Banco de Bogotá
Dirección general
Bogotá D.C. Calle 36 # 7- 47
www.bancodebogota.com

CONSOLIDATED FINANCIAL STATEMENTS
OF BANCO DE BOGOTÁ
AS AT DECEMBER 31, 2023
(FREE TRANSLATION)

CERTIFICATION OF CONSOLIDATED
FINANCIAL STATEMENTS
OF BANCO DE BOGOTÁ
AS AT DECEMBER 31, 2023
(Translation of the report issued in Spanish)

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, 2023, 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, 2023, and the others 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.

GERMÁN SALAZAR CASTRO
Legal Representative

SERGIO BOTERO PARRA
Accountant
Professional License 23832-T

February 21, 2024

BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Financial Position
As of December 31, 2023 and 2022
(Amounts expressed in millions of Colombian pesos)
(translation of the report isseud in spanish)

	Notes		As of December 31, 2023		2022
Assets					
Cash and cash equivalents	**9**	$	**8,133,342**	$	**7,274,061**
Financial assets	**10**		**18,031,032**		**17,457,921**
Loan portfolio, net	**11**		**93,586,560**		**95,277,032**
Repos, interbank, overnight and money market operations			237,855		4,492,352
Customer and finance lease operations			93,348,705		90,784,680
Other accounts receivable, net	**12**		**3,580,401**		**3,221,640**
Non-current assets held for sale	**13**		**76,024**		**67,528**
Investments in associates and joint ventures	**14**		**9,109,180**		**8,736,565**
Property, plant and equipment	**15**		**946,477**		**1,084,848**
Right-of-use assets	**16**		**470,319**		**550,212**
Investment property	**17**		**209,547**		**236,606**
Goodwill	**18**		**605,129**		**641,124**
Other intangible assets	**19**		**899,084**		**775,161**
Income tax	**20**		**1,686,333**		**2,276,997**
Other assets			**140,608**		**274,144**
Total assets		$	**137,474,036**	$	**137,873,839**
Liabilities and Equity					
Liabilities					
Derivative financial liabilities	**10.4**		**1,033,907**		**633,891**
Financial liabilities at amortized cost			**116,661,327**		**118,355,234**
Customer deposits	21		91,083,792		88,027,473
Financial obligations	22		24,862,230		29,680,799
Lease liability	22.5		715,305		646,962
Employee benefits	**23**		**255,186**		**236,140**
Provisions	**24**		**41,728**		**32,485**
Income tax	**20**		**89,745**		**77,796**
Accounts payables and other liabilities	**25**		**3,623,121**		**2,727,732**
Total liabilities		$	**121,705,014**	$	**122,063,278**
Equity					
Subscribed and paid-in capital	26.1		3,553		3,553
Additional paid-in capital			6,781,641		6,781,641
Retained earnings	26.2		8,442,095		6,762,259
Net income			954,136		2,804,885
Other comprehensive income	28		(470,967)		(586,923)
Equity attributable to shareholders		$	**15,710,458**	$	**15,765,415**
Equity attributable to non-controlling interest	**27**		**58,564**		**45,146**
Total equity		$	**15,769,022**	$	**15,810,561**
Total liabilities and equity		$	**137,474,036**	$	**137,873,839**

See notes 1 to 39 which are an integral part of the consolidated financial statements.

GERMÁN SALAZAR CASTRO
Legal Representative
(See certification of February 21, 2024)

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DIANA ALEXANDRA ROZO MUÑOZ
Statutory Auditor
Professional License 120741 - T
Member of KPMG S.A.S.
(See my report dated February 21, 2024)

BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Income
Years ended at December 31, 2023 and 2022
(Amounts expressed in millions of Colombian pesos)
(translation of the report isseud in spanish)

	Notes	Years ended at December 31 2023	2022
Interest income		**$ 14,381,561**	**$ 9,293,001**
Loan portfolio and financial leases	11	13,113,813	8,539,033
Repos, interbank, overnight and money market operations	11	149,046	58,208
Investments		794,933	541,583
Interest income from other receivables		86,582	50,212
Income from deposits		237,187	103,965
Interest expense		**(9,345,442)**	**(4,597,771)**
Customer deposits	21	(7,339,640)	(3,386,728)
Financial obligations	22	(1,955,317)	(1,180,508)
Lease liability	22.5	(50,485)	(30,535)
Net interest income		**5,036,119**	**4,695,230**
Net impairment loss on financial assets		**(2,296,023)**	**(1,362,386)**
Loan portfolio, financial leases and accounts receivable	11.5 y 12	(2,562,648)	(1,691,699)
Recovery of charged-off financial assets		265,869	327,786
Recovery of investments		756	1,527
Net interest income, after impairment losses		**2,740,096**	**3,332,844**
Net income from commissions and fees	**29**	**1,471,621**	**1,245,077**
Net (expense) income of financial assets or liabilities held for trading		**(2,050,745)**	**1,179,769**
Net (expense) income on valuation of trading derivative instruments		(2,042,933)	1,203,619
Net (expense) income on valuation of hedging derivative instruments		(168,638)	14,187
Net income (expense) on valuation of held-for-trading investments		160,826	(38,037)
Gain on fair value measurement in the deconsolidation (loss of control) of subsidiaries		**0**	**137,427**
Net income (expense) on foreign exchange	**30**	**1,663,552**	**(1,507,213)**
Net other Income	**31**	**1,193,607**	**965,106**
Other expenses		**(3,721,567)**	**(3,257,326)**
Operating expenses	32	(1,974,884)	(1,565,863)
Employee benefits		(1,193,290)	(1,129,390)
Depreciation and amortisation	15, 16 y 19	(288,873)	(302,509)
Other expenses		(264,520)	(259,564)
Net income before income tax		**1,296,564**	**2,095,684**
Income tax expense	20	(327,630)	(290,214)
Net income from continuing operations		**$ 968,934**	**$ 1,805,470**
Income from discontinued operations, net of taxes	14.3	0	1,000,798
Net income		**$ 968,934**	**$ 2,806,268**
Net income attributable to:			
Controlling interest		954,136	2,804,885
Non-controlling interest	27	14,798	1,383
Net income		**$ 968,934**	**$ 2,806,268**

See notes 1 to 39 which are an integral part of the consolidated financial statements.

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BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Comprehensive Income
Years ended at December 31, 2023 and 2022
(Amounts expressed in millions of Colombian pesos)
(translation of the report isseud in spanish)

		Years ended at December 31	
	Notes	**2023**	**2022**
Net income		$ **968,934**	$ **2,806,268**
Items that are or may be reclassified to profit or loss			
Hedge accounting			
Cash Flow Hedging	10.4.3.3	(21,590)	0
Hedge of net investment in foreign countries			
Exchange difference on translation of financial statements of foreign subsidiaries (hedged item)	10.4.3.1	(503,957)	870,451
Exchange difference on derivatives in foreign currency	10.4.3.1	0	38,289
Exchange difference on bonds in foreign currency	10.4.3.1	503,957	(908,740)
Exchange difference on translation of financial statements of foreign subsidiaries (not-hedged item)	10.4.3.1	(27,612)	(282,214)
Unrealized gain (loss) from measurement of debt instruments at fair value	20.5	746,928	(1,167,247)
Realization to income of the valuation of debt instruments at fair value	20.5	(68,964)	(483)
Reclassification to income of the impairment of debt instruments at fair value	20.5	1,497	(8,294)
Exchange difference in translation of financial statements in foreign agencys and branche	20.5	(152,838)	9,465
Share in profit/loss from other comprehensive income of associates	14.1	67,609	(157,473)
Income tax	20.5	(468,575)	562,242
Realization of income tax to profit or loss	20.5	17,259	0
Realization for loss of control of subsidiaries and associates	14.3	0	(1,563,957)
Total Items that are or may be reclassified to profit or loss		**93,714**	**(2,607,961)**
Items that will not be reclassified to profit or loss			
Changes in actuarial assumptions from defined benefits plans	20.5	(18,612)	20,191
Realization to retained earnings in defined benefit plans	20.5	(1,285)	0
Unrealized gain on measurement of investments at fair value with changes in ORI in equity instruments	20.5	24,946	30,336
Realization to retained earnings of the valuation of investments at fair value with changes in ORI in equity instruments	20.5	1,656	0
Share in profit/loss from other comprehensive income of associates	14.1	10,405	(55,408)
Income tax	20.5	3,276	(18,646)
Realization of Income tax to retained earnings	20.5	476	0
Realization for loss of control of subsidiaries and associates	14.3	0	7,735
Total Items that will not be reclassified to profit or loss		**20,862**	**(15,792)**
Total other comprehensive income, net		$ **114,576**	$ **(2,623,753)**
Total comprehensive income		$ **1,083,510**	$ **182,515**
Comprehensive income attributable to:			
Controlling interest		1,070,092	181,308
Non-controlling interest		13,418	1,207
Total comprehensive income		$ **1,083,510**	$ **182,515**

See notes 1 to 39 which are an integral part of the consolidated financial statements.

