$ 8,402,777	5,417,911
Share in net income (1)	665,216	545,005
Share in other comprehensive income (2)	(197,517)	(110,502)
Withholding tax for dividends	(1,992)	(1,691)
Dividends	(140,770)	0
Acquisitions	7,267	4,539
Increase due to loss of control of subsidiaries (3)	3,356,952	2,547,515
Discontinued operation	(191,075)	0
Investment sale (3)	(2,645,914)	0
Derecognition of the investment as available for sale (3)	(519,964)	0
Balance at end of the period	\$ 8,734,980	8,402,777

(1) See note 30.

(2) Corresponds mainly to participation in other comprehensive income of Corficolombiana.

(3) See Note 2.1.1. and 2.1.2.

14.2 INVESTMENTS IN JOINT VENTURES

The following is the corporate purpose and headquarters of the joint venture:

	Joint ventures	Corporate Purpose	Headquarters
1	A Toda Hora S.A. Joint ventures	Financial transactions services.	Bogotá D.C.
2	Aval Soluciones Digitales S.A Joint ventures.	Electronic Deposits and Payments - 100% digital financial transactions.	Bogotá D.C.

The following is a summary of the financial information of investments in joint ventures, showing the percentages of ownership and their book value:

	December 31, 2022		December 31, 2021	
	A Toda Hora S.A.	Aval Soluciones Digitales S.A.	A Toda Hora S.A.	Aval Soluciones Digitales S.A.
Percentage shareholding	25.00%	38.50%	25.00%	38.89%
Book value	\$ 1,581	4	1,478	4
Current assets	68,541	23,085	59,485	11,047
Non-current assets	10,181	65,246	16,246	30,399
Total assets	78,721	88,331	75,731	41,446
Current liabilities	72,396	88,321	69,820	41,436
Total liabilities	72,396	88,321	69,820	41,436
Net assets	6,325	10	5,911	10
Revenue	350,131	40,801	304,583	17,347
Expenses	349,718	40,801	304,299	17,347

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	December 31, 2022		December 31, 2021	
	A Toda Hora S.A.	Aval Soluciones Digitales S.A.	A Toda Hora S.A.	Aval Soluciones Digitales S.A.
Net income	414	0	284	0
Total comprehensive income	414	0	284	0
Cash and cash equivalents	31,126	9,873	21,124	5,994
Current financial liabilities	5,928	0	7,945	0
Income from ordinary activities	184,530	534	186,637	0
Depreciation and amortization	6,888	1,761	7,014	2,233
Interest income	830	0	249	0
Interest expense	\$ 662	0	720	0

The following is the movement of investments in joint ventures:

	December 31, 2022	December 31, 2021
Balance at the beginning of the period	\$ 1,482	1,407
Share in net income	103	71
Acquisitions	0	4
Balance at the end of the period	\$ 1,585	1,482

There is no contingent liability for the bank's shareholding in investments in associates and joint ventures.

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

The following is a breakdown of property, plant and equipment:

	December 31, 2022		
	Cost	Accumulated depreciation	Net
Land	\$ 313,217	0	313,217
Buildings and constructions	660,143	(251,510)	408,633
Machinery	18,705	(12,601)	6,104
Vehicles	8,498	(4,580)	3,918
Office furniture, fixtures and equipment	300,635	(231,799)	68,836
Computer hardware, networking and communications	681,467	(497,523)	183,944
Leasehold improvements	110,864	(41,199)	69,665
Construction in progress	30,531	0	30,531
Total	\$ 2,124,060	(1,039,212)	1,084,848

	December 31, 2021		
	Cost	Accumulated depreciation	Net
Land	\$ 555,232	0	555,232
Buildings and constructions	1,377,751	(485,686)	892,065
Machinery	16,500	(11,185)	5,315
Vehicles	49,039	(29,157)	19,882
Office furniture, fixtures and equipment	857,500	(637,083)	220,417

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Computer hardware, networking and communications	1,763,792	(1,293,954)	469,838
Leasehold improvements	400,182	(193,917)	206,265
Construction in progress	148,620	0	148,620
Total	\$ 5,168,616	(2,650,982)	2,517,634

The following is the activity of cost in property, plant and equipment:

	Land	Buildings	Machinery	Vehicles	Office furniture, fixtures and equipment	Computer hardware, networking and communications	Leasehold improvements	Construction in progress	Total
Balance at December 31, 2020	\$ 528,007	1,296,671	21,724	44,972	802,513	1,570,698	395,659	78,681	4,738,925
Additions (1)	(98)	774	3,322	2,361	10,000	61,792	808	36,512	115,471
Disposals/ Sales	(5,139)	(19,245)	(15)	(2,153)	(16,022)	(7,201)	(29,576)	(244)	(79,595)
Reclassifications (2)	(505)	48,980	(364)	0	4,885	103	10,322	(69,242)	(5,821)
Difference in exchange	20,471	17,847	(1)	181	2,484	1,290	5,542	5,208	53,022
Discontinued operation	0	0	0	(123)	(6,245)	(8,973)	(3,553)	(80)	(18,974)
Deconsolidation	12,496	32,724	(8,166)	3,801	59,885	146,083	20,980	97,785	365,588
Balance at December 31, 2021	555,232	1,377,751	16,500	49,039	857,500	1,763,792	400,182	148,620	5,168,616
Additions (1)	2,562	5,173	2,291	1,682	15,373	79,971	313	38,575	145,940
Disposals/ Sales	(14,116)	(18,612)	(5)	(1,979)	(9,790)	(14,476)	(1,345)	(126)	(60,449)
Reclassifications (2)	(13,053)	(88,461)	(82)	933	1,512	11,612	4,277	(32,641)	(115,903)
Difference in exchange	30,024	32,424	1	601	3,721	3,633	8,266	4,770	83,440
Discontinued operation	0	(84)	0	0	(6,446)	(15,809)	(3,975)	0	(26,314)
Deconsolidation	(247,432)	(648,048)	0	(41,778)	(561,235)	(1,147,256)	(296,854)	(128,667)	(3,071,270)
Balance at December 31, 2022	\$ 313,217	660,143	18,705	8,498	300,635	681,467	110,864	30,531	2,124,060

(1) Includes decommissioning costs of \$198 and \$446 for 2022 and 2021, respectively.

(2) Corresponds to: For December 2022 transfer to investments (\$115,084) (see Note 2.5) and from investment properties \$8,426 and deductible VAT of (\$8,549) and for 2021 deductible VAT of (\$6,502), Capitalized intangibles of \$4,295 and transfer to investment property of (\$3,614).

The following is the activity in depreciation on property, plant and equipment:

	Buildings	Machinery	Vehicles	Office furniture, fixtures and equipment	Computer hardware, networking and communications	Leasehold improvements	Total
Balance at December 31, 2020	\$ (445,791)	(12,775)	(25,169)	(581,594)	(1,108,624)	(194,011)	(2,367,964)
Depreciación	(37,857)	(869)	(342)	(15,364)	(38,693)	(10,968)	(104,093)
Disposals/ Sales	10,889	1	2,076	14,520	6,882	26,004	60,372
Reclassifications (2)	0	2,451	(2,451)	38	(38)	0	0
Difference in exchange	8,170	0	(366)	(2,933)	(6,306)	(2,162)	(3,597)
Discontinued operation	(16,319)	(3)	(6,410)	(36,198)	(122,664)	(23,901)	(205,495)
Deconsolidation	(4,778)	10	3,505	(15,552)	(24,511)	11,121	(30,205)
Balance at December 31, 2021	(485,686)	(11,185)	(29,157)	(637,083)	(1,293,954)	(193,917)	(2,650,982)

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	Buildings	Machinery	Vehicles	Office furniture, fixtures and equipment	Computer hardware, networking and communications	Leasehold improvements	Total
Depreciación	(29,032)	(1,419)	(819)	(17,326)	(50,249)	(10,806)	(109,651)
Disposals/ Sales	8,070	4	1,758	9,190	14,410	1,212	34,644
Reclassifications (2)	46,479	0	(933)	(1)	1	75	45,621
Difference in exchange	(3,071)	(1)	(158)	(2,080)	(1,573)	(2,014)	(8,897)
Discontinued operation	(4,022)	0	(2,025)	(3,985)	(16,458)	(2,890)	(29,380)
Deconsolidation	215,752	0	26,754	419,486	850,300	167,141	1,679,433
Balance at December 31, 2022	\$ (251,510)	(12,601)	(4,580)	(231,799)	(497,523)	(41,199)	(1,039,212)

(1) Corresponds to transfers of assets to investments (see Note 2.5) and other assets (\$933).

There are no restrictions on ownership of property, plant and equipment.

At December 31, 2022, the Bank and its subsidiaries carried out a qualitative analysis that takes into account the internal and external sources of information and based on them, it can determine its recoverable value based on the fair value determined by the technical appraisal of an independent appraiser.

The Bank and its subsidiaries have property, plant and equipment that is fully depreciated, but still in use as of December 31, 2022. Additionally, have property, plant and equipment that is temporarily out of service for \$5,079.

NOTE 16 – RIGHT OF USE ASSETS

Breakdown of balance by type of right of use assets:

December 31, 2022			
	Cost	Accumulated depreciation	Net
Land	\$ 210	(131)	79
Buildings and constructions	803,067	(267,177)	535,890
Mobilization team and machinery	313	(118)	195
Computer hardware, networking and communications	34,100	(20,052)	14,048
Total	\$ 837,690	(287,478)	550,212

December 31, 2021			
	Cost	Accumulated depreciation	Net
Land	\$ 278	(161)	117
Buildings and constructions	1,650,716	(537,776)	1,112,940
Mobilization team and machinery	113	(85)	28
Vehicles	36,318	(11,556)	24,762
Computer hardware, networking and communications	33,715	(13,444)	20,271
Total	\$ 1,721,140	(563,022)	1,158,118

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The activity of cost in assets right of use:

	Land	Buildings	Machinery	Vehicles	Computer equipment	Office furniture, fixtures and equipment	Total
Balance at December 31, 2020	\$ 140	1,636,746	111	39,873	40,972	2,053	1,719,895
Additions	136	34,623	0	0	0	0	34,759
Contracts adjustment	2	10,085	2	0	125	(128)	10,086
Cancelations	0	(55,025)	0	0	(3,245)	0	(58,270)
Reclassification (1)	0	(455)	0	(795)	0	0	(1,250)
Difference in exchange	0	15,241	0	795	0	(1)	16,035
Deconsolidation	0	9,501	0	(3,555)	(4,137)	(1,924)	(115)
Balance at December 31, 2021	278	1,650,716	113	36,318	33,715	0	1,721,140
Additions	0	68,298	200	0	0	0	68,498
Contracts adjustment	73	26,190	0	0	385	0	26,648
Cancelations	(141)	(72,710)	0	0	0	0	(72,851)
Reclassification (1)	0	1,774	0	0	0	0	1,774
Difference in exchange	0	20,759	0	1	0	0	20,760
Discontinued operation	0	(55,104)	0	(3,176)	0	0	(58,280)
Deconsolidation	0	(836,856)	0	(33,143)	0	0	(869,999)
Balance at December 31, 2022	\$ 210	803,067	313	0	34,100	0	837,690

(1) Corresponds to transfers of other assets

The activity of depreciation in assets right of use:

	Land	Buildings	Vehicles	Office furniture, fixtures	Machinery	Computer equipment	Total
Balance at December 31, 2020	\$ (102)	(363,021)	(11,605)	(62)	(47)	(11,151)	(385,988)
Depreciation	(59)	(82,422)	145	0	(39)	(7,135)	(89,510)
Disposals/ Sales	0	20,976	0	0	0	2,066	23,042
Reclassifications (2)	0	455	795	0	0	0	1,250
Difference in exchange	0	(1,348)	(942)	2	1	0	(2,287)
Discontinued operation	0	(113,242)	(6,419)	(209)	0	(525)	(120,395)
Deconsolidation	0	826	6,470	269	0	3,301	10,866
Balance at December 31, 2021	(161)	(537,776)	(11,556)	0	(85)	(13,444)	(563,022)
Depreciation	(110)	(87,313)	0	0	(33)	(6,608)	(94,064)
Disposals/ Sales	140	35,899	0	0	0	0	36,039
Reclassifications (2)	0	(1,774)	0	0	0	0	(1,774)
Difference in exchange	0	(5,949)	0	0	0	0	(5,949)
Discontinued operation	0	(28,006)	(1,619)	0	0	0	(29,625)
Deconsolidation	0	357,742	13,175	0	0	0	370,917
Balance at December 31, 2022	\$ (131)	(267,177)	0	0	(118)	(20,052)	(287,478)

In the development of its operations, the Bank and its subsidiaries lease several properties such as lands, buildings, computer hardware, mobilization equipment and warehouses. Normally, lease contracts are made for 1 to 15 years fixed periods. The lease conditions are negotiated individually and have a wide range of different terms and conditions. Lease contracts do not impose any agreement, but leased assets cannot be used as collateral for loan purposes.

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NOTE 17 – INVESTMENT PROPERTY

The following is a breakdown by type of property:

	December 31, 2022	December 31, 2021
Land	\$ 167,436	176,508
Buildings	69,170	66,945
Total	\$ 236,606	243,453

The following table shows the activity in the cost:

	Land	Buildings	Total
Balance at December 31, 2020	\$ 112,013	57,955	169,968
Additions	12,367	24,184	36,551
Disposals / Sales	(15,792)	(8,239)	(24,031)
Reclassifications (1)	14,244	12,217	26,461
Difference in exchange	163	2,511	2,674
Deconsolidation	(5,681)	(29,533)	(35,214)
Balance at December 31, 2021	\$ 117,314	59,095	176,409
Disposals / Sales	(23,102)	(3,238)	(26,340)
Reclassifications (1)	11,078	3,934	15,011
Difference in exchange	131	2,154	2,285
Balance at December 31, 2022	\$ 105,421	61,945	167,366

(1) At December 31, 2021 corresponds to transfers of property, plant and equipment for \$3,614 and non-current assets held for sale for \$22,847. At December 31, 2022 corresponds to transfers of non-current assets held for sale for \$31,184, to property, plant and equipment for (\$7,061), and to investments (\$9,112) (see Note 2.5)

The following table shows the activity in the fair value of investment property:

	Land	Buildings	Total
Balance at December 31, 2021	\$ 59,898	15,802	75,700
Changes in fair value	2,591	3,740	6,331
Disposals / Sales	(955)	122	(833)
Difference in exchange	77	213	290
Reclassifications (1)	(2,417)	(12,027)	(14,444)
Balance at December 31, 2020	\$ 59,194	7,850	67,044
Changes in fair value	(1,670)	2,160	490
Disposals / Sales	4,866	959	5,825
Difference in exchange	1	(3)	(3)
Reclassifications (1)	(375)	(3,741)	(4,116)
Balance at December 31, 2021	\$ 62,016	7,225	69,240

(1) Corresponds to transfers of property, plant and equipment (\$1,364) and investments (\$2,753) (see Note 2.5).

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The following is the detail of figures included in net income of the period:

	December 31, 2022	December 31, 2021
Rental income from investment property	\$ 3,207	2,145
Direct operating expenses arising from investment property generating rental income	(195)	(430)
Direct operating expenses arising from investment property not generating rental income	0	(52)
Total	\$ 3,012	1,663

There were no contractual obligations to acquire investment property, nor repairs, maintenance and improvements, during the periods in question.

There are no restrictions on the sale of investment property.

NOTE 18 – GOODWILL

18.1 IMPAIRMENT ASSESSMENT OF CASH-GENERATING UNITS WITH ALLOCATED GOODWILL

The Bank and its subsidiaries management assesses goodwill impairment recorded annually in its consolidated financial statements. This is regarded as an asset with an indefinite useful life, based on studies performed by independent experts hired for that purpose and in accordance with IAS 36 – “Impairment of Assets”.

These studies are based on valuations of the groups of cash-generating units (CGU) that are assigned the goodwill upon acquisition. This is done using the discounted future cash flow method and taking into account factors such as the economic situation of the country, the sector where the acquired entity operates, historical financial information, and projections on growth in the entity's income and costs over the next years and, subsequently, perpetual growth, considering its profit capitalization rates discounted at risk-free interest rates adjusted by the risk premiums that are required, given the circumstances of each entity.

The methodologies and assumptions used when valuing the different cash-generating units with allocated goodwill were reviewed by management and based on that review, it was concluded there was no need to record any impairment at December 31, 2022, since their recoverable amounts exceeds the book value.

The following is the movement on goodwill:

	December 31, 2022	December 31, 2021
Balance at the beginning of the period	\$ 6,867,211	6,421,231
Deconsolidation entity (1)	(6,256,286)	(436,096)
Exchange difference	30,199	882,077
Balance at the end of the period	\$ 641,124	6,867,211

(1) Deconsolidation BAC Holding International (BHI) in 2022 and of Porvenir S.A. in 2021.

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The value of goodwill recorded in the financial statements of the Bank and its subsidiaries was generated from the following acquisitions:

Buyer Company	Acquisition	CGU Group	December 31, 2022	December 31, 2021
Banco de Bogotá	Megabanco	Banco de Bogotá	\$ 465,905	465,905
			0	6,256,286
	BAC Credomatic		0	3,904,293
BAC Holding International (BHI) (1)	BBVA Panamá	BAC Credomatic	0	1,266,809
	Banco Reformador		0	913,843
	Transcom Bank		0	171,341
Multi Financial Holding (2)	Multi Financial Holding	Multi Financial Holding (MFH)	175,219	145,020
Total Goodwill			\$ 641,124	6,867,211

(1) Loss of control of BAC Holding International (BHI) in 2022.

(2) The variation corresponds to the exchange difference.

Following is the detail of the goodwill assigned by cash generating units (CGU) which represent the lowest level within Banco de Bogotá and its subsidiaries are monitored by the management and which are not greater than the business' segments.

December 31, 2022				
Grupo unidades generadoras de efectivo	Goodwill carrying amount	CGU Book value	Fair value adjusted to exchange rate	Excess
UGE en Banco de Bogotá (Megabanco)	\$ 465,905	7,849,212	14,436,755	6,587,543
Multi Financial Holding (MFH)	175,219	1,994,609	3,456,899	1,462,290
Total	\$ 641,124	9,843,821	17,893,654	8,049,833

December 31, 2021				
Cash Generating Units	Goodwill carrying amount	CGU Book value	Fair value adjusted to exchange rate	Excess
Banco de Bogotá (Megabanco)	\$ 465,905	7,234,420	9,166,267	1,931,847
BAC Holding International (BHI)	6,256,286	13,483,529	25,758,827	12,275,298
Multi Financial Holding (MFH)	145,020	1,843,628	2,964,343	1,120,715
Total	\$ 6,867,211	22,561,576	37,889,437	15,327,861

18.2 BREAKDOWN OF GOODWILL, BY ACQUIRED COMPANY:

Banco de Crédito y Desarrollo Social – MEGABANCO S.A.

Goodwill was generated in 2006 with the acquisition of 94.99% of the shares of Banco de Crédito y Desarrollo Social - MEGABANCO S.A. and later merger with Banco de Bogotá. This operation was authorized by the office of the Financial Superintendence in Resolution No. 917 of June 2, 2006.

The goodwill is allocated to the banking operation segment, according to the operating segments defined by the bank.

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The latest valuation update for the business lines of cash-generating units groups to which this goodwill was allocated, was done by the expert PricewaterhouseCoopers S.A. This valuation is included in its February 2023 report and is based on the Banco de Bogotá's financial statements at September 30, 2022, due to the merger with the acquired company. With this report the Group and management concluded that there are no situations whatsoever that would indicate a possible impairment, since \$14,436,755 in fair value resulting from the assessment valuation exceeds in \$6,587,543 the book value of the CGU groups of banking operation segment which was \$7,849,212.

The following table shows the averages of the primary premises used in the impairment test at December 31, 2022 and 2021:

	December 31, 2022				
	2023	2024	2025	2026	2027
Lending rate on the loan portfolio and investments	12.3%	11.2%	10.5%	10.4%	10.2%
Borrowing rate	6.9%	5.4%	4.6%	4.5%	4.5%
Growth in income from commissions	15.4%	10.8%	14.9%	15.3%	15.3%
Growth in expenses	14.6%	8.2%	8.2%	8.2%	8.2%
Inflation	7.4%	2.7%	2.9%	2.9%	2.9%
Discount rate after taxes	17.6%	12.6%	11.8%	10.9%	10.7%
Growth rate after five years	6.4%				

	December 31, 2021				
	2022	2023	2024	2025	2026
Lending rate on the loan portfolio and investments	7.8%	8.4%	8.6%	8.7%	8.7%
Borrowing rate	2.4%	3.1%	3.5%	3.5%	3.5%
Growth in income from commissions	10.2%	7.5%	9.1%	9.8%	10.7%
Growth in expenses	5.2%	9.0%	7.1%	7.1%	6.6%
Inflation	3.5%	3.8%	3.4%	3.6%	3.6%
Discount rate after taxes	12.5%	13.2%	13.2%	13.2%	13.2%
Growth rate after five years	3.6%				

A 5-year projection was made to estimate goodwill, based on macroeconomic assumptions and those related to the businesses listed in the foregoing tables. The following is a description of that process:

- The lending rates on loans and investments were projected based on the company and independent specialist expectations.
- The borrowing rates were projected based on the company and independent specialist expectations.
- Estimated growths for commissions are based on historical percentages. The commission income was estimated as a percentage of net portfolio and the commission expense was calculated as a percentage of deposits.
- Estimated growth for expenses are based on the growth expectations of the company to support the growth of assets and the development of its operation.
- The inflation used in the projections is based on reports from external sources such as Oxford Economics.
- The growth rate used for the terminal value was 6.4%, which corresponds to the growth company expectation for the long term.

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The discount rates used to discount dividend flows reflect the specific risks relative to each cash-generating unit. If the estimated discount rates had been 50 basis points higher than the rates estimated in the independent study, the book value of goodwill would not have to been reduced, considering that with this sensitivity the fair value of the cash-generating unit would be \$12,954,539, which is above the book value of \$7,849,212.

Multi Financial Holding (MFH)

On May 22nd, 2020, Banco de Bogotá acquired 96.6% of the shares of Multi Financial Holding (MFH) through its subsidiary Leasing Bogotá S.A. Panama (LBP), and subsequently between the months of June and December 2020, acquired the additional 2.97%, for a 99.6% total. As of December 31st, the purchase price allocation process (PPA) was finished, and the final goodwill value was determined. Given this, it is the first goodwill impairment test for this transaction.

As of September 2021, Leasing Bogotá Panama changed its business name to BAC Holding International (BHI) and spun off Multi Financial Group. As a result, Banco de Bogotá took control of the company through Multi Financial Holding, therefore the goodwill of BAC Credomatic and its subsequent acquisitions belong to BAC Holding International, and the goodwill of Multi Financial Group belongs to Multi Financial Holding.

The latest valuation update for the groups of cash generating units to which this goodwill was allocated was done by Ernst and Young in February 2023, based on the financial statements of MFH as of September 30, 2022. The respective report indicates there are no situations that would imply possible impairment, since the fair value of \$3,456,899 exceeds the book value of \$1,994,609 of the groups of cash generating units with assigned goodwill.

The following table shows the primary premises used in the impairment test as at December 2022 and 2021:

	December 31, 2022				
	2023	2024	2025	2026	2027
Lending rate on the loan portfolio and investments	6.4%	6.6%	6.8%	6.9%	7.0%
Borrowing rate	4.0%	4.0%	4.0%	4.1%	4.1%
Growth in income from commissions	9.4%	7.2%	8.9%	9.4%	8.7%
Growth in expenses	4.5%	3.0%	2.8%	1.9%	3.1%
Discount rate after taxes	10.6%				
Growth rate after ten years	4.0%				

	December 31, 2021				
	2022	2023	2024	2025	2026
Lending rate on the loan portfolio and investments	5.8%	5.8%	5.8%	5.8%	5.8%
Borrowing rate	2.9%	2.8%	2.8%	2.8%	2.8%
Growth in income from commissions	16.5%	10.5%	6.2%	5.6%	5.2%
Growth in expenses	8.6%	6.5%	7.1%	6.4%	5.8%
Discount rate after taxes	9.4%				
Growth rate after ten years	4.0%				

The averages of the main assumptions used are detailed in the table above, determined as follows:

- Lending rates on loans and investments were projected based on historical data and on the management expectations, considering the competitiveness of the different services in their respective markets and the growth strategies for each segment.

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- For its part, for the growth in commissions was projected considering the increase in loan portfolios; this allows promoting greater income collection through products and services such as insurance, memberships, exchange commissions, among others, as well as the implementation of new services. As well as more competitive markets over the projected timeline.
- The future flows of funds are denominated in US dollars and are discounted at a nominal rate in US dollars, estimated as "Ke".
- The discount rate has been estimated considering the risk profile of the market where MFH operates.
- To estimate the terminal value, a perpetuity has been projected based on the normalized cash flow, adjusted according to the expectations of stabilized long-term growth. This evolution is in line with the long-term average growth rate for the country's economy. In this case, an annual long-term average nominal growth rate in dollars of 4.0% was considered.

The discount rate used to discount the dividend cash flows reflects the specific risks related to the cash generating unit. If the estimated discount rate of 10.6% had been 50 basis points higher than the rate estimated in the valuation performed by the external experts, it would not be necessary to reduce the book value of goodwill, considering that with this sensitivity the fair value of the cash generating unit to which the goodwill is allocated would be \$3,188,642 exceeding the book value of \$1,994,609.

NOTE 19 – OTHER INTANGIBLE ASSETS

19.1 INTANGIBLE ASSETS OTHER THAN GOODWILL:

The following is the movement of intangible assets:

	Cost	Amortization	Impairment	Total
Balance at December 31, 2020	\$ 1,400,788	(592,711)	0	808,077
Additions	41,186	0	0	41,186
Capitalized costs	89,208	0	0	89,208
Other capitalized costs acquired separately	28,188	0	0	28,188
Reclassifications	(259)	0	0	(259)
transferred of assets	(15,647)	306	0	(15,341)
Disposals / Sales	(11,393)	4,330	0	(7,063)
Amortization charged to expenses	0	(93,472)	0	(93,472)
Effect of movements in exchange rates	26,309	(6,074)	0	20,235
Discontinued operation	(23,450)	(61,618)	(253)	(85,321)
Deconsolidation	97,449	(17,541)	1	79,909
Balance at December 31, 2021	\$ 1,632,379	(766,780)	(252)	865,347
Additions	24,190	0	0	24,190
Capitalized costs (1)	146,097	0	0	146,097
Other capitalized costs acquired separately	27,672	0	0	27,672
Disposals / Sales (2)	(26,639)	24,441	0	(2,198)
Amortization charged to expenses	0	(100,171)	0	(100,171)
Effect of movements in exchange rates	41,760	(13,327)	0	28,433
Discontinued operation	0	(23,239)	0	(23,239)
Deconsolidation	(612,237)	421,015	252	(190,970)
Balance at December 31, 2022	\$ 1,233,222	(458,061)	0	775,161

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(1) The increase corresponds to the capitalization of internal development projects, including ADL \$16,994, digital solutions platform \$18,109, office transformation \$4,774, treasury platform \$6,585, CDTs, front linkage, core platform optimization, SME dedd-024, digital ecosystems, fis Factory upgrade, migration of servers for \$44,650.

(2) Corresponds to recognition of private grant in development program MVP DEDD Allied E-Commerce Solutions, Credit Cards for (\$982), reclassification of property, plant and equipment for (\$193) and retirements for (\$1,023).

19.2 INTANGIBLE ASSETS INTERNAL AND OTHER CAPITALIZED COSTS ACQUIRED SEPARATELY

Those concerns the assets developed that are fully internally of entity; in the development process the costs can be capitalized, when the asset is finished it is used in production, activating the amortization.

Other capitalized costs acquired separately corresponds to the Intangible assets be buy to external and requires an additional adaptation so that they can be used in their total.

The following is the movement:

	Computer software and applications		
	Cost	Amortization	Total
Balance at December 31, 2020	\$ 372,257	(68,594)	303,663
Capitalized costs	89,208	0	89,208
Other capitalized costs acquired separately	28,188	0	28,188
Reclassifications	(7,864)	0	(7,864)
transferred of assets	(15,647)	306	(15,341)
Amortization charged to expenses	0	(25,326)	(25,326)
Effect of movements in exchange rates	545	0	545
Discontinued operation	3,911	0	3,911
Deconsolidation	2,350	0	2,350
Balance at December 31, 2021	\$ 472,948	(93,614)	379,334
Capitalized costs	146,097	0	146,097
Other capitalized costs acquired separately	27,672	0	27,672
Reclassifications	(30,332)	0	(30,332)
Disposals / Sales	(5,779)	4,797	(982)
Amortization charged to expenses	0	(35,836)	(35,836)
Effect of movements in exchange rates	1,687	0	1,687
Deconsolidation	(13,538)	0	(13,538)
Balance at December 31, 2022	\$ 598,755	(124,653)	474,102

19.3 INTANGIBLE ASSETS EXTERNAL

Those intangible assets ready in place and in necessary conditions to be used at the time of acquisition.