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BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Changes in Equity
Years ended at December 31, 2023 and 2022
(Amounts expressed in million of Colombian pesos)
(translation of the report isseud in spanish)

	Notes		Attributable to equity holders of the Group							
			Subscribed and paid-in capital	Additional paid-in capital	Retained earnings (26.2)	Net income	Other comprehensive income (OCI)	Controlling interest equity	Non-controlling interest	Total equity
Balances as of december 31, 2021		**$**	**3,313**	**5,721,621**	**13,179,393**	**4,356,086**	**2,036,654**	**25,297,067**	**41,903**	**25,338,970**
Transfer of net income for the year to retained earnings			0	0	4,356,086	(4,356,086)	0	0	0	0
Issuance of shares			240	1,060,020	0	0	0	1,060,260	0	1,060,260
Dividends decreed	26.3		0	0	(1,103,514)	0	0	(1,103,514)	0	(1,103,514)
Others			0	0	(1,355)	0	0	(1,355)	0	(1,355)
Other Comprehensive Income			**0**	**0**	**0**	**2,804,885**	**(2,623,577)**	**181,308**	**1,207**	**182,515**
Net income			0	0	0	2,804,885	0	2,804,885	1,383	2,806,268
Other comprehensive income (OCI)	28		0	0	0	0	(2,623,577)	(2,623,577)	(176)	(2,623,753)
Realization OCI for loss of control	14.3		0	0	(7,735)	0	0	(7,735)	0	(7,735)
Gain from deconsolidation (loss of control) the subsidiaries	14.3		0	0	(9,660,616)	0	0	(9,660,616)	2,036	(9,658,580)
Balances as of december 31, 2022		**$**	**3,553**	**6,781,641**	**6,762,259**	**2,804,885**	**(586,923)**	**15,765,415**	**45,146**	**15,810,561**
Transfer of net income for the year to retained earnings			0	0	2,804,885	(2,804,885)	0	0	0	0
Dividends decreed	26.3		0	0	(1,112,646)	0	0	(1,112,646)	0	(1,112,646)
Others			0	0	(11,556)	0	0	(11,556)	0	(11,556)
Other Comprehensive Income			**0**	**0**	**0**	**954,136**	**115,956**	**1,070,092**	**13,418**	**1,083,510**
Net income			0	0	0	954,136	0	954,136	14,798	968,934
Other comprehensive income (OCI)	28		0	0	0	0	115,956	115,956	(1,380)	114,576
Realization of ORI to retained earnings			0	0	(847)	0	0	(847)	0	(847)
Balances as of december 31, 2023		**$**	**3,553**	**6,781,641**	**8,442,095**	**954,136**	**(470,967)**	**15,710,458**	**58,564**	**15,769,022**

See notes 1 to 39 which are an integral part of the consolidated financial statements.

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BANCO DE BOGOTÁ AND SUBSIDIARIES
Consolidated Statement of Cash Flows
Years ended at December 31, 2023 and 2022
(Amounts expressed in millions of Colombian pesos)
(translation of the report isseud in spanish)

	Notes		Years ended at December 31 2023		2022
Cash flows from operating activities					
Net income		$	968,934	$	2,806,268
Reconciliation of net income to net cash provided by (used in) operating activities:					
Impairment for loan portfolio, finance lease operations, and other accounts receivable	11 y 12		2,562,522		1,691,845
Depreciation and amortisation	15, 16 y 19		290,072		303,886
Interest income	11		(14,381,561)		(9,293,001)
Interest expense	21 y 22.5		9,345,442		4,597,771
Income tax expense	20		327,630		290,214
Net profit on sales of non-current assets held for sale			(20,990)		(3,443)
Net profit on sale of property plant and equipment			(256,169)		(95,741)
Net (gain) loss on exchange difference	30		(1,663,552)		1,507,213
Dividens caused			(20,839)		(24,801)
Share of the profit or loss of associates and joint ventures	31		(565,042)		(665,319)
Gain on fair value measurement in the deconsolidation (loss of control) of subsidiaries			0		(137,427)
Income from discontinued operations, net of taxes	14.3		0		(1,000,798)
Profit on sale of investments, nett			(48)		(180)
Changes in fair value of derivatives			2,211,571		(1,217,806)
Fair value on investment property	17		45,953		(490)
Net change in operating assets and liabilities					
(Increase) decrease in derivative financial instruments			(1,712,475)		1,070,809
(Increase) decrease in financial investment assets			(30,065)		1,152,705
Increase in loan portfolio and financial leases			(5,768,258)		(15,106,660)
Increase in accounts receivable			(841,670)		(1,437,992)
Decrease in other assets			77,855		32,740
Increase in customer deposits			9,107,131		5,288,398
Increase (decrease) in interbank borrowings and overnight funds			3,203,051		(223,249)
Increase in accounts payable and other liabilities			729,259		149,920
Increase in employee benefits			4,303		11,549
Interest received			14,021,474		8,580,151
Interest paid excluding interest on leases			(8,487,403)		(4,336,949)
Interest paid on financial leases			(43,454)		(27,231)
Dividends received			306,428		182,480
Income tax paid			(709,290)		(573,365)
Net cash provided by (used in) operating activities			**8,700,809**		**(6,478,503)**
Cash flows from investing activities:					
Increase in investments at fair value			(453,561)		(760,398)
Acquisition of investments at amortized cost			(3,858,050)		(3,113,893)
Acquisition of property, plant and equipment	15		(127,350)		(145,549)
Acquisition of other intangible assets	19		(253,614)		(197,959)
Redemption of investments at amortized cost			3,904,374		3,097,013
Proceeds from sale of invesments in associates	14		0		2,645,914
Proceeds from sale of non-financial assets			77,147		91,869
Acquisition of interest in associated companies	14		(2,433)		(7,267)
Decrease of cash and cash equivalents for deconsolidation of (loss of control) subsidiaries	14.3		0		(17,570,390)
Net cash used in investing activities			**(713,487)**		**(15,960,660)**
Cash flows from financing activities:					
Acquisition of financial obligations	22.6		17,106,035		17,720,774
Payment of financial obligations	22.6		(20,560,715)		(14,336,063)
Outstanding bond issues	22.6		2,588,994		200,325
Payment of bond issues	22.6		(2,783,505)		(2,273,857)
Payment of capital in rental fees	22.6		(100,198)		(85,674)
Dividends paid			(831,585)		(315,908)
Net cash (used in) provided by financing activities			**(4,580,974)**		**909,597**
Effect of foreign currency changes on cash and cash equivalents			(2,547,067)		3,199,322
Net Increase (decrease) in cash and cash equivalents			**859,281**		**(18,330,244)**
Net decrease in cash and cash equivalents on discontinued operations			**0**		**(1,393,602)**
Cash and cash equivalents at beginning of the year	9		**7,274,061**		**26,997,907**
Cash and cash equivalents at the end of the year	9	$	**8,133,342**	$	**7,274,061**

See notes 1 to 39 which are an integral part of the consolidated financial statements.

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NOTE 1 - REPORTING ENTITY

Banco de Bogotá (hereinafter the "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, 1870 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 of December 31, 2023, the Bank and its Subsidiaries operate with twelve thousand two hundred eighty-one (12,281) employees with labor contract, five hundred sixty-three (563) working under apprenticeship or training agreements, one thousand eighty-five (1,085) temporary employees. In addition, the Bank and its Subsidiaries three thousand eighty-four (3,084) staff members contracted through outsourcing with specialized companies. It also has four hundred seventy-eight (478) offices, twenty-two thousand seven hundred twenty-nine (22,729) correspondent banks, one thousand six hundred and two (1,602) 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 Panamá 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	Corporate Purpose	Place of Business	Direct Shareholding (1)	Indirect Shareholding (1)
Domestic 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 and Subsidiaries	Provides financial services primarily corporate, investment, mortgage and consumer banking, as well as insurance, securities brokerage, factoring, leasing and real estate services.	Panamá, Republic of Panamá	100.00%	
Banco de Bogotá Panamá S.A.	It is an entity with an international license to conduct banking business abroad.	Panamá, Republic of Panamá	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	Cayman Islands	100.00%	

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Name of subsidiary	Corporate Purpose	Place of Business	Direct Shareholding (1)	Indirect Shareholding (1)
	past few years, the company has maintained an investment as its only income-earning activity.			
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 Panamá's Ministry of Finance. It is in the business of collecting on loans and managing assets received for sale.	Panamá, Republic of Panamá	49.78%	

(1) In percentage terms, this represents economic and voting interest. The Bank's direct and indirect shareholding percentages in each of its Subsidiaries have not varied over the past year.
(2) Indirect shareholding through Banco de Bogotá Panamá 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 FACTS AND TRANSACTIONS

2.1 ISSUE, MATURITY AND REPURCHASE OF BONDS

- On February 19, 2023, the subordinated bonds issued on February 19, 2013 matured with a 10-year term and a fixed rate of 5.375% US$500 million (equivalent to $2,459,470) and on March 24, 2023 the Company placed sustainable subordinated bonds in the international market for US$230 million (equivalent to $1,090,819), coupon SOFR (Secured Overnight Financing Rate) + 3.75% and maturity in March 2033, (See Note 22.3). Additionally, on November 17, 2023, a repurchase of the bonds issued in August 2017 maturing in August 2027 was carried out as follows:

Item	Million of USD		COP
Nominal value of issuance	17.6	$	72,477
Adjustment amortized cost	0.1		291
Value in books at repurchase date	**17.7**		**72,768**
Repurchase price	(16.0)		(65,964)
Gain on repurchase (See Note 31)	**(1.7)**	**$**	**(6,804)**

- Multi Financial Holding on February 3, 2023, successfully issued in international markets a Senior Bond for $1,393,824 (US$300 million), nominal rate of 7.75% and maturity March 2028, (See Note 22.3).

2.2 FAIR VALUE HEDGING

The Bank had hedging transactions for a notional amount of $6,539,684 as of December 31, 2023, to hedge risk the fair value of financial liabilities (CDTs) issued at a fixed rate, using interest rate swaps in which fixed rate flows are exchanged for flows indexed to IBR (Reference Banking Indicator), (See Note 10.4.3.2).

2.3 CASH FLOW HEDGING

2.3.1 HEDGING OF ACCOUNT RECEIVABLE DIVIDEND RECEIVABLE IN USD

In May 2023, the Bank implemented accounting hedging operations with the objective of mitigating the currency risk of future flows of an accounts receivable in dollars for dividends on the investment in BHI, flows that are expected to be received between 2027 and 2031, including an annual amount of US$75 million, for a total of US$375 million, and a fraction of a senior bond in USD issued by the Bank maturing in 2027 for US$351.4 million was designated as an exchange rate hedging instrument, and, as of June 1st, 2023, such designation was adjusted to US$304.7 to gradually increase it on a quarterly basis according to the growth of the hedged item, as of the end of December it amounted to US$309.8 million. Once the debt instruments designated as hedging instruments of the strategy mature, they will be substituted or replaced by other instruments of similar characteristics, if applicable, in order to maintain a dynamic hedge (See Note 10.4.3.3.1).

2.3.2 HEDGING OF FINANCING IN USD

In order to mitigate the currency risk of borrowings in dollars, the Bank implemented cash flow hedging with derivative instruments that allow it to hedge principal and/or interest flows in dollars against movements in the peso-dollar exchange rate, given that the variation in the exchange rate generates volatility in the Bank's cash flows and financial results. The derivative instruments contracted are expected to be highly effective in hedging the aforementioned risk. The credit risk adjustment (CVA or DVA) and the interest rate effect are not part of the risks hedged in this strategy.

The hedged item corresponds to financing in dollars for a nominal amount and payment schedule to be defined in each operation. The hedging instrument is a derivative contract (forward type USD/COP) in which USD flows are exchanged for flows in the Bank's functional currency (COP) to offset the currency risk of flows denominated in USD (See Note 10.4.3.3.2).

2.4 LOAN PORTFOLIO PURCHASES

Loan portfolio purchases were made from Banco Popular, during the year to date, as follows: In July, 11,444 consumer portfolio loans for $380,277 and 33 commercial portfolio loans for $171,308 were acquired, on June 30, 2023, 9,393 consumer portfolio loans were acquired for $369,987 with a discount of $2,394 on the face value of $372,381 and on March 29, 2023, 306 commercial portfolio loans were acquired for $275,216 with a premium of $406 on the face value of $274,810. The accounting treatment of the portfolio purchases in their initial recognition was made in the loan portfolio at their acquisition price, considering that the Bank assumed the benefits and risks of the portfolio acquired, and the premiums or discounts as a greater or lesser value of the portfolio acquired, for subsequent amortization. Additionally, in August and September Banco Popular repurchased 132 loans sold to the Bank in the year 2023 for $4,927.

2.5 SALE OF BHI SHARES - 4.1% INTEREST

In March 2023, 1,774,622,820 shares in BAC Holding International were sold, equivalent to the total remaining 4.1% interest that the Bank had in this entity for $293 pesos each, for a total of $519,964, which corresponds to the fair value recognized in books; therefore, there was no impact on income.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

2.6 TRANSFER OF ASSETS TO THE NEXUS PRIVATE EQUITY FUND

During the year 2023, the Bank and its subsidiary Almaviva the sale or properties to the "Fondo de Capital Privado Nexus Inmobiliario", receiving in consideration participation units in the Fund, presenting a gain with respect to their book value written off in the statement of financial position. The assets transferred by the Bank to the Fund were classified as: i) investment properties and came from foreclosed assets (BRPs), the adjustment to the fair value of these assets before being transferred generated an expense with an impact on income of $36,529 (see Note 31) and ii) in non-current assets held for sale for $581. The assets transferred by Almaviva were property, plant and equipment.

These assets were written off 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 (participation units in the Fund) and the book value of the real estate assets. However, since a part of the assets was leased after the sale, in response to the requirements of IFRS 16, the gain that was 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 properties, they meet the definition of a financial asset and are presented in the Statement of Financial Position at their fair value in the category of investments at fair value through profit or loss.

For assets that were leased after the transfer, the lease liability was measured at the present value of the lease payments that had not been paid on that date. Lease payments were discounted using the incremental interest rate determined for the period by the Bank. The right-of-use asset that arose from the sale-leaseback was measured in the proportion of the previous carrying amount of the asset that relates to the rights-of-use retained.

The following was the result of the operation:

		Banco de Bogotá	Almaviva	Total
Disposals				
Property, plant and equipment	$	0	25,401	25,401
Investment property		41,412	0	41,412
Non-current assets held for sale		581	0	581
Total assets disposed of		**41,993**	**25,401**	**67,394**
Additions				
Right-of-use assets		0	8,375	8,375
Lease liability		0	156,004	156,004
Net additions		**0**	**147,629**	**147,629**
Gain/loss on sale				
Loss on sale of investment property		(276)	0	(276)
Gain on sale of property, plant and equipment		0	250,170	250,170
Gain on sale of non-current assets held for sale		1,293	0	1,293
Total gain on sale		**1,017**	**250,170**	**251,187**
Investments at fair value through profit or loss (Fondo de Capital Privado Nexus Inmobiliario)	**$**	**43,010**	**423,200**	**466,210**

2.7 EXCHANGE RATE VARIATION

The representative market rate as of December 31, 2023, was $3,822.05 pesos and as of December 31, 2022, $4,810.20 pesos, originating a variation of ($988.15) pesos per dollar, which generated a significant impact on the financial statements, mainly a decrease in the loan portfolio for $5,333,433 (Note 11) decrease in customer deposits for $6,527,768 (Note 21), decrease in financial obligations for $3,941,800 (Note 22) and a net income in the income statement for the period for $1,663,552 (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 the Accounting and Financial Reporting Standards accepted in Colombia (NCIF – Spanish acronym), established in the Law 1314 of 2009, which include the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and officially translated into Spanish, as well as the interpretations issued by the International Financial Reporting Standards Committee (IFRIC), incorporated to the Normative Technical Framework by the Single Regulatory Decree 2420 of 2015 as amended by Decrees 2496 of 2015, 2131 of 2016, 2170 of 2017, 2483 of 2018, 2270 of 2019, 1432 of 2020, 938 of 2021 and 1611 of 2022, 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 statement of income 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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.
- Financing activities: These are activities that produce changes in the size and composition of the Bank's equity and loans taken by the Bank and its subsidiaries.

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 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 share of non-controlling interests in controlled subsidiaries is presented in equity separately from the equity of the Bank's parent company and its Subsidiaries.

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 income of the parent company and its Subsidiaries. The following is the detail of ownership interest in each of them as of December 31, 2023, and 2022, homologated to the accounting policies of consolidation:

As of December 31, 2023

	Share-holding %		Assets	Liabilities	Equity	Controlling net income for the period (*)
Banco de Bogotá (Matriz)		$	117,350,080	101,755,430	15,594,650	914,152
Multi Financial Holding and Subsidiaries	100.00%		19,087,035	17,413,233	1,673,802	50,215
Banco de Bogotá Panamá S.A.	100.00%		7,092,555	6,588,100	504,455	20,018
Bogotá Finance Corporation	100.00%		360	0	360	9
Almacenes Generales de Depósito Almaviva S.A. and Subsidiaries	94.93%		595,258	304,265	290,993	218,362
Fiduciaria Bogotá S.A.	94.99%		659,160	56,353	602,807	114,723
Megalinea S.A.	94.90%		29,961	22,051	7,910	727
Corporación Financiera Centroamericana S.A Ficentro (1)	49.78%		0	0	0	0

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

As of December 31, 2023

	Share-holding %		Assets	Liabilities	Equity	Controlling net income for the period (*)
Aval Soluciones Digitales S.A.	38.90%		38,874	24,847	14,027	(482)
			144,853,283	**126,164,279**	**18,689,004**	**1,317,724**
Write-offs			(7,379,247)	(4,459,265)	(2,919,982)	(363,588)
Total Consolidated		**$**	**137,474,036**	**121,705,014**	**15,769,022**	**954,136**

As of 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 and Subsidiaries	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 Almaviva S.A. and Subsidiaries	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**
Write-offs			(5,940,976)	(2,966,904)	(2,974,072)	(119,506)
Continuing operations			**137,873,839**	**122,063,278**	**15,810,561**	**1,804,087**
Discontinued operations			0	0	0	1,000,798
Total Consolidated		**$**	**137,873,839**	**122,063,278**	**15,810,561**	**2,804,885**

1) Inactive.
(*) For the years ended December 31, 2023 and 2022.

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 owns 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 agreement 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 over the arrangement have rights to the assets, and obligations for the liabilities, relating to the agreement; and

- Joint venture, whereby the parties that have joint control over the arrangement have rights to the net assets of the agreement.

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 include its share in the net income of associates and joint ventures, and the other comprehensive income (OCI) of the Bank and its Subsidiaries include its share 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 or hedges of accounts receivable for dividends in U.S. dollars, 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.

- What a 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 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:

➢ to receive cash or another financial asset from another entity; or
➢ 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.

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 nor 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 comprehensive income (FVOCI)	These assets are subsequently measured at fair value. Interest income calculated 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 instruments 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.

- 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,
- Loans portfolio and finance lease 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 DERIVATIVE FINANCIAL ASSETS

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.

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.

3.7.11 HEDGE ACCOUNTING

The Bank documents, if applicable, at the initiation of the transaction the hedging relationship between the hedging instrument and the hedged item, as well as the hedging objective, risk and strategy for undertaking the hedging relationship. It also documents its assessment both at the date of initiation of the transaction and on a recurring basis as to whether the hedging relationship is effective.

A hedge is considered effective if, at the beginning of the period and in subsequent periods, the changes in the fair value or in the cash flows attributable to the hedged risk during the period for which the hedge has been designated are offset and that the effectiveness of the hedge is in a range of 80% to 125%, in accordance with the accounting requirements of IAS 39.

The applicable policy for hedges is described below:

3.7.11.1 HEDGING OF NET INVESTMENTS IN FOREIGN OPERATION

The Bank has decided to use hedge accounting for net investments in foreign operations with non-derivative instruments (foreign currency bonds). The purpose of these operations is to protect the Bank from the exchange risk (dollar/peso) of net investments in foreign currency businesses, denominated in dollars.

Accordingly, the following accounting is performed:

- The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in other comprehensive income,

- The ineffective portion is recorded in income for 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 foreign operation.

3.7.11.2 FAIR VALUE HEDGING

The Bank carries out accounting hedging operations for variations in the Fair Value of Financial Liabilities (Time Deposit 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 of 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.

- The ineffective portion of the hedge is recognized in the income for the period.

3.7.11.3 CASH FLOW HEDGING

The Bank also implemented a cash flow hedging of a dollar-denominated financial asset whose cash flows are expected from 2027 to 2031. In order to mitigate the currency risk of the future cash flows of this asset, fractions of a senior bond in dollars issued by the Bank maturing in 2027 are progressively designated as currency hedging instruments, which allow hedging the future cash flows.

The following is the accounting treatment of this hedging relationship:

- The exchange differential arising from the hedged item is recognized in other comprehensive income.

- The effective portion of the hedging instrument is recognized in other comprehensive income; and

- The ineffective portion is recognized in income for the period.

- The values accumulated in other comprehensive income will be reclassified to income for the period when the cash flows from the asset are received, taking into account that at that time the effect of the hedged risk materializes.