The following is the movement of the cost:

	Trade marks	Intellectual property rights	Licenses	Computer software and applications	Intangible assets related with clients	Total
Balance at December 31, 2020	\$ 50,808	41,190	380,995	498,789	56,749	1,028,531
Additions	0	0	34,526	6,660	0	41,186
Reclassifications	0	0	992	6,613	0	7,605

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	Trade marks	Intellectual property rights	Licenses	Computer software and applica- tions	Intangible assets related with clients	Total
Disposals / Sales	0	0	(4,180)	(7,213)	0	(11,393)
Effect of movements in exchange rates	7,573	0	3,034	6,324	8,833	25,764
Discontinued operation	0	0	(29,901)	2,540	0	(27,361)
Deconsolidation	377	6,584	54,314	35,298	(1,474)	95,099
Balance at December 31, 2021	\$ 58,758	47,774	439,780	549,011	64,108	1,159,431
Additions	0	0	12,647	11,543	0	24,190
Reclassifications	0	0	0	30,332	0	30,332
Disposals / Sales	0	0	(15,439)	(5,421)	0	(20,860)
Effect of movements in exchange rates	11,443	0	5,501	9,779	13,350	40,073
Deconsolidation	(3,805)	(47,774)	(228,285)	(318,835)	0	(598,699)
Balance at December 31, 2022	\$ 66,396	0	214,204	276,409	77,458	634,467

The following is the movement of the amortization:

	Intellectual property rights	Licenses	Computer software and applications	Intangible assets related with clients	Total
Balance at December 31, 2020	\$ (21,624)	(282,896)	(208,900)	(10,697)	(524,117)
Disposals / Sales	0	4,180	150	0	4,330
Amortization charged to expenses	0	(27,766)	(31,310)	(9,070)	(68,146)
Effect of movements in exchange rates	0	(2,732)	(1,216)	(2,126)	(6,074)
Discontinued operation	(4,494)	(12,953)	(43,996)	(175)	(61,618)
Deconsolidation	(3,741)	(7,547)	(7,739)	1,486	(17,541)
Balance at December 31, 2021	\$ (29,859)	(329,714)	(293,011)	(20,582)	(673,166)
Disposals / Sales	0	15,363	4,281	0	19,644
Amortization charged to expenses	0	(26,525)	(31,051)	(6,759)	(64,335)
Effect of movements in exchange rates	0	(3,321)	(4,842)	(5,164)	(13,327)
Discontinued operation	(1,174)	(9,653)	(12,412)	0	(23,239)
Deconsolidation	31,033	196,333	193,649	0	421,015
Balance at December 31, 2022	\$ 0	(157,517)	(143,386)	(32,505)	(333,408)

The following is the movement of the Impairment

	Trademarks
Balance at December 31, 2020	\$ 0
Discontinued operation	(253)
Deconsolidation	1
Balance at December 31, 2021	(252)
Deconsolidation	252
Balance at December 31, 2022	\$ 0

Significant intangible assets are: Licenses for \$56,685, programs and applications under development for \$89,214.

The Bank and its subsidiaries have fully amortized intangible assets that they are still using and correspond to licenses and computer programs and applications for a value of \$121,915. Development expenses as of

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December 31, 2022, and 2021 amount to \$4,522 and \$4,104, respectively. There are no contractual commitments for the acquisition of intangible assets as of December 31, 2022.

There are no restrictions on ownership of other intangible assets.

NOTE 20 – INCOME TAX

20.1 COMPONENTS OF THE INCOME TAX EXPENSE

The income tax expense for the years ended at December 31, 2022 and 2021 includes the following:

	December 31, 2022	December 31, 2021
Income tax of the current period	\$ 35,584	111,132
Income tax surcharge	1,320	9,073
Recovery current tax from previous periods	(6,628)	(12,361)
Subtotal current tax	30,276	107,844
Net deferred taxes of the period	243,906	155,301
Deferred tax expense (recovery) from prior periods	16,032	(7,422)
Subtotal deferred tax	259,938	147,879
Recovery for uncertain tax positions	0	(3,129)
Total income tax from continuing activities	290,214	252,594
Discontinued operation	224,104	661,665
Total income tax	\$ 514,318	914,259

Current and deferred taxes are recognized as income or expense in income, except to the extent that they have arisen from a transaction or event that is recognized outside of income in other comprehensive income (OCI), in equity. Therefore, during the years ended December 31, 2022, and 2021, unrealized deferred tax income of \$543,595 and \$845,582, respectively, was recognized in other comprehensive income in equity, mainly related to the unrealized loss of investments available for sale, the exchange difference of hedging instruments, bonds and investments in foreign subsidiaries that for accounting purposes, are recorded in the OCI account and for tax purposes, would be understood as realized at the time they are reclassified to another equity account or presented in the statement of income in accordance with the accounting technique.

Additionally, as of December 2022, a deferred tax and current tax expense of (\$1,324,886) and (\$1,038,518), respectively, was recognized, which were transferred to income as a result of the deconsolidation and loss of control of BAC Holding International on March 25, 2022. Likewise, a deferred tax expense of (\$360,182) was recognized for the transfer to income as a result of the sale of the 20.9% interest in BHIC on December 19, 2022.

20.2 RECONCILIATION OF THE NOMINAL TAX RATE AND THE EFFECTIVE RATE

The following are the basic parameters in force with respect to income tax:

In Colombia

- In accordance with the Economic Growth 2010/2019, income tax rates for the year 2021 is 31%. For financial institutions that obtain a tax income equal to or greater than 120,000 TVU (Tax Value Units) in the period, apply additional percentage points of income tax of 3%.

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- For the year 2022, in accordance with the Social Investment Law 2155 of 2021, the income tax rate is 35% and for financial institutions that obtain in the period a taxable income equal to or greater than 120,000 UVT apply additional percentage points of income tax of 3%.
- The Economic Growth Law 2010 of 2019 reduces the presumptive income to 0% of the net worth of the last day of the immediately preceding taxable year starting in 2021.
- With the Social Investment Law, the audit benefit is extended for the years 2022 and 2023 when the net income tax is increased by 35% or 25%, with which the income tax return will become final within 6 and 12 months respectively.
- With the Economic Growth Act 2010 of 2019, the term of firmness of the income tax return from taxpayers who determine or compensate tax losses or are subject to the transfer pricing regime, will be 5 years from the presentation of the income tax return.
- Surplus presumptive income can be offset during the five (5) tax years thereafter.
- The tax losses may be offset with ordinary liquid income to be received during the 12 following periods.
- The occasional income is taxed at a rate of 10%.

In other countries

The following are other income tax rates established by tax authorities:

- Costa Rica: General rate of 30% and differential rates of 5%, 10%, 15% and 20% according to the amount of annual net income.
- Panama: Rate of 25%.

The following is a breakdown of the reconciliation between the Bank and its subsidiaries income tax expense, calculated at current tax rates, and the income tax expense actually recorded in net income for the years ended at December 31, 2022 and 2021:

	December 31, 2022	December 31, 2021
Net income before income tax	\$ 2,095,684	2,820,314
Theoretical tax expense at a rate of 38% and 34% (2022 and 2021)	796,360	958,907
Plus (minus) taxes that increase (decrease) the theoretical tax:		
Non-deductible expenses	156,161	126,543
Dividends not taxed	(4,813)	768,357
Nontaxable equity method income (1)	(252,821)	(185,381)
Interests and other not-taxable income	(240,880)	(108,473)
Effect of deconsolidation	(52,223)	(442,782)
Exempt income	(555,621)	(858,849)
Non-accountable tax income from partial sale of BCHI - exchange difference	543,879	0
Tax credits	(18,861)	(12,832)
Occasional income (Taxed at the rate of 10%)	8,922	1,062
Income from tax-exempt subsidiaries in tax-free countries	(3,418)	(1,392)
Difference in tax rate on income of subsidiaries in countries with	(14,698)	(16,090)

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	December 31, 2022	December 31, 2021
different tax rates		
Effect on deferred tax due to tax rates different than 38% and 34% (2022 and 2021)	(81,224)	45,264
Recovery of current tax from previous periods	(6,628)	(12,361)
Recovery for uncertain tax positions	0	(3,129)
Deferred tax expense (recovery) from prior periods	16,032	(7,422)
Investments in Foreign Subsidiaries – WHT (2)	(476)	3,409
Other items	523	(2,237)
Total income tax expense for the period from continuing operations	\$ 290,214	252,594

(1) The income recognized by the equity method is taxed on each of the associates and joint ventures.

(2) Corresponds to Withholding Tax (WHT - tax on dividends) for adjustments to the provision for dividend tax expected to be paid in future periods.

20.3 UNRECOGNIZED DEFERRED TAXES

Deferred taxes regarding subsidiaries, associates and joint ventures

The Bank and its subsidiaries did not record deferred tax liabilities related to temporary differences on investments in their subsidiaries, this because:

- The Bank and its subsidiaries have control of its subsidiaries and decides on sells its investments in associates. Therefore, it can decide on the reversal of such temporary differences; and
- The Bank and its subsidiaries have not foreseen its realization in a foreseeable future.

Therefore, it is likely that these temporary differences will not reverse in the near future.

The temporary differences on which no deferred tax liabilities were recognized at December 31, 2022 and 2021 amounted to a \$3,170,685 y \$11,688,808 respectively.

Deferred taxes with respect to tax losses and surplus presumptive income

The following is the breakdown of the tax losses and surplus of presumptive income in Bank and its subsidiaries as of December 31, 2022, and 2021, pending to be used for \$14,642 y \$41,233 respectively and on which the Bank and its subsidiaries do not have recorded deferred tax assets due to the uncertainty in its recovery.

	Periods ending in:	
	December 31, 2022	December 31, 2021
Tax losses expiring in		
December 31, 2023	1,323	0
December 31, 2024	\$ 4,846	0
December 31, 2025	2,742	0
December 31, 2031	141	8,586
December 31, 2032	5,264	12,764
December 31, 2033	0	5,499
December 31, 2034	0	5,153
December 31, 2035	122	3,575
December 31, 2036	0	3,291
No Expiration Date	0	2,161

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Subtotal	14,438	41,029
Surplus of presumptive income expiring in		
December 31, 2024	133	133
December 31, 2025	71	71
Subtotal	204	204
Total tax credits	\$ 14,642	41,233

20.4 DEFERRED INCOME TAXES, BY TYPE OF TEMPORARY DIFFERENCE:

Differences between the carrying amounts of assets and liabilities and their tax base can result in temporary differences. These generated deferred taxes, which were calculated and recorded for the years ended at December 31, 2022 and 2021, based on the enacted tax rates for the years in which those temporary differences will be reversed.

The movement in deferred tax assets and liabilities as of December 31, 2022 and 2021 is presented below:

	Balance at December 31, 2021	Income (expense) in net income	Unrealized income (expense) in OCI	Disconti- nued operatio n in income	Disconti- nued operation in OCI	Deconso- lidation BAC	Reclassifi- cations and exchange difference	Balance at December 31, 2022
Deferred tax assets								
Valuation of debt securities investments	\$ 212,993	7,026	217,007	6,567	0	(11,400)	(1,905)	430,288
Unrealized loss in derivatives	664,064	0	0	0	0	0	(664,064)	0
Higher value of the accounting impairment for loan portfolio compared to the tax impairment	463,159	1,662	0	2,425	0	(284,321)	20,969	203,894
Other accounts receivable impairment	280	28	0	0	0	0	0	308
Higher value of the accounting impairment for foreclosures compared to the tax impairment	20,693	(170)	0	556	0	(13,173)	455	8,361
Higher value of the accounting cost of property, plant and equipment	0	0	0	0	0	(1,544)	1,544	0
Higher value of the accounting depreciation of property, plant and equipment compared to the tax depreciation	233	34	0	0	0	0	0	267
Higher tax value of deferred charges - intangible assets	330	416	0	0	0	0	0	746
Tax credits to be amortized	13,434	(1,316)	0	0	0	0	56	12,174
Other expenses provisions	37,068	3,359	0	(1,779)	0	(28,108)	(1,863)	8,677
Employee benefits	41,126	(776)	(6,756)	(1,736)	0	(19,848)	(1,459)	10,551

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	Balance at December 31, 2021	Income (expense) in net income	Unrealized income (expense) in OCI	Disconti- - nued operatio n in income	Disconti- - nued operation in OCI	Deconso- - lida- tion BAC	Reclassifi- - cations and exchange difference	Balance at December 31, 2022
Tax discounts	180	16,300	0	0	0	0	0	16,480
Financial lease contracts (IFRS 16)	358,684	31,405	0	(2,301)	0	(151,767)	(8,291)	227,730
Exchange difference on foreign currency bonds	720,109	341,037	(570,328)	0	930,722	0	0	1,421,540
Unrealized exchange difference of financial obligations	83,073	282,492	0	0	0	0	0	365,565
Other items	3,066	2,595	0	0	0	0	0	5,661
Subtotal	2,618,492	684,092	(360,077)	3,732	930,722	(510,161)	(654,558)	2,712,242
Deferred tax liabilities								
Valuation of debt securities investments	71,292	0	0	7,060	(23,750)	(55,581)	979	0
Valuation of equity securities investments	31,243	12,862	11,546	0	0	0	0	55,651
Unrealized loss in derivatives	0	839,855	818,130	0	(803,802)	0	(663,621)	190,562
Higher value of the tax impairment for loan portfolio compared to the accounting impairment	300,208	61,369	0	7,772	0	(112,666)	5,873	262,556
Higher accounting value of the cost for foreclosures	50,422	13,681	0	0	0	0	0	64,103
Higher value of the tax impairment compared to the accounting for foreclosures	16,521	0	0	(2,619)	0	(12,818)	(1,084)	0
Higher value of the accounting cost of property, plant and equipment	110,093	(1,170)	0	(1,942)	0	(60,039)	(1,306)	45,636
Investment property	607	(26)	0	0	0	0	73	654
Higher accounting value for deferred charges and intangible assets	68,689	9,507	0	3	0	(315)	3,620	81,504
Retained profits of subsidiaries	154,683	(10)	0	(5,910)	0	(135,877)	(8,037)	4,849
Non-deductible passive provisions	13,305	725	0	(1,231)	1	(11,252)	730	2,278
Employee benefits	40,440	39	331	1,578	108	(39,684)	(2,466)	346
Goodwill	194,623	0	0	0	0	0	0	194,623
Exchange difference on branches abroad	23,271	0	24,593	0	0	0	(444)	47,420
Right of use IFRS 16	328,747	4,292	0	(1,586)	0	(133,232)	(7,656)	190,565
Other items	4,443	2,906	0	3,678	0	0	(3,677)	7,350
Subtotal	1,408,587	944,030	854,600	6,803	(827,443)	(561,464)	(677,016)	1,148,097
Total continuing operations	\$ 1,209,905	(259,938)	(1,214,677)	(3,071)	1,758,165	51,303	22,458	1,564,145