In addition, as a funding strategy, the Bank currently borrows in dollars to finance active operations in pesos. In order to mitigate the currency risk in this type of borrowing, derivative instruments are contracted to hedge the principal and/or interest flows in dollars in the event of movements in the peso-dollar exchange rate. Both the interest rate component and the spot price of the hedging derivative instruments are part of the strategy in such a way that in this structure the financial cost of the indebtedness is composed of both the interest rate of the financing and the devaluation contracted in the hedging instrument.

The accounting treatment for this hedging relationship is as follows:

- The exchange differential of the hedged item is recorded in income.

- The hedging instrument is at fair value and the effective portion of the changes in fair value are recognized in other comprehensive income (OCI). The ineffective portion and the recording of the CVA/DVA are recorded against income, as are the forward points.

- To the extent that the hedged item affects the result for the hedged risk, the values accrued in OCI are reclassified to P&L.

3.8 DECONSOLIDATION (LOSS OF CONTROL)

Loss of control is a significant economic event in which the parent-subsidiary relationship ceases to exist, and an investor-subsidiary 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 such valuation is recognized in the income statement 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 is 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 applicable IFRS. 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 applicable IFRS, 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 value 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, amortisation 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.

PP&E 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 PP&E, which includes their cost less their 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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
Computer equipment, networking and communications	
PC / Laptops / Mobile Devices	3 to 10 years
Servers	3 to 10 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

The ages refer to probable useful lives for each item and are provided as a guide to the expert's judgment. The useful life may vary according to expected use, expected physical wear and tear, technical or commercial obsolescence, legal limits, or similar restrictions on the use of the asset, or other aspects.

Leasehold improvements

There are adjustments that are made to the leasehold property; they are be evaluated to define their recognition as an asset or as an expense. The adjustments recognized as PP&E 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 PP&E is derecognized when it is determined by its disposition or no further associated future economic benefits are expected from its use or disposal. Gains or losses on derecognition are recognized in the income statement for the period.

Impairment of PP&E

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 (PP&E, 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 PP&E, depreciation is calculated less impairment; in the case of investment property, fair value is updated in accordance with established accounting policy, 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.

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 book value 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 asset is depreciated on a straight-line basis over the term of the lease.

3.15 INVESTMENT PROPERTY

Investment property 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 property 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,

- 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 PP&E, 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 PP&E 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 PP&E 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 that are the result of a separate acquisition, through a business combination 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 their cost incurred in the acquisition or in their internal development phase or at fair value for intangible assets acquired by business combination. Costs incurred in the research phase are recognized directly in the income statement. Intangible assets consist mainly of computer software, licenses, customer-related intangible assets and trademarks.

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 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: i) 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 and ii) an agreement that will or may be settled using equity instruments 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 deposits, bonds issued, derivatives and financial obligations.

3.19 FINANCIAL GUARANTEES

Financial guarantees are those contracts that require the issuer (guarantor Bank) to make payment in favor of a third party in the event of default on the obligation of the guaranteed debtor. In order for the issuer to assume this responsibility, the obligation of the debtor (the Bank's customer) entered into with the third party must be duly supported by the respective contract. Financial guarantees include bank guarantees, financial guarantees, among others.

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 guaranteed 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

Corresponds to the benefits that the Bank and its Subsidiaries expect to pay within the twelve months following 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.

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	• 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	• 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	• Defined benefit plans: pension fund contributions • Defined benefit plans: Retirement pension and severance payments taken on directly by the entity.	
Other Long-term Benefits	• Seniority bonuses for unionized employees. • Seniority bonuses for non-unionized employees. • Gratuities	
Termination benefits	• 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 statement of income except for items recognized in Other Comprehensive Income (OCI) or directly in equity.

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 book value 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 it is probable that future taxable income will be available against which the 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 there is a legal right to offset current tax assets against current tax liabilities and when deferred asset and liability tax is related to taxes levied by the same tax authority on the same entity or different entities when there is a legal right, and it is intended to offset balances on a net 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.

In application of Article 86 of Law 2010 of 2019, the Bank and its national subsidiaries for purposes of determining the income tax corresponding to the taxable year 2022, can use 50% of the Industry and Commerce Tax, notices and boards effectively paid in the year as a tax discount or 100% of the expense caused in the year as 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.

- **Value added tax (VAT) on real productive fixed assets**

Law 2010/2019, 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 require 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 the income statement 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.

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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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 analyze the evolution, modifications and impact on their financial statements of the standards and amendments issued by the International Accounting Standards Board (IASB, issuer of IFRS).

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.

The amendments contained in Decree 1611 of 2022 (last decree issued), will be applicable to the Bank's general purpose financial statements as from January 1, 2024. By means of this decree, International Accounting Standards 1, 8 and 12 and International Financial Reporting Standard 16 were amended.

New statements of the IASB	Title of the standard or amendment	Summary	International application date
Amendment to IAS 7 and IFRS 7	Supplier Financing Arrangements	The amendments seek greater transparency of financing arrangements with providers and their effects on companies' liabilities, cash flows and exposure to liquidity risk.	January 1, 2024
Amendments to IAS 21	Non-Convertibility	The amendments to IAS 21 - The Effects of Changes in Foreign Exchange Rates, will require entities to apply a consistent approach when one currency cannot be exchanged for another, the exchange rate to be used and the information to be reported.	January 1, 2025

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

New statements of the IASB	Title of the standard or amendment	Summary	International application date
Amendment to IAS 12	International Tax Reform Second Pillar Model Rules	The amendments grant companies a temporary exemption from accounting for deferred taxes derived from the international tax reform of the Organization for Economic Cooperation and Development (OECD).	January 1, 2023
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
Amendment to IFRS 16	Lease liability on a sale and leaseback 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 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 Management of the Bank and its Subsidiaries makes certain judgments in the process of applying accounting policies and makes 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, 2023, 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 those applied for the evaluation of the transfer to the Bank of the benefits and risks of the acquired portfolio (see Note 2.4), 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.This represents income taxes recoverable 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 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, 2023, and 2022, the Bank and its Subsidiaries estimate that the deferred income tax asset items will be recoverable based on their estimates of future taxable gains. 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 20.4.1.

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 conducted by independent experts contracted for this purpose. As of December 31, 2023, the last impairment assessment of goodwill was performed.

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 actually incurred and the amounts initially estimated and provided for are recognized in the period in which they are identified, See Note 24.

5.6 EMPLOYEE BENEFITS

Measurement of post-employment benefits (pensions, severance payments, and retirement bonuses) and other long-term obligations (tenure premiums), depend on a wide array of long-term premises and assumptions determined based on actuarial basis, including present-value estimates of future expected payments of the benefits, considering the probability of potential future events, such as increases in the minimum wage and demographic experience. These premises and assumptions may have an effect on future contributions, in case of 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 23.3, 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.”

The Bank and its subsidiaries have defined that for its subsidiaries other than financial entities, they will consult with the leasing area of the Bank to determine the rates that would be charged to the entity, according to the terms of the lease. This rate is informed and actualized on a three-monthly basis by the Bank.

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 instruments 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 are mainly based on the weighted averages of the transactions that occurred during the trading day.

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 based on 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 designated official price vendor (PRECIA S.A. Proveedor de Precios para la Valoración S.A.) and Bloomberg for foreign entities. 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 price vendors PRECIA S.A. and Bloomberg's methodologies, it is concluded that the fair value calculated for of debt securities and derivatives instruments based on prices and inputs provided by the price vendors is adequate.

The Bank and its Subsidiaries can use models developed internally for financial instruments that do not have active markets. These models are generally based on valuation methods and techniques standardized in the financial sector. Valuation models are used primarily to assess unlisted equity instruments, 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 input data used for measuring fair value may be classified in different hierarchical levels, the fair value measurement of the instrument is classified as a whole at the same fair value hierarchy level of the lowest-level input data which is significant for the whole measurement.

6.1 FAIR VALUE MEASUREMENTS ON 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 recurring basis:

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets				
Investments in debt securities at fair value through profit or loss				
Colombian government	$ 46,727	45,476	0	92,203
Other Colombian government entities	0	80,374	0	80,374
Other financial entities	0	243,897	0	243,897
Foreign governments	0	31,697	0	31,697
Others	0	14,099	0	14,099
	46,727	**415,543**	**0**	**462,270**
Equity instruments at fair value through profit or loss	**0**	**17,037**	**1,447,749**	**1,464,786**
Total investments at fair value through profit or loss	**46,727**	**432,580**	**1,447,749**	**1,927,056**
Investments in debt securities at fair value through OCI				
Colombian government	5,261,663	1,613,908	0	6,875,571
Other Colombian government entities	445,419	194,399	0	639,818
Other financial entities	0	731,948	0	731,948
Real sector entities	0	179,071	0	179,071
Foreign governments	1,069,323	1,317,483	0	2,386,806
Central Banks	0	145,489	0	145,489
Others	1,457	455,622	0	457,079
	6,777,862	**4,637,920**	**0**	**11,415,782**
Equity instruments at fair value through OCI	**6,075**	**0**	**326,639**	**332,714**
Total investments at fair value through OCI	**6,783,937**	**4,637,920**	**326,639**	**11,748,496**
Derivative instruments				
Trading derivatives				
Currency forwards	0	545,976	0	545,976
Interest rate swaps	0	38,468	0	38,468
Cross currency swaps	0	6,976	0	6,976
Currency options	0	17,057	0	17,057
	0	**608,477**	**0**	**608,477**
Hedging derivatives				
Interest rate swaps	0	47,975	0	47,975
	0	**47,975**	**0**	**47,975**
Total derivative instruments	**0**	**656,452**	**0**	**656,452**
Investment property	**0**	**0**	**209,547**	**209,547**
Total assets at fair value on recurring basis	**6,830,664**	**5,726,952**	**1,983,935**	**14,541,551**
Liabilities				
Trading derivatives				
Currency forwards	0	753,926	0	753,926
Interest rate swaps	0	36,918	0	36,918
Cross currency swaps	0	3,442	0	3,442
Currency options	0	36,376	0	36,376
	0	830,662	0	830,662
Hedging derivatives				
Currency forwards	0	192,374	0	192,374
Interest rate swaps	0	10,871	0	10,871
	0	203,245	0	203,245
Total liabilities at fair value on recurring basis	$ **0**	**1,033,907**	**0**	**1,033,907**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of 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 instruments 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
Real 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 instruments 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**
Derivative instruments					
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 derivative instruments		**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
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**

See more detail in Note 10-Financial assets.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

6.2 FAIR VALUE MEASUREMENTS ON NON-RECURRING BASIS

The fair value is determined using pricing models and 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 based on references to market data or based on the replacement cost, when sufficient market data is not available.