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	Balance at December 31, 2020	Income (expense) in net income	Unrealized income (expense) in OCI	Disconti- nued operation in OCI	Disconti- nued operation in income	Deconso- lidation Porvenir	Reclassifi- cations and exchange difference	Balance at December 31, 2021
Deferred tax assets								
Valuation of debt securities investments	\$ 25,833	3,444	207,029	0	(8,627)	(395)	(14,291)	212,993
Unrealized loss in derivatives	538,245	(134,602)	275,834	0	(18,862)	0	3,449	664,064
Higher tax value of loan portfolio	2,438	0	0	0	0	0	(2,438)	0
Higher value of the accounting impairment for loan portfolio compared to the tax impairment	346,127	80,070	0	0	(22,037)	0	58,999	463,159
Other accounts receivable impairment	1,229	(948)	0	0	0	0	(1)	280
Higher value of the accounting impairment for foreclosures compared to the tax impairment	10,169	(1,607)	0	0	9,976	0	2,155	20,693
Higher value of the accounting cost of property, plant and equipment	5	(5)	0	0	0	0	0	0
Higher value of the accounting depreciation of property, plant and equipment compared to the tax depreciation	171	62	0	0	0	0	0	233
Higher tax value of deferred charges - intangible assets	1,280	(312)	0	0	(336)	(302)	0	330
Tax credits to be amortized	14,205	(2,809)	0	0	(52)	0	2,090	13,434
Other expenses provisions	98,988	(1,216)	0	0	17,401	(82,453)	4,348	37,068
Employee benefits	40,117	1,399	(5,764)	0	2,512	(110)	2,972	41,126
Tax discounts	5,719	(5,539)	0	0	0	0	0	180
Financial lease contracts (IFRS 16)	373,899	25,454	0	0	(58,762)	(9,587)	27,680	358,684
Exchange difference on bonds in foreign currency	267,668	29,792	422,649	0	0	0	0	720,109
Unrealized exchange difference of financial obligations	0	122,646	0	0	10,444	(10,444)	(39,573)	83,073
Other items	7,284	(2,139)	0	0	(5,558)	0	3,479	3,066
Subtotal	1,733,377	113,690	899,748	0	(73,901)	(103,291)	48,869	2,618,492
Deferred tax liabilities								
Valuation of debt securities investments	65,523	(1,355)	0	41,075	(11,066)	(2,623)	(20,262)	71,292
Valuation of equity securities investments	40,318	(14,634)	5,675	0	(127)	0	11	31,243
Unrealized gain on derivatives	0	0	0	0	2,848	(2,848)	0	0

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Higher value of the tax impairment for loan portfolio compared to the accounting impairment	132,568	187,603	0	0	(39,495)	0	19,532	300,208
Higher accounting value of the cost for foreclosures	46,910	3,512	0	0	0	0	0	50,422
Higher value of the tax impairment compared to the accounting for foreclosures	10,387	0	0	0	4,206	0	1,928	16,521
Higher value of the accounting cost of property, plant and equipment	101,489	85	0	0	(1,287)	0	9,806	110,093
Higher value of the tax depreciation of property, plant and equipment compared to the accounting depreciation	8,900	0	0	0	(95)	(8,806)	1	0
Investment property	9,085	73	0	0	26	(8,654)	77	607
Higher accounting value for deferred charges and intangible assets	55,559	7,854	0	0	1,689	0	3,587	68,689
Retained profits of subsidiaries	102,947	2,840	0	0	30,340	0	18,556	154,683
Non-deductible passive provisions	17,027	0	0	0	(6,059)	0	2,337	13,305
Employee benefits	30,052	0	(54)	(3,961)	9,144	0	5,259	40,440
Goodwill	242,471	55,932	0	0	0	(103,780)	0	194,623
Exchange difference on branches abroad	4,877	0	14,946	0	0	0	3,448	23,271
Right of use IFRS 16	348,409	19,517	0	0	(55,562)	(8,828)	25,211	328,747
Unrealized exchange difference for financial obligations	40,699	0	0	0	2,623	(3,748)	(39,574)	0
Other items	4,301	142	0	0	0	0	0	4,443
Subtotal	1,261,522	261,569	20,567	37,114	(62,815)	(139,287)	29,917	1,408,587
Total continuing operations	\$ 471,855	(147,879)	879,181	(37,114)	(11,086)	35,996	18,952	1,209,905

Bank and its subsidiaries offset for deferred tax assets and liabilities per entity or tax subject, considering application of tax the provisions valid in Colombia and in other countries where the subsidiaries operate, considering the legal right to offset assets and liabilities for current taxes and other requirements established in paragraph 74 of IAS 12, as notes below:

	December 31, 2022		
	Gross amounts Deferred Tax	Offset Reclassifications	Balance in statement of financial position
Deferred tax assets	\$ 2,712,242	(1,071,775)	1,640,467
Deferred tax liabilities	1,148,097	(1,071,775)	76,322
Net	\$ 1,564,145	0	1,564,145

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	Gross amounts Deferred Tax	Offset Reclassifications	Balance in statement of financial position
Deferred tax assets	\$ 2,618,492	(1,025,033)	1,593,459
Deferred tax liabilities	1,408,587	(1,025,033)	383,554
Net	\$ 1,209,905	0	1,209,905

20.5 EFFECT OF CURRENT AND DEFERRED TAXES ON EACH COMPONENT OF OTHER COMPREHENSIVE INCOME IN EQUITY

The effects in 2022 and 2021 of current and deferred taxes on each component of other comprehensive income are detailed below:

	December 31, 2022				December 31, 2021		
	Amount before tax	Current Tax	Deferred tax	Net	Amount before tax	Deferred tax	Net
Items that can be reclassified later to net income for the period							
Cash flow hedging	\$ 0	0	0	0	(4,303)	0	(4,303)
Exchange difference on derivatives in foreign currency	38,289	0	(14,328)	23,961	(403,983)	275,834	(128,149)
Exchange difference on bonds in foreign currency	(908,740)	0	360,394	(548,346)	(1,049,016)	422,649	(626,367)
Exchange difference of foreign subsidiaries	588,237	0	0	588,237	2,421,868	0	2,421,868
Unrealized gain / loss on measurement of financial assets at fair value	(1,167,247)	0	238,701	(928,546)	(325,758)	117,407	(208,351)
Loss realized in income from measurement of debt instruments at fair value	(483)	0	0	(483)	(264,379)	0	(264,379)
Share in other comprehensive income of associates	(157,473)	0	0	(157,473)	(126,395)	0	(126,395)
Exchange difference on foreign branches	9,465	0	(24,579)	(15,114)	(139,673)	(14,946)	(154,619)
Impairment of debt instruments measured at fair value.	(8,294)	0	2,054	(6,240)	25,527	(6,341)	19,186
Realization of income tax	0	0	0	0	0	57,557	57,557
Realization of OCI due to loss of control of subsidiaries	1,151,565	(1,038,518)	(1,677,004)	(1,563,957)	(1,059)	0	(1,059)
Subtotals	(454,681)	(1,038,518)	(1,114,762)	(2,607,961)	132,829	852,160	984,989
Items that will not be reclassified to net income for the period							
Changes in actuarial assumptions from defined benefit plans	20,191	0	(7,100)	13,091	6,094	(1,749)	4,345
Unrealized gain on measurement of equity instruments at fair value	30,336	0	(11,546)	18,790	52,061	(5,396)	46,665
Share in other comprehensive income of associates	(55,408)	0	0	(55,408)	16,929	0	16,929
Realization of OCI due to loss of control of subsidiaries	0	0	0	0	(5,667)	567	(5,100)
Realization of OCI due to loss of	15,799	0	(8,064)	7,735	0	0	0

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control of subsidiaries

Subtotals	10,918	0	(26,710)	(15,792)	69,417	(6,578)	62,839
Total other comprehensive income during the period	\$ (443,763)	(1,038,518)	(1,141,472)	(2,623,753)	202,246	845,582	1,047,828

20.6 PROVISION FOR TAX POSITION:

At December 31, 2022 and 2021, the provisions for tax positions came to \$1,411 and \$40,307 respectively:

	December 31, 2022	December 31, 2021
Balance at beginning	\$ 40,307	104,089
Amount of unused provisions	0	(75,104)
Financial cost	0	3,466
Effect of the conversion	0	7,856
Deconsolidation BHIC-Bdb	(38,896)	0
Balance at end of period	\$ 1,411	40,307

The balance as of December 31, 2021, and 2020 is expected to be completely used or released once the inspection rights from the tax authorities regarding tax returns expire, as follows:

Year	December 31, 2022	December 31, 2021
2022	0	35,923
2023	1,411	4,384
Total	\$ 1,411	40,307

As of January 1, 2020, and by Decree 2270/2019, the interpretation of IFRIC 23 - Uncertainty regarding income tax treatments was adopted for purposes of the local financial statements Group I, which clarifies when the criteria are applied of recognition and measurement of IAS 12 - Income tax, in the event that there is uncertainty about tax treatments in income tax.

The Bank and subsidiaries have been applying in anticipation IFRIC 23 on uncertainties regarding positions taken for income tax purposes, which may not be accepted by the tax authority in the event of a review.

No additional taxes are expected to be levied as a result of possible visits by tax authorities or uncertainties related to tax positions applied by the Bank and its subsidiaries.

20.7 REALIZATION OF DEFERRED TAX ASSETS

In future periods, it is expected to continue to generate taxable net income against which to recover the amounts recognized for deferred tax assets generated in the Bank and subsidiaries.

Estimates of future financial results and tax projections are the basis for determining the recovery of deferred tax assets, mainly from exchange differences on foreign currency bonds, valuation of fixed income investments and unrealized exchange differences on financial obligations, whose positive trend is expected to continue.

20.8 TRANSFER PRICES

Pursuant to the provisions of Laws 788/2002, 863/2003, 1607/2012 and 1819/2016, regulated by Decree 2120/2017, the Bank and its subsidiaries prepared a study on transfer prices on transactions made with foreign economic related parties during the taxable year 2021. The study did not result in adjustments affecting the income, costs and tax expenses of the Bank's companies and its subsidiaries.

Although the transfer pricing study for the year 2022 is in the process of preparation, no significant changes are anticipated in relation to the previous year's study.

20.9 TAX REFORM FOR EQUALITY AND SOCIAL JUSTICE

A tax reform was adopted by means of Law 2277 of December 13, 2022, which introduces some modifications in income tax matters, which are presented below:

- The general income tax rate is maintained at 35% for domestic companies and their assimilated companies, permanent establishments of foreign entities and foreign legal entities with or without residence in the country required to file annual income tax returns.
- For financial institutions, insurance companies, reinsurance companies, stock brokerage companies, agricultural brokerage companies, agricultural, agro-industrial or other commodities exchanges and stock market infrastructure providers, a surtax of 5 additional points on the general income tax rate is established for taxable periods 2023 to 2027, for a total rate of 40% if they have a taxable income equal to or higher than 120,000 Tax Value Units (UVT- Spanish acronym) (\$5,089 for year 2023). The surcharge will be subject to a 100% advance payment.
- A minimum tax is established for residents in Colombia, setting an additional tax in the event that the adjusted income tax is less than 15% of the pre-tax accounting profit with certain adjustments. Thus, taxpayers must: (i) Determine the adjusted tax for the Colombian taxpayer, or the adjusted tax for the group in case of being part of a corporate group, (ii) Determine the adjusted profit for the Colombian taxpayer or for the group in case of being part of a corporate group, and (iii) Determine the adjusted tax rate for the Colombian taxpayer or for the corporate group in case of being part of a corporate group. If the effective rate (adjusted tax/adjusted profit) is less than 15%, the tax to be added for the taxpayer or for the group in the case of being part of a corporate group must be calculated.
- Economic and Social Zones (ZESE Spanish acronym) are exempted from this rule during the period that their income tax rate is zero (0%), taxpayers whose adjusted profit is equal to or less than zero, those who are subject to the provisions of Art 32 of the Tax Code (Concessions), state-owned industrial and business enterprises or mixed economy companies that hold monopolies of luck, chance and liquor; hotels and theme parks provided they are not required to submit a country-by-country report.
- The amount of the sum of certain income not constituting income, special deductions, exempt income and tax discounts is limited to 3% per year of the ordinary net income.
- Article 158-1 is repealed, eliminating the possibility of deducting costs and expenses associated with investments in Science and Technology, i.e., these investments will only be eligible for a tax discount. The possibility of taking a 30% tax discount on investments in Science, Technology and Innovation (CTel- Spanish acronym) that have been approved by the National Council of Tax Benefits (CNBT- Spanish acronym) is maintained; the previous regulation established a 25% discount.

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- The possibility of taking 50% of the industry and commerce tax (ICA- Spanish acronym) tax effectively paid before filing the tax return as a tax discount is eliminated. One hundred percent of the amount accrued and paid prior to the filing of the income tax return will be deductible.
- One hundred percent of the taxes, levies and contributions effectively paid in the taxable year, which have a causal relationship with the generation of income (except income tax), will continue to be deductible; fifty percent of the tax on financial transactions (GMF) will be deductible, regardless of whether or not it has a causal relationship with the income-generating activity.
- Payments for memberships to social clubs, labor expenses for housing support of personnel or other activities unrelated to the income-generating activity, personal expenses of members, participants, shareholders, clients and/or their relatives, all of which will be considered income in kind for their beneficiaries, will not be deductible.
- It is established that non-deductible amounts for rulings arising from administrative, judicial or arbitration proceedings correspond to punitive, sanctioning or compensatory amounts (paragraph 3 of article 105 of the Tax Code).
- The occasional profit tax rate is established at 15%.
- A withholding tax rate of 10% is established for dividends received by domestic companies that do not constitute income or occasional profit (formerly 7.5%), which will be transferable to the resident natural person or foreign investor. The exceptions established in the regulations in force are maintained. Dividends and interests received by permanent establishments of national foreign companies that do not constitute income or occasional profit will be taxed at the special rate of 20%.
- It was provided that the tax on taxable dividends will be determined: (i) by applying the income rate for the year in which they are declared (35%) and (ii) on the remainder, the rate corresponding to the non-taxed dividend will be applied, depending on the beneficiary (if the beneficiary is a resident natural person or an unliquidated estate of a deceased resident, the table of article 241 of the Tax Code will apply).
- Dividends declared and charged to profits of 2016 and prior years will retain the treatment in effect at that time, and those corresponding to profits obtained as of 2017 declared as of 2023 will be governed by the rates set forth in Law 2277 of December 2022.

NOTE 21 – CUSTOMER DEPOSITS

Following is a breakdown of the deposits:

	December 31, 2022	December 31, 2021
Checking accounts	\$ 16,280,516	49,057,254
Savings accounts	32,316,968	51,086,471
Time certificates of deposit	39,006,600	63,145,593
Others	423,389	444,256
	\$ 88,027,473	163,733,574

The following is the detail of customer deposits in U.S. dollars or their equivalent in U.S. dollars:

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USD million		December 31, 2022	December 31, 2021
Checking accounts	US	1,149	9,514
Savings accounts		659	5,502
Time certificates of deposit		3,667	12,375
Others		74	100
Total	US	5,549	27,491

Customer deposits showed a net decrease at December 31, 2022 compared to December 31, 2021 of \$75,706,101, mainly due to the deconsolidation of BAC Holding International (BHI), as follows: Checking accounts \$32,536,858, savings accounts \$19,319,453, term certificates of deposit of \$31,682,733 and other deposits \$239,917; additional an increase due to exchange difference of \$5,959,098 and a net movement in subsidiaries of \$2,113,762.

The increase in accrued interest expense as of December 2022 with respect to December 2021 is mainly due to the following:

- Savings accounts for \$1,005,934 generated by the increase in interest rates and financial yields generated by automatic processes.
- Term certificates of deposit for \$978,577 due to increase in deposits and interest rates.
- Checking Accounts for \$91,125 due to increase in the rate of ML operations.

21.1. CUSTOMER DEPOSITS - INTEREST RATES

Effective annual interest rates on customer deposits are shown below:

	December 31, 2022				December 31, 2021			
	Colombian pesos		Foreign currency		Colombian pesos		Foreign currency	
	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Checking accounts	0.01%	0.13%	0.02%	4.40%	0.10%	3.69%	0.01%	5.50%
Savings accounts	0.10%	14.93%	0.01%	4.00%	0.50%	6.03%	0.01%	8.00%
Time certificates of deposit	0.10%	19.54%	0.15%	7.27%	0.05%	10.15%	0.01%	10.35%

21.2. DEPOSITS BY ECONOMIC SECTOR AND GEOGRAPHIC AREA

The following is a breakdown of the concentration of customer deposits, by economic sector:

		December 31, 2022		December 31, 2021	
		Amount	%	Amount	%
Individuals	\$	15,397,112	17.49%	31,889,259	19.48%
Financial		14,656,652	16.65%	21,959,705	13.41%
Services		12,896,510	14.65%	24,339,182	14.87%
Colombian government or Colombian government entities		8,036,962	9.13%	9,509,653	5.81%
Insurance		7,631,719	8.67%	6,207,713	3.79%
Commerce		4,461,906	5.07%	31,381,927	19.17%
Manufacturing		2,998,395	3.41%	5,105,596	3.12%
Real estate		2,458,225	2.79%	3,819,558	2.33%

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	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Agriculture and livestock	2,052,336	2.33%	2,476,976	1.51%
Transport	1,723,069	1.96%	2,035,339	1.24%
Mining and quarrying	1,700,628	1.93%	2,412,425	1.47%
Public utilities	1,587,051	1.80%	1,310,462	0.80%
Education	1,118,900	1.27%	1,315,890	0.80%
Arts, entertainment and recreation	1,035,984	1.18%	732,304	0.45%
Telecommunications	680,053	0.77%	1,705,897	1.04%
Foreign governments	421,007	0.48%	925,559	0.57%
Religious organizations	229,917	0.26%	465,766	0.28%
Tourism	102,704	0.12%	558,694	0.34%
Others	8,838,343	10.04%	15,581,669	9.52%
Total	\$ 88,027,473	100.00%	163,733,574	100.00%

The following is the detail of deposits by country:

	December 31, 2022				
	Checking accounts	Savings accounts	Time certificates of deposit	Others	Total
Colombia	\$ 9,174,925	29,146,156	20,039,533	414,056	58,774,670
Panamá	2,370,092	2,901,124	16,060,479	9,333	21,341,028
Miami	4,035,879	43,839	959,553	0	5,039,271
New York	699,620	225,849	1,947,035	0	2,872,504
Total	\$ 16,280,516	32,316,968	39,006,600	423,389	88,027,473

	December 31, 2021				
	Checking accounts	Savings accounts	Time certificates of deposit	Others	Total
Colombia	\$ 10,214,679	29,181,825	11,254,115	86,903	50,737,522
Nicaragua	2,094,515	2,239,915	681,854	7,744	5,024,028
Guatemala	7,331,098	2,530,250	6,612,570	661	16,474,579
Honduras	4,538,206	5,604,448	2,772,148	48,595	12,963,397
El salvador	4,118,017	2,300,789	0	32,722	6,451,528
Costa Rica	9,953,266	5,008,991	6,427,358	182,219	21,571,834
Panamá	7,474,954	4,108,443	30,240,246	84,547	41,908,190
Miami	2,809,403	24,887	1,204,130	865	4,039,285
New York	523,116	86,923	2,800,992	0	3,411,031
Otros países (1)	0	0	1,152,180	0	1,152,180
Total	\$ 49,057,254	51,086,471	63,145,593	444,256	163,733,574

(1) Corresponds to the Bahamas, Cayman Islands and Bahamas.

21.3.MATURITIES OF TIME CERTIFICATES OF DEPOSIT

The following is a breakdown:

	December 31, 2022	December 31, 2021
2022	\$ 0	44,011,782
2023	31,381,671	8,405,333
2024	4,896,068	3,850,525

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	December 31, 2022	December 31, 2021
2025	1,616,362	2,766,345
2026 and following	1,112,499	4,111,608
Total	\$ 39,006,600	63,145,593

NOTE 22 – FINANCIAL OBLIGATIONS

Following is a breakdown of the financial obligations:

	December 31, 2022	December 31, 2021
Borrowings from banks and others	\$ 14,996,950	18,267,274
Bonds issued	11,288,150	14,126,058
Development entities	2,299,461	1,786,878
Interbank borrowings and overnight funds	1,096,238	1,682,956
Lease contracts	646,962	1,220,884
Total	\$ 30,327,761	37,084,050

The following is a detail of the financial obligations in dollars or their equivalent in dollars:

USD million	December 31, 2022	December 31, 2021
Borrowings from banks and others	US 3,118	4,588
Bonds issued	2,158	3,321
Interbank borrowings and overnight funds	195	125
Lease contracts	14	174
Development entities	0	2
Total	US 5,485	8,211

The net decrease at December 31, 2022 in financial liabilities of \$6,756,289 from December 31, 2021 is mainly due to the deconsolidation of BAC Holding International (BHI) as follows: Borrowings from banks and other \$7,462,253, bonds issued \$2,615,732, lease contracts \$578,710 and interbank borrowings and overnight funds \$281,892 for a net of \$10,938,587. Additionally, there was an increase of \$3,631,547 due to variation in the exchange rate with impact on results and \$908,740 due to variation in the exchange rate with impact on the OCI of the bonds that fulfill the hedging function. On the other hand, there is a decrease in interbank and overnight funds (See Note 22.1) and a representative impact on borrowings from banks and other (See Note 22.2).

22.1 INTERBANK BORROWINGS AND OVERNIGHT FUNDS

	December 31, 2022	December 31, 2021	Interest rate December 31, 2022
In Colombian pesos			
Simultaneous operations	\$ 114,753	1,072,413	0.00% to 12.00%
Commitments originated in short positions	40,305	29,405	11.95%
Corresponding Banks	966	2,500	0.00%
Interbank funds purchased	0	80,013	2.91%
	156,024	1,184,331	
In Foreign currency			
Transfer commitments in repo operations	552,844	259,315	2.00% to 5.52%
Interbank funds purchased	380,171	239,310	4.45% to 4.75%
Corresponding Banks	7,199	0	0.00%
	940,214	498,625	
Total	\$ 1,096,238	1,682,956	

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In addition to the decrease due to the deconsolidation of (BHI) for \$281,892, there was a decrease of \$223,249, mainly due to repo and simultaneous operations due to the reduced need to borrow resources in the money market to meet liquidity requirements.

The following shows the contractual maturities of interbank borrowing and overnight funds:

		December 31, 2022	December 31, 2021
	2022	\$ 0	1,655,476
	2023	1,096,238	27,480
	Total	\$ 1,096,238	1,682,956

22.2 BORROWINGS FROM BANKS AND OTHERS

The following is a breakdown:

	December 31, 2022	December 31, 2021	Interest rate December 31, 2022
In Colombian pesos			
Borrowings	\$ 0	1,102	IBR + 1.78% a 2.00%
	0	1,102	
In Foreign currency			
Borrowings	9,981,117	14,180,577	1.47 % a 7.15% SOFR 1 + 5.18% SOFR 3 + 1.80 to 6.39% SOFR 6 + 0.99% to 7.10% SOFR 12 + 0.45% to 6.04% SOFR-OTROS + 3.92 to 5.72 LIBOR 6 + 1.00% to 3.75%
Acceptances	3,759,550	1,821,049	0.00% to 6.99%
Letter of credit	1,256,283	1,307,944	0.00% to 6.67%
Corporación Andina de Fomento	0	627,600	LIBOR 1 + 0.75% LIBOR 3 + 0.71% to 0.75% LIBOR 6 + 0.76% to 0.93% LIBOR OTROS + 0.89%
Overdrafts in bank checking account	0	30,292	0.00%
Others financial obligations	0	298,710	1.85%
	14,996,950	18,266,172	
Total	\$ 14,996,950	18,267,274	

In addition to the decrease due to deconsolidation of (BHI) for \$7,462,253, during 2022 new loans were contracted for \$17,720,774 and cancellations for \$14,336,063 for a net increase of \$3,384,711, with impact on the following entities: (Wells Fargo Bank Miami Branch, Bank of America - New York Branch, EFG Bank and JP Morgan Bank New York Branch) and impact on structured financing transactions, mainly acceptances with the following entities: (Cobank, Sumitomo Mitsui Banking Corporation, Citibank, N. A. - New York Branch) and a decrease due to cancellations of obligations with the foreign financial institution Corporación Andina De Fomento for \$627,600.

The following shows the contractual maturities of borrowings from bank and others:

	December 31, 2022	December 31, 2021
2022	\$ 0	12,400,197
2023	12,992,903	1,073,513
2024	361,218	872,271

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	December 31, 2022	December 31, 2021
2025	1,242,466	1,239,820
2026 and following	400,363	2,681,473
Total	\$ 14,996,950	18,267,274

22.3 BONDS ISSUED

The Bank is authorized by the Financial Superintendence of Colombia and foreign entities by the corresponding regulatory entities of the countries where it operates, to issue or place bonds or general guarantee bonds. All bond issues by the Bank and its subsidiaries have been issued without guarantees and exclusively represent the obligations of each of the issuers.

The Bank and its subsidiaries are complying with the related covenants agreed with investors.

The following is a breakdown:

	Date		December 31,	December 31,	Interest rate
	Issue	Expiration	2022	2021	December 31, 2022
In Colombian pesos					
Ordinary bonds	2020	2023	\$ 114,252	114,033	IBR + 1.14%
Ordinary bonds	2020	2025	186,086	186,059	4.75%
Ordinary bonds	2021	2024	210,934	210,890	3.40%
Ordinary bonds	2021	2026	396,804	392,869	IPC + 1.16%
			908,076	903,851	
In Foreign currency					
Ordinary bonds (1)	2017 to 2018	2022 to 2027	2,287,250	3,765,982	4.38%
Ordinary bonds	2019 to 2020	2022 to 2025	56,889	575,103	4.13% to 5.00%
Ordinary bonds	2021 to 2022	2022 to 2026	140,482	385,815	2.00% to 5.00%
Subordinated bonds	2013	2023	2,451,304	2,027,716	5.38%
Subordinated bonds (2) y (3)	2016	2026	5,310,311	4,389,597	6.25%
Subordinated bonds	2022	2032	133,838	0	7.25%
Bonds optionally convertible into shares (4)	2020	2025	0	2,077,994	10.00%
			10,380,074	13,222,207	
Total			\$ 11,288,150	14,126,058	

(1) Investment securities that are part of the Bond repurchase process (See Note 2.2).

(2) Securities issued tranche I ME 2016 of which are designated as hedging instruments for the investment in Multi Financial Holding for \$1,875,978, amount in US\$390 (see Note 10.5).

(3) Securities issued in I ME 2016 tranche of which are designated as hedging instruments for the investment in foreign agencies and Banco de Bogotá Panama for \$577,224, amount in US\$120 (see Note 10.5).

(4) Corresponds to the issuance of BHI bonds which have the option to be converted into shares, its holder Grupo Aval Limited.

The following is the detail of the maturities of bonds due in circulation:

	December 31, 2022	December 31, 2021
2022	\$ 0	1,767,989
2023	2,722,613	2,391,106
2024	233,850	484,893
2025	218,564	2,300,586
2026 and following	8,113,123	7,181,484
Total	\$ 11,288,150	14,126,058

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22.4 DEVELOPMENT ENTITIES

The Colombian government has created a number of lending programs to develop specific sectors of the economy, including foreign trade, agriculture, tourism, home construction and other industries. These programs are managed by a variety of government agencies, such as Banco de Comercio Exterior (“BANCOLDEX-Spanish acronym”), Fondo para el Financiamiento Del Sector Agropecuario (“FINAGRO-Spanish acronym”) and Financiera de Desarrollo Territorial (“FINDETER-Spanish acronym”).

The following is a breakdown:

	December 31, 2022	December 31, 2021	Interest rate December 31, 2022
In Colombian pesos			
FINDETER	\$ 1,145,924	1,088,441	DTF + (4.00) to 4.80% IBR + (2.80%) to 6.60% IPC + (1.00%) to 5.00%
BANCOLDEX	756,907	418,756	DTF + (2.00%) to 7.00% IBR + (1.80%) to 7.10%
FINAGRO	396,179	272,980	DTF + (3.50%) to 2.50% IBR + (3.50%) to 2.60%
	2,299,010	1,780,177	
In Foreign currency			
BANCOLDEX	451	6,701	LIBOR 6 + 2.95% to 3.20%
	451	6,701	
Total	\$ 2,299,461	1,786,878	

The following is a breakdown of the maturities development entities:

	December 31, 2022	December 31, 2021
2022	\$ 0	509,704
2023	746,525	397,175
2024	552,797	301,472
2025	390,046	198,948
2026 and following	610,093	379,579
Total	\$ 2,299,461	1,786,878

22.5 LEASE CONTRACTS

The following is a breakdown:

	December 31, 2022	December 31, 2021	Interest rate December 31, 2022
Colombian pesos			
Lease liabilities	\$ 579,649	527,119	1.36% to 14.85%
	579,649	527,119	
Foreign currency			
Lease liabilities	67,313	693,765	3.64% to 5.22%
	67,313	693,765	
Total	\$ 646,962	1,220,884	

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The following is a breakdown of the maturities from lease contracts:

	December 31, 2022	December 31, 2021
2022	\$ 0	500,687
2023	207,837	231,255
2024	82,832	139,840
2025	65,800	108,918
2026 and following	290,493	240,184
Total	\$ 646,962	1,220,884

The following is an analysis of the variation corresponding to interest expense generated during the years ended December 31, 2022, and 2021 for the concepts that compose the financial obligations a net variation for \$399,947 is mainly due to:

- Borrowings from banks and others for \$138,783 interest caused mainly by financing operations with foreign banks and new obligations,
- Interbank borrowings and overnight funds for \$105,904 greater impact on structured funding operations, on the other hand it is related to the behavior in the average interest rate of simultaneous operations, repos and interbank,
- Development entities for \$90,091, and
- Increase in bonds issued for \$68,909 increase due to effect in the market representative rate and causation of Interest on subordinated bonds and ordinary bonds.