The following is a breakdown of the assets valued at fair value hierarchy 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 a recurring basis:

		As of December 31, 2023	As of December 31, 2022
Financial instruments from the collateralized loan portfolio	$	959,952	1,391,344
Non-current assets held for sale		76,024	67,528
	$	**1,035,976**	**1,458,872**

6.3 FAIR VALUE CLASSIFICATION

- Financial instruments classified in Level 1 are those fair value was established according to the market prices supplied by the price vendor, determined on the basis of liquid markets corresponding to quoted prices (unadjusted) in active markets for identical assets or liabilities that the Entity can access at the measurement date.

- Financial instruments classified in 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.

- 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 instruments which are not traded publicly. Since observable prices are not available for these securities, the Bank and its Subsidiaries uses valuation techniques such as discounted cash flows for determining their fair value.

Valuation techniques and significant inputs used in Level 2 and Level 3 for the financial instruments measured at fair value on recurring basis 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 allocated at last auction
	● Market price or price calculated based on benchmarks set by price vendor methodologies
	● Estimated price / Theoretical price
	● Quoted price
Market	● Estimated price / Theoretical price (1)
	● Average price / Market price (2)
Investments in equity instruments	
Discounted cash flow	● Growth in residual values after five and ten years
	● Discount interest rates

Valuation technique	Significant inputs
	● Cost of equity rate
	● Discount interest rates WACC
Adjusted net asset valuation method	● Most relevant variable in assets
Equity Instruments - Nexus Investment Fund	
Market comparative	● Cost of acquiring a property
	● Market rent
Incomes	● Capitalization rate
	● Cash flow discount rate
Derivatives	
Incomes	● Security or underlying asset price
	● Interest rate curves by underlying functional currency
	● Exchange rates curves
	● Implicit curves associated with forward exchange contracts
	● Swap curves allocated according to underlying asset
	● Implicit volatility matrixes and curves
Market	● Market price
	● TRM (representative market exchange 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) and assigned exchange 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 underlying asset and implicit volatility matrix and curves. The price of the options is calculated using the Black & Scholes & Merton model.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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:

		As of December 31, 2023			As of December 31, 2022		
		Investments in debt securities	Equity instruments	Investment property	Investments in debt securities	Equity instruments	Investment property
Balance at the beginning of the period	$	**0**	**1,794,882**	**236,606**	**88,822**	**1,028,608**	**243,453**
Transfer from Level 2 to Level 3		0	0	0	8,128	19	0
Transfer from Level 3 to Level 2		0	0	0	(112,316)	(350)	0
Valuation adjustment with effect on net income		0	67,219	(45,953)	(9,957)	44,717	490
Valuation adjustment with effect on OCI		0	24,386	0	(2,519)	34,566	0
Adittions		0	328	73	28,856	0	0
Disposals/Sales (1)		0	(558,310)	(9,562)	(13,312)	(18,403)	(20,515)
Reclassifications (2)		0	466,210	35,462	0	746,564	10,895
Exchange difference		0	(19,002)	(7,079)	12,298	16,511	2,283
Withholding tax on income in special funds		0	(1,325)	0	0	(752)	0
Discontinued operations		0	0	0	0	1	0
Entity deconsolidation		0	0	0	0	(56,599)	0
Balance at the end of the period	$	**0**	**1,774,388**	**209,547**	**0**	**1,794,882**	**236,606**

(1) In equity instruments as of December 31, 2023, corresponds to the sale of participation in BAC Holding Internacional ($519,964) (see Note 2.5) and ($38,346) to the sale of assets of the "Fondo de Capital Privado Nexus Inmobiliario" (Private Equity Fund Nexus Inmobiliario).

(2) For equity instruments corresponds: As of December 31, 2023, transfer of assets to "Fondo de Capital Privado Nexus Inmobiliario", (see Note 2.6), at December 31, 2022 to recognition of BHI's investment for the 4.1% interest for $519,964 and transfer of assets the "Fondo de Capital Privado Nexus Inmobiliario for $226,600.

6.4.1 EQUITY INSTRUMENTS

The Bank and its Subsidiaries have equity investments in various entities with an ownership interest of less than 20% of the equity of entity each. Some of this interest was received as payment for customer obligations and some was acquired because it is necessary to develop of its operations, such as ACH Colombia S.A. and Cámara de Riesgo Central de Contraparte de Colombia S.A., among others.

In general, all these companies are not listed on a stock exchange, consequently, their fair value has been determined with the help of external consultants. For this purpose, they have used the discounted cash flow method. For this purpose, constructed based on the appraiser's own 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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

Variable	Range
Inflation growth (1)	Between 5% and 9%
Growth of the gross domestic product (1)	Between 1% and 5%
Income	CPI+1
	Between 1% and 15%
Costs and expenses	Inflation
Perpetual growth after five and ten years	3%
Discount interest rate	Between 14% and 18%
Cost of equity rate	Between 16% - 14%

(1) Information taken from the reports of the valuation price provider (PRECIA S.A.).

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 other comprehensive income (OCI):

Methods and variables	Variation	Favorable impact	Unfavorable impact
Present value adjusted for discount rate			
Income	+/-1%	9,043	(9,043)
Growth in residual values after five years	+/-1%	128	(112)
Perpetual growth	+/-1%	11,863	(9,849)
Perpetual growth	+/-50PB	171	(160)
Gradient	+/-1%	7,926	(6,576)
Perpetual gradient	+/-30PB	57	(57)
Discount interest rates	+/-50PB	866	(846)
WACC discount interest rate	+/-50PB	9,639	(8,775)
Operational expenses	+/-1%	372	(339)

Additionally, the Bank has an investment in the "Fondo de Capital Privado Nexus Inmobiliario", classified at fair value through profit or loss, for which, the valuation methodologies used incorporate fair value measurements classified in the Level 3 hierarchy under the market value approach. The following is the sensitivity analysis and the variables that affect each of the valuation methods applied.

	Increased sensitivity		Decreases in sensitivity	
Market value (square meter)	+10%	21,552	-10%	(34,006)
Initial capitalization rate	+50PB		-50PB	
Market rent	+10%		-10%	
Cash flow discount rate	+50PB		-50PB	

6.4.2 INVESTMENT PROPERTY

Investment properties 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 take into account the type of movable or immovable properties, its physical characteristics, location and market. Among the valuation methodologies used are:

Comparative Market Approach: It is based on the principle of substitution, which establishes the cost of acquiring an equally desirable property, in the same market area, that is, it 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. The characteristics of the transactions identified are compared to those of the property under study under conditions of location, size, quality, expenses incurred in the purchase, market conditions at the date of sale, physical characteristics, economic situation of the investor, etc., with the objective of defining a range of values based on a unit of value to be compared. In active markets with sufficient applicable comparables, this approach is an appropriate measure of value that best reflects market behavior.

Income Approach: This is based on the premise that properties are acquired for their potential to generate rental income. It considers both the annual return on invested capital and the return on equity. This valuation technique gives special consideration to current contractual rents, projected market rents and other sources of income, vacancy reserves and projected expenses associated with the efficient operation and management of the property. The relationship of these income estimates to the value of the property can be made either as a single value or as a series of projected flows and is the essence of the Income Approach. The two fundamental methods applied in this valuation technique include direct capitalization and discounted cash flow analysis.

Direct Capitalization: This method converts the Net Operating Income produced by the property into an indication of value by using an appropriate capitalization rate based on market information and investor expectations. In the case of a multi-user property, the capitalization rate can be applied to Stabilized Net Operating Income, less the present value of expenses incurred to achieve income stability, to provide an indication of value.

Cost Approach: In real estate, this valuation is based on the substitution principle, which states that the value of a property should not be greater than the amount required to develop a property of equal characteristics and utility. It is carried out by identifying the new replacement value of the buildings and the market value of the land, discounting the effects of depreciation due to age, conservation and obsolescence.

Residual method: One of the methods applicable for estimating the market value of land when the subdivision or development corresponds to the highest and best use of the property being appraised. When all direct and indirect costs, as well as the investor/developer's expected profit are deducted from an estimate of the anticipated gross sales of the completed units, the net sales are discounted to present value using a market-derived rate for the development time and absorption period, indicating the value of the useful area of the land. This method is used to establish the value of a land for properties intended to develop urban or real estate projects of multifamily housing, condominiums, shopping centers, business centers, among others. This method takes into account 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, infrastructural, institutional, industrial, among others), in synthesis, to determine based on the development and sales potential of a project, what is the incidence factor of the land and thus determine the value of this.

The valuations of investment properties are considered the Level 3 of the fair value measurement hierarchy. There have been no changes in the valuation technique for each asset during the year 2023.

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

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

6.5 TRANSFERS BETWEEN HIERARCHY LEVELS

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. As of December 31, 2023, there were no transfers between hierarchy levels.

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.

		As of December 31, 2023		As of December 31, 2022	
		Book value	Estimate of fair value	Book value	Estimate of fair value
Assets					
Investments held to maturity	$	3,699,028	3,686,760	3,470,518	3,454,592
Loan portfolio, net		93,586,560	97,704,821	95,277,032	96,450,892
Total		**97,285,588**	**101,391,581**	**98,747,550**	**99,905,484**
Liabilities					
Customer deposits		91,083,792	91,449,968	88,027,473	87,698,728
Financial obligations		25,577,535	25,633,135	30,327,761	31,026,901
Total	$	**116,661,327**	**117,083,103**	**118,355,234**	**118,725,629**

- **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 finance lease operations**

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.

- **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 – INTEGRATED RISK MANAGEMENT SYSTEM - (SIAR)

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 Real 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. For this purpose, the Bank and its Subsidiaries guiding principles on risk management have been the following:

- Provide security and continuity in the services being offered to customers.

- The integration of risk management into institutional processes.

- Collective decision making for commercial lending and other investments operations, at level of each of the Boards of Directors of the Bank and its Subsidiaries.

- Extensive and in-depth knowledge of market, as a result of our leadership and experience.

- Establish risk policies based on a top-down approach with respect to:

  - Compliance with know-your-customer policies.
  - Commercial loans credit structured based on a clear identification of sources of repayment and of cash flow generation capacity of the borrower.

- Diversification of the commercial loan portfolio with respect to industries and economic groups.

- Specialization in consumer product niches.

- Extensive use of scoring models and credit ratings updated permanently to ensure the growth of consumer loans with high credit quality.

- Policies in terms of:

  - Trading portfolio composition with bias towards lower volatility instruments.
  - Proprietary trading positions.
  - Variable remuneration for the trading staff.

- Properly administer and manage the risks of money laundering, financing of terrorism and the financing of the proliferation of weapons of mass destruction, in accordance with international standards, current regulations, the Parent Company's policies and the corporate policies of Grupo Aval.

7.2 RISK CULTURE

The risk culture of the Bank and its Subsidiaries is based on the principles indicated in the preceding paragraph and is transmitted to all entities and units of the Bank and its Subsidiaries, supported by the following guidelines:

- The risk function is independent and monitored at the level of each entity.
- The structure of delegation of powers of the Bank and its Subsidiaries requires that they be sent to decision making centers such as risk committees. 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 that risk appetite limits are systematically met and, if necessary, to take the proper corrective action.
- The main risks are analyzed prior to their materialization.
- 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.
- Legal representative.
- Credit and treasury risk management.
- Compliance control unit management
- Integral risk management.
- Risk management administrative processes.

In order to improve the organizational structure, management decided to create the Vice-Presidency of Risk as of January 2024.

7.3.1 BOARD OF DIRECTORS

The Board of Directors of the Bank and of each subsidiary is responsible for adopting, in accordance with the regulations in force, among others, the following functions related to risk management:

- Approve the governance structure for risk management, as well as the responsibilities and attributions assigned to the positions and areas in charge. Approve the business plan and verify its compliance.

- Approve and verify compliance with SIAR policies, general exposure limits, risk management strategies, capital, and liquidity.

- Verify that such policies are in accordance with the risk profile and appetite, the business plan, the nature, size, complexity, and diversity of the activities carried out by each Entity, and the economic and market environments.

- Ensure that the Legal Representative, members of Senior Management and other employees of the Bank and its Subsidiary comply with the aforementioned policies, including those related to timely identification and management, risk limits and escalation of authorizations for exceeding such limits, as well as those related to material risk exposures.

- Approve the Risk Appetite Framework (RAF) and the Risk Appetite Statement (RAS) of each Entity, 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, its financial and operating structure. Verify their compliance.

- To know and make a statement at least once a year, regarding the risk profile, to propose and/or approve improvement actions and strengthening measures in those aspects that so require.

7.3.2 RISK COMMITTEES

7.3.2.1 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 SIAR, the MAR and its consistency with the Bank and its subsisiaries 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.

- Review the Risk Appetite Framework and Risk Appetite Statement, at least once a year, and propose the corresponding adjustments to the Board of Directors for their respective approval.

- 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, iii) the early warning system with respect to the risks inherent to the corporate purpose of the Entity and iv) the risk governance policies and structure.

- Monitor the performance of the risk management function, including risk limits and risk management reports, and make appropriate recommendations.

7.3.2.2 ASSET LIABILITY COMMITTEE (ALCO)

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.
- Identify the origin of exposures and determine, through sensitivity analysis, the probability of lower returns or the necessity of resources due to movements in cash flow.

7.3.2.3 AUDIT COMMITTEE AND GENERAL COMPTROLLER

Its objective is to evaluate and monitor the internal control system. Among the main duties of these committees are the following:

- Evaluate the risks that may affect the execution of strategic planning and those derived from changes in Senior Management and their impact on the Internal Control System and, if necessary, recommend the measures deemed appropriate to mitigate such impacts.
- Approve the structure, procedures, and methodologies of the Internal Control System with lines of responsibility and accountability.
- Evaluate the structure of the Internal Control System to determine whether the procedures designed reasonably protect the Bank's assets and those of third parties it manages or has custody of.
- Evaluate whether the Internal Control System reasonably ensures the operation of the information systems, their reliability and integrity for decision making, and propose to the Board of Directors of each Entity the necessary measures to solve the vulnerabilities detected.

The internal audit activity of the Bank and its Subsidiaries is independent from Management, the General Comptroller Office reports directly to the Audit Committee, in the development of its functions, evaluates the effectiveness of the Internal Control System in the areas and processes, taking into account the policies defined by the Board of Directors with the purpose of supporting the Bank and its Subsidiaries in meeting their institutional and strategic objectives, adding value through the opportunities, improvements and findings identified in the audit activities developed to evaluate 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 LEGAL REPRESENTATIVE

Some of the functions of the Legal Representative concerning risk management in the Bank and its Subsidiaries are:

- Submit the business plan to the Board of Directors for approval, as well as the MAR, the SIAR policies, procedures, and the general limits of exposure and concentration related to the risks managed, the risk governance structure, the strategies to manage: (i) risks, (ii) capital, (iii) liquidity and (iv) conflicts of interest and their disclosure; and their updates, and ensure their compliance.

- Ensure that the risk management strategy and policies approved by the Board of Directors are implemented.

- Submit the guidelines for reports and reports related to risk management and the liquidity contingency plan to the Board of Directors, as well as their updates.

- Approve the SIAR manual and the contingency and business continuity plans, including the risks associated with interconnectivity with other infrastructures and/or supervised entities or suppliers.

- Monitor that the Comprehensive Risk Management System is adequate to manage risks and is in accordance with the risk profile and appetite, business plan, nature, size and complexity of the Entity, the regulatory framework and the conditions of the economies and markets in which it operates.

- Timely inform the Board of Directors in case of deviations from the defined risk appetite or any event that may compromise the viability of the business or the confidence of the public. Ensure that the register of operational risk events complies with the criteria of integrity, availability, compliance, and confidentiality of the information contained therein, as well as that there is a procedure to feed such register.

- Review the composition, characteristics, and level of diversification of assets, liabilities, capital, liquidity, and funding strategy.

7.3.4 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 adequately complies with 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.

- 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 to the control and supervision entities in relation to compliance with 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.

7.3.5 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), Anti-Bribery and Anti-Corruption Policy (ABAC), 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).

7.3.6 INTEGRAL RISK MANAGEMENT

The Integral Risk Department, assigned to the Vice-Presidency of risk, 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. Since the entry into force of External Circular 018 associated with the implementation of the SIAR, the Directorate is responsible for the analysis, monitoring and control of country risk based on the aforementioned regulations.

7.3.7 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 Committee (ALCO), 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.

- **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, legal and country 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 "Real 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 and/or issuers 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. For housing portfolios that, given their characteristics, are considered more than 180 days past due to consider a defaulted loan.

- 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.

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: the difference between the carrying amount and the present value of estimated future cash flows; 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, charged-off of loan portfolio). For most credits, key economic factors include gross domestic product growth, changes in market interest rates and unemployment.

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 o 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 utilize 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 amortisation 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.
- Date of initial recognition.
- Remaining term for expiration.
- Industry.

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

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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 of December 31, 2023, include the following ranges of key indicators for Colombia in the year 2024:

	Year 2024							
Variables	Quarter 1		Quarter 2		Quarter 3		Quarter 4	
	Base %	Range %	Base %	Range %	Base %	Range %	Base %	Range %
Variation (annual) housing price index (used) (%)	(2.70)	(3.70) – (1.79)	(1.88)	(2.88) – (0.91)	(2.35)	(3.45) – (1.28)	(2.11)	(3.15) – (1.02)
Annual variation of GDP (Gross domestic product) of the last twelve months period at constant prices	0.33	(0.57) – 0.68	0.32	(1.04) – 1.14	0.58	(1.34) – 2.04	0.99	(1.07) – 2.70
Quarterly variation of GDP at constant prices	0.83	0.93 – 0.59	0.13	(0.14) – 0.77	0.94	0.50 – 1.25	0.56	(1.07) – 2.06
Annual variation of quarterly GDP of at constant prices	(0.49)	(2.12) – 0.49	0.64	(1.28) – 2.28	1.34	(1.03) – 3.31	2.50	0.19 – 4.73
Annual variation of GDP of the last twelve months period at current prices	8.37	6.69 – 9.57	8.29	5.88 – 10.46	7.99	5.02 – 11.24	7.61	4.24 – 11.42
Unemployment rate 7 areas	12.77	13.65 – 11.89	11.49	12.48 – 10.49	11.26	12.57 – 9.79	10.43	11.96 – 8.77
Effective annual real interest rate (DTF – inflation)	5.02	4.93 – 4.57	4.34	4.06 – 3.62	4.09	3.62 – 3.12	3.00	2.66 – 2.36
Effective annual real interest rate (Central Bank- inflation)	4.64	4.64 – 4.28	3.85	3.42 – 3.01	3.48	2.61 – 2.67	2.45	1.81 – 1.99

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.