22.6 ANALISYS OF CHANGES IN FINANCING DURING THE PERIOD

The following is a reconciliation of the movements in liabilities to cash flows arising from financing activities:

	Dividends payable	Bonds issued	Credit from banks and rediscount entities	Lease contracts	Total
Balances at December 31, 2021	\$ 306,165	14,126,058	20,054,152	1,220,884	35,707,259
Cash flows from financing activities					
Dividends paid controlling interest	(189,455)	0	0	0	(189,455)
Dividends paid non-controlling interest	(126,453)	0	0	0	(126,453)
Issuance of bonds	0	200,325	0	0	200,325
Payment of Issuance of bonds issued	0	(2,273,857)	0	0	(2,273,857)
Acquisition of financial obligations	0	0	17,720,774	0	17,720,774
Payment of financial obligations	0	0	(14,336,063)	0	(14,336,063)
Payment of principal on lease contracts	0	0	0	(85,674)	(85,674)
Net cash used in continuing financing activities	(315,908)	(2,073,532)	3,384,711	(85,674)	909,597
Accrued interest	0	633,881	375,593	30,535	1,040,009
Interest paid	0	(634,732)	(568,291)	(27,231)	(1,230,254)
Exchange difference on foreign currency bonds (OCI)	0	908,740	0	0	908,740
Dividends declared at non-controlling interest (See ECP)	43,255	0	0	0	43,255
Exchange difference expense	0	1,160,952	2,523,742	12,681	3,697,375
Discontinued operation	0	61,195	63,546	3,075	127,816

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	Dividends payable	Bonds issued	Credit from banks and rediscount entities	Lease contracts	Total
Deconsolidation of entity	(587)	(2,894,412)	(8,537,042)	(628,833)	(12,060,874)
Other Changes	(662)	0	0	121,525	120,863
Total liabilities related to other changes	42,006	(764,376)	(6,142,452)	(488,248)	(7,353,070)
Balances at December 31, 2022	\$ 32,263	11,288,150	17,296,411	646,962	29,263,786

	Dividends payable	Bonds issued	Credit from banks and rediscount entities	Lease contracts	Total
Balances at December 31, 2020	\$ 385,463	12,173,063	15,606,830	1,370,792	29,536,148
Cash flows from financing activities					
Dividends paid controlling interest	(782,863)	0	0	0	(782,863)
Dividends paid non-controlling interest	(184,029)	0	0	0	(184,029)
Issuance of bonds	0	893,614	0	0	893,614
Payment of Issuance of bonds issued	0	(643,224)	0	0	(643,224)
Acquisition of financial obligations	0	0	14,662,624	0	14,662,624
Payment of financial obligations	0	0	(11,952,733)	0	(11,952,733)
Payment of principal on lease contracts	0	0	0	(77,609)	(77,609)
Net cash used in continuing financing activities	(966,892)	250,390	2,709,891	(77,609)	1,915,780
Accrued interest	0	564,972	146,719	34,275	745,966
Interest paid	0	(571,204)	(155,177)	(30,920)	(757,301)
Exchange difference on foreign currency bonds (OCI)	0	1,049,016	0	0	1,049,016
Dividends declared at controlling interest (See ECP)	54,433	0	0	0	54,433
Dividends declared at non-controlling interest (See ECP)	280,140	0	0	0	280,140
Exchange difference expense	(35,662)	198,008	813,329	3,668	979,343
Discontinued operation	0	(497)	79,772	(81,754)	(2,479)
Deconsolidation of entity	590,722	462,310	852,788	(6,714)	1,899,106
Other Changes	(2,039)	0	0	9,146	7,107
Total liabilities related to other changes	887,594	1,702,605	1,737,431	(72,299)	4,255,331
Balances at December 31, 2021	\$ 306,165	14,126,058	20,054,152	1,220,884	35,707,259

NOTE 23 – EMPLOYEE BENEFITS

The following is a breakdown of the provisions for employee benefits:

	December 31, 2022	December 31, 2021
Short-term benefits	\$ 129,081	269,275
Post-employment benefits	87,359	203,582
Long-term benefits	37,877	39,172
	254,317	512,029
Post-employment asset plan	(18,177)	(46,840)
Total	\$ 236,140	465,189

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The Bank and its subsidiaries are exposed to several risks (interest rate and operational risks) inherent in its employee benefit plans. It tries to minimize them by implementing policies and procedures for risk management.

23.1 POST-EMPLOYMENT BENEFITS

In Colombia, pensions for employees who retire after reaching a certain age and completing a specific period of service are assumed by public or private pension funds, based on defined contribution plans in which the company and the employee pay monthly amounts determined by law, so the employee will have a pension upon retirement. However, in the case of some employees who were hired before 1968 and have met the requirements with respect to time of service and age, their pensions are assumed directly by the Bank and its subsidiaries.

The Bank and its subsidiaries recognize an additional bonus, either discretionary or provided for in collective bargaining agreements, for employees who retire once they comply with the age and years of service required for a pension fund to grant them a retirement pension.

National entities the Bank and its subsidiaries have a group of employees with severance pay benefits that were recognized by law prior to the enactment of Law 50/ 1990. In this case, the benefit is cumulative and is paid based on the last salary earned by the employee, multiplied by the number of years of service, less any advances the employee might have received against the new benefit.

In foreign subsidiaries, corresponds mainly to the economic compensation law for voluntary renunciation of the worker in accordance with the normativity of each country.

23.2 LONG-TERM EMPLOYEE BENEFITS

The Bank and its subsidiaries grant its employees voluntary long-term seniority bonuses on each fifth anniversary of continuous employment, which are calculated in terms of days of salary (between 15 and 180 days).

The following table shows net the activity in post-employment and other long-term employee benefits:

	Post-employment benefits		Other benefits	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Balance Liabilities at the beginning of the period	\$ 203,582	211,809	39,172	43,709
Current service cost	2,721	1,305	3,441	3,854
Interest expense	6,955	8,666	2,667	2,136
Past service costs	0	0	0	369
Loss on changes in financial assumptions	(25,799)	(20,702)	(2,760)	(5,575)
Benefit payments from employer	(12,407)	(16,326)	(4,643)	(4,772)
Difference in exchange	4,080	4,271	0	0
Reclassifications	0	436	0	(213)
Discontinued Operation	6,251	(1,002)	0	(20)
Deconsolidation	(98,024)	15,125	0	(316)
Total Liabilities	87,359	203,582	37,877	39,172
Asset plan	(46,840)	(38,241)	0	0
Interest income	(427)	(430)	0	0
Return on plan assets	5,885	(1,676)	0	0
Difference in exchange	(4,064)	(2,414)	0	0

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	Post-employment benefits		Other benefits	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Reclassifications	0	(92)	0	0
Discontinued Operation	0	(797)	0	0
Deconsolidation	27,269	(3,190)	0	0
Total asset	(18,177)	(46,840)	0	0
Balance net at the end of the period	\$ 69,182	156,742	37,877	39,794

The expense for post-employment benefits and long-term benefits, is related as follows:

	Post-employment Benefits		Long-term benefits	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Defined contribution plans	\$ 76,360	71,845	9,589	9,418
Defined benefit plans	9,676	23,868	3,348	784
	\$ 86,036	95,713	12,937	10,202

23.3 SIGNIFICANT ACTUARIAL ASSUMPTIONS

The variables used to calculate the projected liability for retirement and other long-term benefits are listed below:

	Post-employment Benefits		Long Term Benefits	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Discount rate	11.98%	5.92%	13.74%	7.22%
Price Inflation rate	3.00%	2.95%	3.00%	3.00%
Salary increase rate	3.16%	2.93%	4.00%	3.00%
Pensions in payment increase rate	3.00%	3.00%	N/A	N/A

Employee turnover is calculated based on each entity's own experience. For those entities that do not yet have sufficiently long statistics to support the actuarial bases, the SoA2003 table is used as a reference. This table is used to establish the probability of personnel remaining in the entity, modified according to the population factor of each benefit.

For national subsidiaries, the expected life expectancy of employees is calculated based on mortality tables published by the Superintendencia Financiera de Colombia (RV8), which have been constructed based on the mortality experience provided by the different insurance companies operating in Colombia.

The discount rate is assigned according to the duration of the plan. Those with a longer horizon have a higher rate than short-term plans. Accordingly, for plans with longer horizons, the higher rate will be the TES curve.

23.4 SENSITIVITY ANALYSIS

The sensibility analysis for post-employment and long-term benefits liabilities to different actuarial and financial variables, maintaining other variables at constant values (increase or decrease 0.50 basis points), for the year ended at December 31, 2022 is shown below:

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	Post-employment Benefits		Long Term Benefits	
	- 0.50 basis points	+ 0.50 basis points	- 0.50 basis points	+ 0.50 basis points
Discount rate	\$ 2,093	(2,075)	629	(603)
Salary increase rate	(607)	639	(819)	851
Pensions-in-payment increase rate	(1,146)	1,099	N/A	N/A

23.5 EXPECTED CASH FLOWS FOR FOLLOWING YEAR

Anticipated future benefits, which reflect service, as appropriate, are expected to be paid as follows:

	Post-employment Benefits	Long Term Benefits
2023	\$ 18,874	9,817
2024	15,551	7,649
2025	16,166	7,378
2026	16,189	4,511
2027	16,204	4,346
Years 2028 – 2031	\$ 87,428	29,194

The number of participants used in the actuarial calculations of employee benefits is detailed below.

	Post-employment Benefits		Long Term Benefits	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Retirement bonuses	10,575	10,582	0	0
Severance	60	3,510	0	0
Indemnities	0	7,142	0	0
Pension	701	758	0	0
Seniority bonuses	1,190	3,350	0	0
Quinquennium	0	0	6,141	6,303
Seniority tickets	0	0	9,799	9,902

Compensation for key management personnel in each benefit category is described in note 35 - Related Parties.

NOTE 24 – PROVISIONS

The following table shows the provisions movement:

	Legal proceedings	Other provisions	Total
Balance at December 31, 2020	\$ 127,984	282,242	410,226
New provisions	3,381	929	4,310
Increase in existing provisions	1,650	1,812	3,462
Increase due to adjustments that arise over time	0	280	280
Used provisions	(8,796)	(2,604)	(11,400)
Reverted unused provisions	(496)	(1,535)	(2,031)
Difference in exchange	500	(68)	432
Discontinued operation	33,332	(31,596)	1,736
Deconsolidation	(139,036)	(191,162)	(330,199)
Balance at December 31, 2021	\$ 18,519	58,298	76,817

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	Legal proceedings	Other provisions	Total
New provisions	1,136	1,085	2,221
Increase in existing provisions	1,925	241	2,166
Increase due to adjustments that arise over time	0	759	759
Used provisions	(5,726)	(487)	(6,213)
Reverted unused provisions	(1,080)	(1,124)	(2,204)
Difference in exchange	303	249	552
Discontinued operation	417	210	627
Deconsolidation	(2,047)	(40,193)	(42,240)
Balance at December 31, 2022	\$ 13,447	19,038	32,485

Estimated periodicity of time to be cancelled	Legal proceedings	Other provisions	Total
Within twelve months	\$ 2,896	1,084	3,980
After twelve months	10,551	17,954	28,505
Total	\$ 13,447	19,038	32,485

The following is a description of the nature of the obligations contracted on which the most representative provisions for the Bank and its subsidiaries were estimated:

Legal provisions

Corresponds mainly to labor, civil and administrative proceedings, the most representative as of December 31, 2022, and 2021, \$10,551 and \$11,079 respectively.

Other Provisions

As of December 31, 2022, they are mainly composed of estimated provisions for dismantling costs of ATMs and leasehold improvements of \$13,452 and contingent portfolio quotas of \$3,897.

NOTE 25 – ACCOUNTS PAYABLES AND OTHER LIABILITIES

Accounts payables and other liabilities include the following:

	December 31, 2022	December 31, 2021
Electronic transactions in processes	\$ 746,633	572,710
Liabilities payable for services collections	503,933	989,179
Payments to suppliers and payments for services	352,976	777,161
Withholdings and other labor contributions	177,339	203,138
Visa smart card payments - Visa Electron	86,890	76,245
Certificates of time deposit – matured	83,011	83,688
Leasing to activate	73,229	72,922
Insurance and insurance premiums	65,012	94,881
Checks drawn but not cashed	60,988	97,031
Other taxes	58,116	69,067
Funds pending credit to customers	49,767	70,474
Collect of services and payments of credit cards to AVAL entities	44,407	70,844
Transaction with Aval entities	37,387	17,361
Security and peace bonds	35,475	35,673

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	December 31, 2022	December 31, 2021
Payable dividends and surpluses (see Note 26)	32,263	306,165
Tax on financial transactions	31,038	23,953
Cancelled accounts	16,147	23,501
Loyalty programs	13,093	208,274
Anticipated income	11,888	86,112
Lien orders	8,466	7,719
Cash surpluses - clearing	7,922	23,836
Commissions and fees	7,254	28,477
Contributions and affiliations	1,031	26,830
Affiliate establishments	494	274,028
Other accounts payable	222,973	371,458
Total	\$ 2,727,732	4,610,727

The impact on accounts payable for the loss of control of BHI was \$2,552,187.

NOTE 26 – EQUITY

26.1 CAPITAL IN SHARES

The face value of authorized ordinary, issued and outstanding common shares in the Bank was \$10 pesos each. These shares are represented as follows:

	December 31, 2022	December 31, 2021
Number of authorized ordinary shares	500,000,000	500,000,000
Number of ordinary shares subscribed and paid	355,251,068	331,280,555
Subscribed and paid-in capital	\$ 3,553	3,313

On June 28, 2022, after the corresponding authorization by the Shareholders' Meeting, 23,970,513 were issued, generating an increase in Capital Stock of \$240 million (see Note 26.3 and 26.4).

26.2 RETAINED EARNINGS

Following shows the composition of retained earnings:

	December 31, 2022	December 31, 2021
Legal Reserve		
Appropriation of net income	\$ 12,980,541	11,678,249
Statutory and occasional Reserve		
Charity and donations	400,500	332,500
At the disposal of the Board of Directors	228,596	145,721
Tax regulations	360	536
Other reserves	3,852,115	1,940,978
Spin-off transactions between stockholders (1)	(9,660,616)	0
Income from previous years	(1,039,237)	(918,591)
Income for the year	2,804,885	4,356,086
Total	\$ 9,567,144	17,535,479

1) BAC Holding International (BHI) (See Note 2.1).