		As of December 31, 2023			**As of December 31, 2022**		
		Scenario A	**Scenario B**	**Scenario C**	**Scenario A**	**Scenario B**	**Scenario C**
Carrying amount							
Commercial portfolio	$	59,925,027	59,925,027	59,925,027	59,136,930	59,136,930	59,136,930
Consumer portfolio		23,059,701	23,059,701	23,059,701	21,738,368	21,738,368	21,738,368
Mortgage portfolio		11,384,408	11,384,408	11,384,408	10,797,850	10,797,850	10,797,850
Microcredit portfolio		275,422	275,422	275,422	265,340	265,340	265,340
Finance lease portfolio		4,314,800	4,314,800	4,314,800	4,139,470	4,139,470	4,139,470
Repos, interbank and others		237,855	237,855	237,855	4,492,352	4,492,352	4,492,352
Total		**99,197,213**	**99,197,213**	**99,197,213**	**100,570,310**	**100,570,310**	**100,570,310**
Impairment							
Commercial portfolio		3,211,889	3,229,651	3,254,407	3,299,820	3,331,117	3,374,378
Consumer portfolio		1,915,052	1,913,566	1,921,599	1,294,483	1,325,826	1,346,947
Mortgage portfolio		198,027	202,033	205,027	163,678	164,041	164,680
Microcredit portfolio		52,756	52,617	52,660	36,839	37,966	39,382
Finance lease portfolio		201,874	203,227	204,721	414,350	417,326	421,211
Repos, interbank and others		1	1	1	2	2	3
Total	$	**5,579,599**	**5,601,095**	**5,638,415**	**5,209,572**	**5,276,278**	**5,346,601**

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	As of December 31, 2023			As of December 31, 2022		
	Scenario A	**Scenario B**	**Scenario C**	**Scenario A**	**Scenario B**	**Scenario C**
Portion of assets in stage 2						
Commercial portfolio	3.13%	3.14%	3.16%	5.59%	5.60%	5.60%
Consumer portfolio	9.02%	9.03%	9.04%	14.23%	14.24%	14.30%
Mortgage portfolio	5.99%	5.99%	5.99%	7.97%	8.05%	8.19%
Microcredit portfolio	4.99%	4.99%	4.99%	5.29%	5.29%	5.29%
Finance lease portfolio	3.76%	3.76%	3.76%	12.20%	12.20%	12.20%

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.

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.

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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The following is the balance of restructured loans:

		As of December 31, 2023	As of December 31, 2022
Local	$	1,937,662	1,586,984
Foreign		1,610,449	1,590,174
Total	$	**3,548,111**	**3,177,158**

Foreclosed assets

When persuasive collection or loan restructuring processes do not produce satisfactory results within a reasonable period, 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 is a breakdown of foreclosed assets and those sold for the years periods ended on:

		As of December 31, 2023	As of December 31, 2022
Additions (See Note 13)	$	69,415	69,811
Disposals/ Sales (See Note 13)	$	(14,632)	(30,014)

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:

		As of December 31, 2023	As of December 31, 2022
Cash and cash equivalents (1)	$	**6,267,524**	**5,315,396**
Debt securities investments at fair value through profit or loss			
Government		123,900	150,704
Financial entities		243,897	162,262
Other sectors		94,473	150,247
		462,270	**463,213**
Debt securities investments at fair value through OCI			
Government		9,262,377	8,717,529
Central Banks		145,489	194,098
Financial entities		731,948	732,933
Other sectors		1,275,968	1,182,260
		11,415,782	**10,826,820**
Investments at amortized cost			
Government		1,223,633	1,216,849
Financial entities		86,141	105,540
Other sectors		2,395,320	2,158,259
		3,705,094	**3,480,648**
Derivative instruments		**656,452**	**786,282**
Loan portfolio			
Repos, interbank, overnight and money market operations		237,855	4,492,352
Commercial		63,449,655	62,525,843
Consumer		23,066,146	21,747,435
Mortgage		12,168,135	11,539,340

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023	As of December 31, 2022
Microcredits		275,422	265,340
		99,197,213	**100,570,310**
Other accounts receivable		**3,633,202**	**3,284,793**
Total financial assets with credit risk		**125,337,537**	**124,727,462**
Off- statement of financial position credit risk instruments at their face value			
Financial guarantees and unused letters of credit		2,400,852	3,063,321
Credit commitments		12,617,707	12,489,574
Total exposure to off- statement of financial position credit risk		**15,018,559**	**15,552,895**
Total maximum exposure to credit risk	$	**140,356,096**	**140,280,357**

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

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 loan-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

The following is the detail:

		As of December 31, 2023	As of December 31, 2022
		Notional amount	Notional amount
Unused credit card limits	$	6,268,910	5,701,273
Opened lines of credit		3,794,123	3,852,955
Loans approved but not disbursed		2,554,674	2,935,346
Guarantees		1,803,629	2,126,968
Unused letters of credit		597,223	936,353
Total	**$**	**15,018,559**	**15,552,895**

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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Following are the details on loan commitments by type of currency, in their equivalent in Colombian pesos:

		As of December 31, 2023	As of December 31, 2022
Colombian pesos	$	12,950,219	12,207,885
US dollars		2,066,189	3,339,130
Euros		1,717	5,880
Others		434	0
Total	$	**15,018,559**	**15,552,895**

The following is the detail of the credit commitments by risk level, the explanation of the levels can be found in the section on credit risk monitoring process:

		As of December 31, 2023			
		Stage 1	Stage 2	Stage 3	Total
0% - 7.5%	$	12,092,192	36,738	0	12,128,930
7.5% - 15%		117,989	770,771	0	888,760
15% - 22.5%		26,547	1,667,379	0	1,693,926
22.5% - 30%		7,593	3,331	0	10,924
30% - 45%		805	144,726	0	145,531
45% - 60%		1	2,035	0	2,036
60% - 90%		5	294	0	299
> 90%		0	3	148,150	148,153
Total	$	**12,245,132**	**2,625,277**	**148,150**	**15,018,559**

		As of December 31, 2022			
		Stage 1	Stage 2	Stage 3	Total
0% - 7.5%	$	11,583,974	194,269	0	11,778,243
7.5% - 15%		180,519	998,802	0	1,179,321
15% - 22.5%		3,052	1,858,409	0	1,861,461
22.5% - 30%		413	230,436	0	230,849
30% - 45%		829	303,029	0	303,858
45% - 60%		66	79,400	0	79,466
60% - 90%		3	47,616	0	47,619
> 90%		0	9	72,069	72,078
Total	$	**11,768,856**	**3,711,970**	**72,069**	**15,552,895**

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

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 mitigants 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 44.4% of total exposure as of December 31, 2023 (48.6% as of December 31, 2022), 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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		As of December 31, 2023	As of December 31, 2022
LTV ratio			
Less than 50%	$	4,162,334	3,521,551
51 – 70%		4,418,548	3,985,224
71 – 90%		2,820,542	3,031,796
91 – 100%		726,615	966,585
More than 100%		40,096	34,184
Total	$	**12,168,135**	**11,539,340**

Impaired mortgage portfolio		As of December 31, 2023	As of December 31, 2022
LTV ratio			
Less than 50%	$	51,680	67,968
51 – 70%		181,106	117,731
More than 70%		95,756	76,758
Total	$	**328,542**	**262,457**

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:

		As of December 31, 2023						
		Commercial portfolio	Consumer portfolio	Mortgage portfolio	Microcredit portfolio	Finance lease portfolio	Repos, interbank and others	Total
Unsecured loans	$	35,070,664	19,861,644	0	255,629	0	0	55,187,937
Secured loans by other banks		0	0	0	0	0	0	0
Collateralized loans:								
Mortgage		226,971	92,672	11,336,896	393	5,445	0	11,662,377
Other real estate		10,444,225	167,407	1,603	90	128,837	0	10,742,162
Deposits in cash or cash equivalents		871,228	145,447	0	0	0	0	1,016,675
Leased assets		0	0	0	0	2,634,588	0	2,634,588
Non-real estate assets		0	0	0	0	1,485,304	0	1,485,304
Trust, stand-by and guarantee fund agreements		6,369,974	20,076	45,909	18,927	32,150	0	6,487,036
Pledging of rents		1,712,610	0	0	0	242	0	1,712,852
Pledges		2,322,943	2,763,745	0	27	5,453	0	5,092,168
Other assets		2,906,412	8,710	0	356	22,781	237,855	3,176,114
Total	$	**59,925,027**	**23,059,701**	**11,384,408**	**275,422**	**4,314,800**	**237,855**	**99,197,213**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2022						
		Commercial portfolio	Consumer portfolio	Mortgage portfolio	Microcredit portfolio	Finance lease portfolio	Repos, interbank and others	Total
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
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**

Policies to prevent excessive loan-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 loan-risk impairment:

		As of December 31, 2023						
		Commercial portfolio	Consumer portfolio	Mortgage portfolio	Microcredit portfolio	Finance lease portfolio	Repos, interbank and others	Total
Colombia	$	46,168,564	19,724,723	8,261,890	275,422	4,283,890	166,383	78,880,872
Panamá		7,651,962	3,334,978	3,122,518	0	30,910	20,777	14,161,145
United States		5,771,432	0	0	0	0	50,089	5,821,521
Costa Rica		0	0	0	0	0	606	606
Guatemala		4,434	0	0	0	0	0	4,434
Other countries		328,635	0	0	0	0	0	328,635
Total	$	**59,925,027**	**23,059,701**	**11,384,408**	**275,422**	**4,314,800**	**237,855**	**99,197,213**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2022						
		Commercial portfolio	Consumer portfolio	Mortgage portfolio	Microcredit portfolio	Finance lease portfolio	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
Panamá		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**

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

		As of December 31, 2023		As of December 31, 2022	
		Total	Shareholding %	Total	Shareholding %
Consumer services	$	38,062,024	38%	38,055,407	38%
Commercial services		22,742,591	23%	24,182,173	24%
Construction		9,988,601	10%	9,639,538	10%
Food, beverages and tobacco		5,160,901	5%	5,781,280	6%
Public services		4,303,861	4%	3,395,502	3%
Transport and communications		3,804,285	4%	4,014,289	4%
Others industrial and manufactured products		3,718,245	4%	3,963,998	4%
Chemical products		3,342,412	3%	3,449,883	3%
Agriculture		2,831,940	3%	3,096,337	3%
Government		2,420,294	2%	2,330,602	2%
Trade and Tourism		1,213,991	2%	1,269,361	1%
Mining products and oil		1,067,299	1%	869,957	1%
Others		540,769	1%	521,983	1%
Total	$	**99,197,213**	**100%**	**100,570,310**	**100%**

Sovereign debt

As of December 31,2023, and December 31,2022, the investment portfolio in debt securities is comprised mainly of securities issued or secured by Colombian government or foreign governments, which represent 69.0% and 69.6%, respectively of the total portfolio.