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Reserve Legal

By law, all lending institutions are required to create a legal reserve by appropriating ten percent (10%) their net earnings, each year, until the reserve equals fifty percent (50.0%) of subscribed capital. This legal reserve may be reduced to less than fifty percent (50.0%) of subscribed capital to cover losses in excess of undistributed profits. However, it may not be used to pay dividends or to cover expenses or losses as long as the Bank and its subsidiaries have undistributed profits.

Statutory and occasional reserves

They are approved by the Shareholders' Meetings.

26.3 DIVIDENDS DECREED

The dividends decreed were the following:

	December 31, 2022	December 31, 2021
Dividends decreed	A dividend in shares at the rate of \$3,336.00 pesos per share on the 331,280,555 ordinary shares outstanding as of March 31, 2022, at a ratio of one share for every 13.26 ordinary shares. The unit value of the shares corresponded to the book value (intrinsic value per share) as of March 31, 2022, of \$44,232 pesos, of which \$10 pesos was recorded in the capital account and \$44,222 pesos in the additional paid-in capital account. These dividends were taken from 2021 Income and retained earnings of 2016 and prior years, eligible for distribution to shareholders as non-taxable.	A dividend at the rate of \$278.00 pesos per share per month to be paid in cash between April 2021 and March 2022, both months inclusive, the first working day of each month, to people who have the quality of shareholders at the time each payment is due. These dividends will be taken from the profits of the year 2020 and the retained earnings of the years 2016 and earlier, which may be distributed to shareholders as not taxed.
Ordinary shares outstanding	355,251,068	331,280,555
Total, dividends decreed (1)	1,105,152	1,105,152

(1) During the year 2022, the value of \$1,638 was recognized for withholding in the payment of dividends paid in shares and cash.

26.4 BASIC AND DILUTED EARNINGS PER SHARE

The following table summarizes net earnings per share:

	December 31, 2022	December 31, 2021
Net income for the period from continuing operations controlling interest	\$ 1,804,086	2,374,778
Net income for the period from discontinued operations controlling interest	1,000,799	1,981,308
Non-controlling interest	1,383	192,942
Income for the year	2,806,268	4,549,028
Weighted average common shares outstanding (1)	355,251,068	331,280,555
Basic and diluted net income per share from continuing operations	5,252	7,168
Basic and diluted net income per share from discontinued operations	2,914	5,981
Total basic income per share	\$ 8,166	13,149

(1) During the year 2022, the weighted average of outstanding shares was calculated, taking into account that on June 28, 2022, 23,970,513 shares were issued.

There are no rights or privileges over ordinary bonds outstanding.

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NOTE 27 – NON-CONTROLLING INTEREST

The following table provides details of the non-controlling interest on each of the Bank's subsidiaries:

December 31, 2022					
	Country	% Share	Share of equity	Share of profits	Dividends decreed
Almacenes Generales de Depósito Almaguiva S.A.	Colombia	4.19%	\$ 3,378	108	0
Aval Soluciones Digitales S.A.	Colombia	61.10%	8,865	(1,299)	0
Fiduciaria Bogotá S.A.	Colombia	5.01%	24,198	2,221	0
Megalinea S.A.	Colombia	5.10%	366	27	0
Others (1)	Colombia - Panamá		8,339	326	0
			\$ 45,146	1,383	0

December 31, 2021					
	Country	% Share	Share of equity	Share of profits	Dividends decreed
Almacenes Generales de Depósito Almaguiva S.A.	Colombia	4.19%	\$ 3,240	(7)	0
Aval Soluciones Digitales S.A.	Colombia	61.10%	10,164	243	0
Fiduciaria Bogotá S.A.	Colombia	5.01%	22,284	4,316	(4,156)
Megalinea S.A.	Colombia	5.10%	340	47	0
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A. (2)	Colombia	0.00%	0	187,864	(275,541)
Others (1)	Colombia - Panamá		5,876	479	(443)
			\$ 41,903	192,942	(280,140)

- (1) Pertains primarily to non-controlling interest in subsidiaries that sub consolidate, primarily Multi Financial Holding, Banco de Bogotá Panamá and for the year 2021 additional BHL.
- (2) Loss of control of the entity as of July 31, 2021, becoming an associate, corresponds to a non-controlling interest of 53.61% in income until that date.

The following table provides summarized financial information on each of the Bank's subsidiaries that had significant non-controlling interest:

December 31, 2022						
	Assets	Liabilities	Total income	Net income for the period	OCI	Cash Flows
Almacenes Generales de Depósito Almaguiva S.A.	\$ 146,684	73,411	167,238	2,591	22,096	(2,081)
Aval Soluciones Digitales S.A.	40,511	26,002	941	(2,125)	0	5,114
Fiduciaria Bogotá S.A.	527,810	44,541	184,038	44,362	29,061	3,495
Megalinea S.A.	\$ 30,647	23,465	139,478	522	196	(3,012)

December 31, 2021						
	Assets	Liabilities	Total income	Net income for the period	OCI	Cash Flows
Almacenes Generales de Depósito Almaguiva S.A.	\$ 151,788	82,113	156,233	(167)	927	771
Aval Soluciones Digitales S.A.	24,656	8,021	2,690	397	0	6,083
Fiduciaria Bogotá S.A.	566,264	121,210	237,729	86,204	(1,740)	(4,853)
Megalinea S.A.	\$ 26,346	19,686	130,902	924	0	(423)
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A.	\$ 0	0	0	579,458	0	0

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NOTE 28 OTHER COMPREHENSIVE INCOME

The following are details on the "Other Comprehensive Income" accounts included in equity:

	Balance as at December 31, 2021	Changes during the period other than loss of control	Realization for loss of control of subsidiaries (1)	Balance as at December 31, 2022
Hedge accounting				
Exchange difference of foreign subsidiaries (hedging part)	\$ 7,154,880	870,451	(7,451,654)	573,677
Exchange differences on foreign currency derivatives	(4,282,346)	38,289	4,013,210	(230,847)
Exchange difference of foreign subsidiaries (hedging part)	(2,872,534)	(908,740)	3,438,444	(342,830)
Exchange difference on translation of financial statements of foreign associate (not hedging part)	472,019	(282,214)	(22,420)	167,385
Unrealized loss on measurement of debt instruments at fair value	(320,213)	(1,178,538)	1,617	(1,497,134)
Unrealized gain on measurement of equity instruments at fair value	133,822	32,939	(2,609)	164,152
Impairment of debt instruments at fair value	114,410	(8,000)	(100,564)	5,846
Exchange difference in translation of financial statements in foreign agency and branches	(1,007,443)	17,264	1,242,349	252,170
Equity in other comprehensive income of associates	6,579	(212,573)	15,364	(190,630)
Actuarial measurements in defined benefit plans	(51,018)	20,171	33,627	2,780
Income tax	2,688,498	543,596	(2,723,586)	508,508
Controlling shareholders	\$ 2,036,654	(1,067,355)	(1,556,222)	(586,923)

(1) See Note 2.1

Total movements for the period other than loss of control (\$1,067,531) plus OCI realization for loss of control of BHI (\$1,556,222), is (\$2,623,753).

	Balance as at December 31, 2020	Changes during the period	Balance as at December 31, 2021
Hedge accounting			
Exchange difference of foreign subsidiaries (hedging part)	\$ 5,701,881	1,452,999	7,154,880
Exchange differences on foreign currency derivatives	(3,878,363)	(403,983)	(4,282,346)
Exchange difference of foreign subsidiaries (hedging part)	(1,823,518)	(1,049,016)	(2,872,534)
Exchange difference on foreign subsidiaries and associates (not hedging part)	(496,850)	968,869	472,019
Cash flow hedges	4,284	(4,284)	0
Unrealized gain on investments at fair value of debt instruments	249,822	(570,035)	(320,213)
Unrealized gain on investments at fair value of equity instruments	81,774	52,048	133,822
Impairment of debt instruments at fair value	88,438	25,972	114,410
Exchange difference of foreign agencies, branches and subsidiaries.	(868,108)	(139,335)	(1,007,443)
Revaluation of assets	2,658	(2,658)	0
Equity in other comprehensive income of associates	117,017	(110,438)	6,579
Actuarial measurements in defined benefit plans	(57,095)	6,077	(51,018)
Income tax	1,849,433	839,065	2,688,498
Controlling shareholders	\$ 971,373	1,065,281	2,036,654

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NOTE 29 – COMMISSIONS AND OTHER SERVICES EXPENSES

The following is the detail of expenses for commissions and other services for the years ended December 31, 2022, and 2021:

	December 31, 2022	December 31, 2021
Banking services	\$ 305,347	232,382
Others	95,362	68,932
Information processing service	15,926	14,302
Service of the network of office	10,085	9,064
Management and intermediary services	1,644	900
Total	\$ 428,364	325,580

NOTE 30 – OTHER INCOME

The following is the detail of other income for the years ended December 31, 2022, and 2021:

	December 31, 2022	December 31, 2021
Equity in investments using the equity method	\$ 665,319	545,238
Gain on sale of property and equipment	97,355	12,354
Written premiums	94,140	78,434
Others	48,949	83,427
Fees legal and pre - legal collection	36,375	19,217
Dividends and participations	24,801	12,892
Gain on repurchase of bonds (see note 2.6)	13,447	0
Leases	8,017	4,674
Collections and recoveries	7,539	5,017
Insurance recoveries - operating risk	4,401	312
Net gain on sale non-current assets held for sale	3,391	164
Gain on sale of investments, net	663	50,769
Net gain on asset valuation	490	6,331
Franchise incentives for debit and credit cards	209	8,909
(Loss) recovery on sale of portfolio (1)	(39,990)	541
Total	\$ 965,106	828,279

1) The variation is mainly due to the sale of the portfolio to Sigma Steel.

The following table details the difference in exchange:

	December 31, 2022	December 31, 2021
Income exchange difference	\$ 2,502,087	1,114,992
Expense exchange difference	4,009,300	1,547,249
Exchange difference expense, Net	\$ 1,507,213	432,257

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NOTE 31 – OTHER EXPENSES - ADMINISTRATIVE

The following is a breakdown of administrative expenses for the years ended December 31, 2022, and 2021:

	December 31, 2022	December 31, 2021
Taxes and rates	\$ 359,695	266,173
Insurance	260,352	170,646
Fees	188,671	185,446
Maintenance and repairs	114,601	104,454
Others	108,236	95,533
Advertising and publicity	91,647	82,607
Software development services	61,339	50,063
Public services	55,311	52,032
Contributions and affiliations	45,953	41,716
Electronic data processing	37,728	28,153
Transport	36,003	33,279
Leases	35,734	35,199
Toilet and surveillance services	33,971	33,493
Database and queries	28,642	26,870
Supplies and stationery	23,010	19,757
Temporary services	20,964	14,695
Incentive's payroll	20,482	23,140
Building administration fee	19,422	19,844
Travel expenses	12,873	6,834
Adaptation and installation	11,229	11,031
Total	\$ 1,565,863	1,300,965

NOTE 32 – COMMITMENTS AND CONTINGENCIES

32.1 COMMITMENTS TO DISBURSE FUNDS FOR CAPITAL DISBURSEMENTS

As of December 31, 2022, the Bank and its subsidiaries incurred capital expenditures of \$10,258, corresponding to contracts for the purchase of property, plant and equipment (real estate) and intangible assets (licenses).

32.2 LEASE COMMITMENTS

The Bank and its subsidiaries opted not to implement IFRS 16 requirements for short-term contracts and low-value underlying assets. Lease fees are adjusted as agreed in the lease contract and/or the legal requirements.

At December 31, 2022 and 2021, there are commitments to pay lease payments not exceeding of six months of \$1,606 and \$13,511, respectively.

As a lessee, the Bank and its subsidiaries recognize the payment of leases as an expense on a straight-line basis during the term of the contract. The lease fee recognized in the statement of income for the years ended to December 31, 2022, and 2021 \$35,734 and \$35,199, respectively.

32.3 LEGAL CONTINGENCIES

The administrative and judicial claims pending against the Bank and its subsidiaries at December 31, 2022, and 2021, amounted \$272,577 and \$278,916 respectively. These are valued based on the analysis and opinions of the lawyers in charge. Due to their nature, the contingencies have not been recognized as liabilities, because they are obligations that do not imply an outflow of resources

Following is a breakdown of the contingencies against the Bank and its subsidiaries for over \$5,000:

Popular Action - Valle del Cauca Department

Banco de Bogotá together with several banks of the financial sector were sued in a popular action alleging the alleged payment of excess interest by the Department of Valle in connection with a debt restructuring made by several banks in its favor. It is also alleged that the defendants did not recognize the real value of the shares of Sociedad Portuaria de Buenaventura and Empresa de Energía del Pacífico in a dation in payment of such shares in favor of the banks. The claims amount to \$18,000. Because the probability of loss is considered to be low, no provision has been recorded.

Incident within the Labor Process of Clínica la Asunción against Cafesalud E.P.S.

Incident of joint and several liabilities borne by the Bank for alleged breach of embargo payment orders given within the process of Clínica la Asunción and others against Cafesalud E.P.S., the claims amount to \$70,980. By means of an order of November 15, 2017, a sanction was imposed against the Bank, which is not in force for the appeals filed by the Bank of Bogotá. Given the untouchable nature of the accounts on which the precautionary measure fell and the absence of a rule that would make it possible to impose a solidary sentence on a banking establishment for the alleged breach of an attachment order, The Bank considers that the decision should be revoked.

Financial consumer protection action Alba Cecilia Londoño Gomez.

Banco de Bogotá and Fiduciaria Bogotá were sued in an action for the protection of financial consumers due to the alleged execution of a commercial offer of an investment trust between Banco de Bogotá and as trustors Luis Guillermo Sorzano Espinosa or Mrs. Alba Cecilia Londoño Gomez for \$14, in 1990. The plaintiff seeks the payment of the invested capital and the alleged profitability agreed for \$41,215. The first instance judgment was obtained in favor of the Bank, which was appealed by the plaintiff; recently the appeal was declared abandoned and the judgment became final.

Asesorías y servicios de ingeniería Aser LTDA.

Executive lawsuit in which the plaintiff seeks the execution of a memorial of termination of an executive process followed against it by Banco de Bogotá S.A., for alleged damages allegedly caused by the Bank for not having complied with the payment agreement signed between the parties and that the Bank be ordered to pay an indemnity of \$7,097. The decision was obtained in favor of the Bank and confirmed in the second instance, which is currently being disputed by the plaintiff through a tutela action.

Civil process San Javier Investors S.A.

Actions and omissions in the loans granted by Multibank Inc. to Jaime Uribe Carvajal. The claim amounts to \$46,635.

NOTE 33 – CAPITAL MANAGEMENT

33.1 REGULATION IN MATTERS OF CAPITAL

In line with the definitions of capital ratio of Basel III and the objective of increasing both the quality and quantity of the capital of credit institutions, the Ministry of Finance and Public Credit issued decrees 1477 of 2018 and 1421 of 2019, which modified decree 2555 of 2010 with respect to the adequate capital requirements of credit institutions.

Furthermore, the Ministry updated the methodology for calculating credit risk-weighted assets and included capital requirements due to exposure to operational risk, adopting the standardized approaches for credit risk and operational risk, from the document "Basel III: Completion of the Post-Crisis Reforms" of December 2017. The provisions in decrees 1477 of 2018 and 1421 of 2019 have been applied since January 1, 2021.

The total solvency ratio, defined as the relationship between technical reserves and total risk-weighted assets (credit, market and operational), cannot be lower than 9.0%, and the basic solvency ratio, defined as the relationship between ordinary basic equity and the total risk-weighted assets (credit, market and operational), cannot be lower than 4.5%.

Similarly, the following indicators were included: The additional basic solvency ratio (minimum 6%), the Combined Buffer [(conservation buffer (1.5%) and the buffer for entities with systemic importance (1%)] and the ratio of leverage (minimum 3%). These indicators (with the exception of the leverage ratio) must be achieved gradually, in accordance with the transition plan established in the standard. For the year 2022, the requirements are the following: i) The Additional Basic Solvency Ratio (5.25%), ii) Combined Buffer: conservation buffer (0.75%) and systemic buffer (0.5%). Banco de Bogotá was considered an Entity of Systemic Importance, in accordance with Circular Letter 72 of November 30, 2021, issued by the Financial Superintendence of Colombia (SFC - Spanish acronym), and therefore must comply with this systemic buffer.

33.2 RESULTS OF THE SOLVENCY RELATION

The following are the details of the consolidated solvency relation of the Bank and its financial subsidiaries during the years ended at December 31, 2022 and 2021, under the new rules described above (Basel III):

	December 31, 2022 (1)	December 31, 2021 (1)
A. Basic Equity (PBO- Spanish acronym)	\$ 10,437,701	16,798,256
B. Additional Basic Equity (PBA - Spanish acronym)	0	2,070,203
C. Total Basic Equity (C= A+B)	10,437,701	18,868,459
D. Additional Equity (PA - Spanish acronym)	3,135,871	3,438,652
E. Deductions from Technical Reserves	0	28,010
F. Technical Reserves (PT, for the Spanish acronym) (F=C+D-E)	13,573,572	22,279,101
G. Credit RWA	88,898,130	142,407,577
H. Weighted Market risk (VaR MR)	8,440,262	11,266,069
I. Weighted Operational Risk (VaR OR)	6,412,206	10,857,424
J. Risk-Weighted Assets (Credit + Market + Operational)	\$ 103,750,598	164,531,069
Basic Solvency relation (RSB - Spanish acronym) min 4.5%	10.06%	10.21%
Additional Basic Solvency relation (RSBA - Spanish acronym) min 6% (1)	10.06%	11.47%

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	December 31, 2022 (1)	December 31, 2021 (1)
Total relation solvency (RST- Spanish acronym) I min 9%	13.08%	13.54%
Basic Solvency relation available for Mattress compliance (RSB – Spanish acronym % - 4.5%)	5.56%	5.71%
Combined Mattress required (Conservation + Systemic) (%) (1)	1.25%	0.63%
Leverage value	136,096,623	233,045,670
Leverage Ratio (min. 3%)	7.67%	8.10%

(1) Additional Basic Solvency Ratio (ABRSR) and Combined Cushion (Conservation and Systemic) are in transition plan from 2021 to 2024. By 2022, the RSBA cannot be less than 5.25%, and the Basic Solvency Ratio minus minimum requirement of 4.5%, cannot be less than 1.25%, corresponding to the combined buffer requirement, discriminating: Conservation 0.75% and Systemic 0.5%.

Likewise, the Bank's subsidiaries have adequately complied with their own capital requirements. The following is the detail of the capital requirements of the financial subsidiaries that make up the Bank:

	Total requirement	December 31, 2022	December 31, 2021
Banco de Bogotá (Individual)	9%	17.03%	29.78%
BAC Holding International (BHI) (1)	8%	N/A	12.47%
Multi Financial Holding. and subsidiaries (2)	8%	12.29%	13.01%
Fidubogotá S.A.	9%	57.29%	40.34%
Almaviva S.A. (3)	36 times PT	5.57 times	7.37 times

(1) In March 2022, the Bank made the spin-off of its Financial Statements, by excluding the 75% stake in BAC Holding International (BHI). As a result, BHI went from being a subsidiary in December 2021 to an associate as of March 2022. Additionally, in December 2022 the Bank sold its 20.9% participation in the takeover bid (TOB) this month, so it ceased to be an Associate and became a Non-Significant Investment, with a participation of 4.1%.

(2) According to agreement 001 of 2015 and 003 of 2016 of the Superintendency of Banks of Panama.

(3) In the case of Almaviva S.A. the capital requirement is measured as the maximum storage capacity, which cannot exceed 36 times its technical equity (PT).

NOTE 34 – FINANCIAL ASSETS OFFSET AGAINST FINANCIAL LIABILITIES

Derivative instruments subject to a compensation framework agreement or similar are not offset in the statement of financial position. The following is a detail of the financial instruments that can be compensated:

December 31, 2022					
	Gross amounts of recognized financial assets and liabilities	Net Amounts of Assets Presented in the Consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position		Net Exposure
			Financial instruments	Cash collateral received	
Assets					
Derivatives	\$ 786,282	786,282	1,490,500	22,489	(726,708)
Repo operations	4,280,441	4,280,441	4,240,198	0	40,244
Total assets subject to offsetting	5,066,723	5,066,723	5,730,698	22,489	(686,464)
Liabilities					
Derivatives	633,891	633,891	0	231,824	402,067
Repo operations	707,901	707,901	707,901	0	0
Total liabilities subject to offsetting	\$ 1,341,792	1,341,792	707,901	231,824	402,067

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December 31, 2021					
	Gross amounts of recognized financial assets and liabilities	Net Amounts of Assets Presented in the Consolidated statement of financial position	Related amounts not offset in the consolidated statement of financial position	Financial instruments	Net Exposure
				Cash collateral received	
Assets					
Derivatives	\$ 408,484	408,484	581,595	9,874	(182,985)
Repo operations	29,906	29,906	326	0	29,580
Total assets subject to offsetting	438,390	438,390	581,921	9,874	(153,405)
Liabilities					
Derivatives	447,413	447,413	0	152,797	294,616
Repo operations	1,361,133	1,361,133	1,361,133	0	0
Total liabilities subject to offsetting	\$ 1,808,546	1,808,546	1,361,133	152,797	294,616

NOTE 35 – RELATED PARTIES

Related party is a person or entity that is related to the entity that prepares its financial statements, which could exercise control or joint control over the reporting entity, significant influence, or could be considered a key member of management or of a parent. The definition of related parties includes people and/or family members related to the entity, entities that are members of the Bank and its subsidiaries (parent and subsidiary), associates or joint ventures of the entity or entities of the Bank and its subsidiaries, post-employment benefit plans for the benefit of the employees of the reporting entity or a related entity.

They are considered related parties:

- An economically related party is a person or entity that is related to any entity in the Bank and its subsidiaries through transactions such as transfers of resources, services or obligations, regardless of whether or not a price is charged.
- Transactions between economic associates are understood, by the Bank and its subsidiaries, as any economic event carried out with Grupo Aval S.A. shareholders or entities thereof.
- Shareholders who individually own more than 10% of the Bank's capital stock (Grupo Aval Acciones y Valores S.A.).
- Key management personnel: People with authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any manager or administrator (executive or otherwise) of the Bank and its subsidiaries, as well as the president and vice presidents and the members of the Board of Directors.
- Subordinate entities: Companies in which the Bank exercises control, according to the definition of control outlined in the Commercial Code and in "IFRS 10 – Consolidated Financial Statements".
- Associate entities: These are entities wherein the Bank exercises significant influence, which generally is regarded as owning between 20% and 50% of the firm's equity.

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- Other related parties: These include Banco de Occidente and subordinates, Banco AV Villas and subordinates, Banco Popular and subordinates, Seguro de Vida Alfa S.A., Seguros Alfa S.A and other related parties.

Transactions with related parties

The Bank and its subsidiaries may enter into transactions, agreements or contracts with related parties, with the understanding that any such operation shall be conducted at fair value, considering market conditions and rates.

Between the Bank and its subsidiaries and its related parties for the years ended December 31, 2022, and December 31, 2021, there are not:

- Loans involving an obligation to the borrower that does not coincide with the essence or nature of a loan agreement.
- Loans at interest rates other than those normally paid or charged under similar terms with respect to risk, maturity, etc.
- Operations of a nature that is different from those conducted with third parties.

According to the Banco de Bogotá manual on agreements, specifically Chapter VI- "Special Agreements with Subsidiaries on Using the Bank's Network," Banco de Bogotá has agreements with Fiduciaria Bogotá S.A. and Porvenir S.A. to allow them to use its network of offices.

Fiduciaria Bogotá S.A. entered into a contract with Banco de Bogotá to use the Bank's network of offices for its operations. The agreement outlines how the transactions of customers with mutual funds managed by Fiduciaria Bogotá S.A. will be handled, from an operational standpoint.

In keeping with the provisions outlined in Law 50 / 1990 (Labor Reform Act) and Law 100 / 1993 (General Social and Comprehensive Security System), the Bank entered into an agreement with Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A., whereby Porvenir S.A. uses the Bank's offices as a support network to provide services related to the severance and mandatory pension funds it manages.

Fees were paid to directors for attendance at meetings of the Board of Directors and Committees for the years ended December 31, 2022, and 2021 for \$2,261 and \$1,930, respectively.

All transactions and disbursements were conducted at market prices. Credit card operations and overdrafts were done at the full rates for those products.

See Notes 2.2 and 2.3 for details of relevant transactions with related entities.

Balances with related parties are shown in the following table, organized into groups, including details on transactions with key management personnel:

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Statement of financial position

December 31, 2022					
	Economically related parties	Grupo Aval S.A.	Key management personnel	Related entities	
				Non- subsidiaries	Associates and joint ventures
Assets					
Cash and cash equivalents	\$ 292	0	0	2,352	0
Investments accounted for using the equity method	0	0	0	0	8,744,137
Impairment of investments	0	0	0	0	(7,641)
Derivatives at fair value	3,478	0	0	0	0
Financial investment assets	534,395	0	0	0	3,745
Loan portfolio, net	1,624,120	506,500	22,217	22	1,009,824
Other accounts receivable (1)	1,808,048	7	0	0	53,200
Right of use assets	0	0	0	0	672
Other assets	1	0	0	0	0
Liabilities					
Financial liabilities derivatives at fair value	5,018	0	0	0	0
Financial liabilities at amortized cost	1,358,003	271,217	31,987	820	1,393,142
Accounts payable and other liabilities	\$ 437	0	350	104	18,870

(1) In economically related parties includes dividends declared and pending to be received from BHI for \$1,445,881.

December 31, 2021					
	Economically related parties	Grupo Aval S.A.	Key management personnel	Related entities	
				Non- subsidiaries	Associates and joint ventures
Assets					
Cash and cash equivalents	\$ 0	0	0	2,417	0
Investments accounted for using the equity method	0	0	0	0	8,131,506
Impairment of investments	0	0	0	0	(7,641)
Investments at fair value through profit or loss	0	14,913	0	0	0
Derivatives at fair value	330	0	0	0	0
Loan portfolio, net	1,739,112	527,379	31,300	1,269	917,443
Other accounts receivable	80,159	8	31	32	63,724
Right of use assets	0	0	0	1,903	737
Other assets	986	0	0	0	0
Liabilities					
Financial liabilities derivatives at fair value	15	0	0	0	0
Financial liabilities at amortized cost	1,640,179	3,994,898	61,045	3,235	962,186
Accounts payable and other liabilities	\$ 52,165	189,911	742	355	13,473

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Statement of income

December 31, 2022					
	Economically related parties	Grupo Aval S.A.	Key management personnel	Related entities	
				Non- subsidiaries	Associates and joint ventures
Income					
Interest	\$ 340,522	49,650	1,235	491	117,039
Commissions and other services	978	142	42	1,769	5,696
Other income	1,819	0	0	1,360	665,567
Expenses					
Interest	205,604	57,687	4,606	(35)	69,959
Commissions and other services	341	0	41	2,508	5,598
Other expenses	\$ 10,674	112,127	9,892	29,623	85,364

December 31, 2021					
	Economically related parties	Grupo Aval S.A.	Key management personnel	Related entities	
				Non- subsidiaries	Associates and joint ventures
Income					
Interest	\$ 221,689	23,424	1,446	715	58,435
Commissions and other services	957	296	38	1,069	4,187
Other income	863	34	1	2,369	677,234
Expenses					
Interest	18,040	259,400	1,301	90	15,714
Commissions and other services	113	0	63	73	4,749
Other expenses	\$ 3,214	112,127	9,898	32,931	42,464

Pending amounts are not guaranteed and they shall be liquidated in cash. No guarantees have been granted or received. No expense has been recognized in the current period, or in previous periods with respect to uncollectible or accounts of doubtful collection relating to the amounts owed by related parties.

Benefits for key management personnel

The benefits for key management personnel include the following:

	December 31, 2022	December 31, 2021
Short-term employee benefits	\$ 42,504	91,419
Compensation for key management personnel and other long-term employee benefits	76	58
Termination benefits	25	21
Total	\$ 42,605	91,498

NOTE 36 – STATUTORY CONTROLS

Statutory controls are the regulations the Financial Superintendence of Colombia has established for credit institutions (banks, financial corporations and finance companies) with respect to the required reserve ratio (see Note 7.4.3-Liquidity Risk), the proprietary position (see Note 7.4.2- Market risk), the capital adequacy ratio (see note 33), and the mandatory investments to be made in securities issued by “Fondo para el Financiamiento del Sector Agropecuario (FINAGRO - Spanish acronym).

The Bank complied with all these requirements during the years ended at December 31, 2022, and 2021.

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NOTE 37 – SUBSEQUENT EVENTS

Senior bond issuance

On February 3, 2023, Multi Financial Holding successfully placed in international markets a Senior Bond for US \$300 million at a price of 98.986%, nominal rate of 7.75% and maturity in February 2028.

NOTE 38 – AUTHORIZATION FOR THE PRESENTATION OF FINANCIAL STATEMENTS

The Board of Directors of Banco de Bogotá, at its meeting held on February 28, 2023, approved the presentation of the consolidated financial statements as of December 31, 2022, and the accompanying notes.