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

		As of December 31, 2023		As of December 31, 2022	
		Value	Shareholding %	Value	Shareholding %
Investment grade (1)	$	**9,027,561**	**83.94%**	8,858,124	86.18%
Colombia		6,505,508	60.49%	5,323,776	51.80%
USA		1,298,908	12.08%	2,213,308	21.53%
Panamá		1,223,145	11.37%	1,321,040	12.85%
Speculative (2)		**1,727,838**	**16.06%**	**1,421,055**	**13.82%**
Colombia		1,659,384	15.43%	1,326,184	12.90%
Costa Rica		68,454	0.64%	94,871	0.92%
Total sovereign risk		**10,755,399**	**100.00%**	**10,279,179**	**100.00%**

		As of December 31, 2023		As of December 31, 2022	
		Value	Shareholding %	Value	Shareholding %
Others (3)		4,827,747		4,491,502	
Total	$	**15,583,146**		**14,770,681**	

(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 Central Bank, and A1 to A3 from Standard & Poor's.
(2) The 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 debt instruments with real sector real, financial entities, other public and multilateral entities and unrated or not available.

Process for granting loans and counterparty 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 for loan and credit risk management are outlined in its loan manuals, which are designed for both traditional banking and treasury activities. The assessment criteria applied to measure credit risk follows the principal guidelines set by the Loan and Treasury Risk Committees.

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

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 loans certain considerations are taken into account, including but not limited to the probability of default, counterpart lines of loan, 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 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 loan-risk assessment models, such as the financial-rating models for commercial portfolio. 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 sociodemographic 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The credit-risk monitoring process

The monitoring process and follow-up of credit risk of 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:

		As of December 31, 2023				
		1 to 30 days	**31 to 60 days**	**61 to 90 days**	**Total customers in arrears but not impaired**	**Impaired**
Commercial portfolio	$	2,056,533	197,332	118,061	2,371,926	2,662,114
Consumer portfolio		1,291,264	488,953	285,345	2,065,562	884,753
Mortgage portfolio		1,237,050	201,902	99,496	1,538,448	422,983
Microcredit portfolio		24,788	6,451	4,030	35,269	36,128
Finance lease portfolio		290,030	34,006	12,418	336,454	144,394
Total	$	**4,899,665**	**928,644**	**519,350**	**6,347,659**	**4,150,372**

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

The Bank and its Subsidiaries evaluate commercial portfolio 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 loan bureaus. This information is used to classify customers at different risk levels. The following categories are used for this purpose: Normal, Acceptable, Appreciable, Significant and Being uncollectible. These categories are described below.

Category	**Likelihood of default %**	**Risk**	**Description**
1	0 - 7.5	Normal	Loans and finance lease in this category are appropriately serviced. The debtor's financial statements or its projected cash flows, as well as any other loan information available to the Bank and its subsidiaries reflect the debtor's adequate payment capacity.
2	7.5 - 15	Acceptable	Loans and finance lease in this category are acceptable, serviced and protected by collateral; however, there are weaknesses that could potentially temporarily or permanently affect the debtor's capacity to pay or its projected cash flows, which if not corrected in a timely manner would affect the capacity to pay the loans.
3	15 - 22.5		

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Category	Likelihood of default %	Risk	Description
4	22.5 - 30	Appreciable	Loans and finance lease in this category have debtors with insufficient payment capacity or are related to insufficient cash flow projections, which could compromise normal collection of the obligations.
5	30 - 45		
6	45 - 60	Significant	Loans and finance lease in this category has the same deficiencies as loans in category 4-5, but with greater severity; consequently, the capacity to pay is highly doubtful.
7	60 - 90		
8	> 90	Being uncollectible	Loans and finance lease 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.

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

		As of December 31, 2023			
		Stage 1	Stage 2	Stage 3	Total
Commercial portfolio					
0% - 7.5%	$	51,669,711	117,315	0	51,787,026
7.5% - 15%		488,436	140,057	0	628,493
15% - 22.5%		93,821	100,009	0	193,830
22.5% - 30%		73,120	196,203	0	269,323
30% - 45%		34,611	1,253,909	0	1,288,520
45% - 60%		0	27,712	0	27,712
60% - 90%		1,652	73,731	0	75,383
> 90%		0	0	5,654,740	5,654,740
		52,361,351	**1,908,936**	**5,654,740**	**59,925,027**
Consumer portfolio					
0% - 7.5%		17,595,415	57,907	0	17,653,322
7.5% - 15%		2,028,946	88,212	0	2,117,158
15% - 22.5%		213,513	52,211	0	265,724
22.5% - 30%		193,644	85,756	0	279,400
30% - 45%		15,949	321,537	0	337,486
45% - 60%		5,266	293,729	0	298,995
60% - 90%		27,562	1,189,173	0	1,216,735
> 90%		0	0	890,881	890,881
		20,080,295	**2,088,525**	**890,881**	**23,059,701**
Mortgage portfolio					
0% - 7.5%		10,123,296	10,836	0	10,134,132
7.5% - 15%		192,396	49,244	0	241,640
15% - 22.5%		64,083	74,084	0	138,167
22.5% - 30%		1,653	37,485	0	39,138
30% - 45%		594	189,458	0	190,052
45% - 60%		0	145,835	0	145,835

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	As of December 31, 2023			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
60% - 90%	0	184,577	0	184,577
> 90%	0	0	310,867	310,867
	10,382,022	**691,519**	**310,867**	**11,384,408**
Microcredit portfolio				
0% - 7.5%	166,993	0	0	166,993
7.5% - 15%	26,377	0	0	26,377
15% - 22.5%	14,310	50	0	14,360
22.5% - 30%	8,176	0	0	8,176
30% - 45%	3,441	253	0	3,694
45% - 60%	5,042	766	0	5,808
60% - 90%	1,222	12,664	0	13,886
> 90%	0	0	36,128	36,128
	225,561	**13,733**	**36,128**	**275,422**
Finance lease portfolio				
0% - 7.5%	3,881,076	36	0	3,881,112
7.5% - 15%	10,276	32	0	10,308
15% - 22.5%	1,939	1,259	0	3,198
22.5% - 30%	1,190	157	0	1,347
30% - 45%	332	137,024	0	137,356
45% - 60%	0	7,063	0	7,063
60% - 90%	0	11,599	0	11,599
> 90%	0	0	262,817	262,817
	3,894,813	**157,170**	**262,817**	**4,314,800**
Repos, interbank and others				
0% - 7.5%	237,855	0	0	237,855
	237,855	**0**	**0**	**237,855**
Total				
0% - 7.5%	83,674,346	186,094	0	83,860,440
7.5% - 15%	2,746,431	277,545	0	3,023,976
15% - 22.5%	387,666	227,613	0	615,279
22.5% - 30%	277,783	319,601	0	597,384
30% - 45%	54,927	1,902,181	0	1,957,108
45% - 60%	10,308	475,105	0	485,413
60% - 90%	30,436	1,471,744	0	1,502,180
> 90%	0	0	7,155,433	7,155,433
	$ **87,181,897**	**4,859,883**	**7,155,433**	**99,197,213**

	As of December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Commercial portfolio				
0% - 7.5%	$ 49,540,423	139,365	0	49,679,788
7.5% - 15%	418,851	196,896	0	615,747
15% - 22.5%	19,628	140,861	0	160,489
22.5% - 30%	4,937	279,061	0	283,998
30% - 45%	41,574	2,277,999	0	2,319,573
45% - 60%	1,641	237,088	0	238,729
60% - 90%	752	65,465	0	66,217
> 90%	0	283	5,772,106	5,772,389
	50,027,806	**3,337,018**	**5,772,106**	**59,136,930**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	As of December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Consumer portfolio				
0% - 7.5%	16,117,955	276,398	0	16,394,353
7.5% - 15%	1,650,745	154,480	0	1,805,225
15% - 22.5%	203,861	283,054	0	486,915
22.5% - 30%	9,808	137,424	0	147,232
30% - 45%	9,317	633,776	0	643,093
45% - 60%	41,759	390,548	0	432,307
60% - 90%	0	1,225,739	0	1,225,739
> 90%	161	7,680	595,663	603,504
	18,033,606	**3,109,099**	**595,663**	**21,738,368**
Mortgage portfolio				
0% - 7.5%	9,332,675	11,859	0	9,344,534
7.5% - 15%	248,066	402,911	0	650,977
15% - 22.5%	82,625	61,487	0	144,112
22.5% - 30%	2,130	134,118	0	136,248
30% - 45%	765	36,428	0	37,193
45% - 60%	0	107,786	0	107,786
60% - 90%	0	130,470	0	130,470
> 90%	0	84	246,446	246,530
	9,666,261	**885,143**	**246,446**	**10,797,850**
Microcredit portfolio				
0% - 7.5%	152,654	0	0	152,654
7.5% - 15%	40,496	0	0	40,496
15% - 22.5%	7,201	0	0	7,201
22.5% - 30%	12,443	0	0	12,443
30% - 45%	3,380	362	0	3,742
45% - 60%	4,336	439	0	4,775
60% - 90%	282	13,227	0	13,509
> 90%	2,045	0	28,475	30,520
	222,837	**14,028**	**28,475**	**265,340**
Finance lease portfolio				
0% - 7.5%	3,115,583	89	0	3,115,672
7.5% - 15%	29,790	47,112	0	76,902
15% - 22.5%	182	456	0	638
22.5% - 30%	5	12,759	0	12,764
30% - 45%	1,429	400,927	0	402,356
45% - 60%	0	28,527	0	28,527
60% - 90%	0	6,862	0	6,862
> 90%	0	0	495,749	495,749
	3,146,989	**496,732**	**495,749**	**4,139,470**
Repos, interbank and others				
0% - 7.5%	4,492,351	0	0	4,492,351
> 90%	0	0	1	1
	4,492,351	**0**	**1**	**4,492,352**
Total				
0% - 7.5%	82,751,641	427,711	0	83,179,352
7.5% - 15%	2,387,948	801,399	0	3,189,347
15% - 22.5%	313,497	485,858	0	799,355
22.5% - 30%	29,323	563,362	0	592,685

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2022			
		Stage 1	Stage 2	Stage 3	Total
30% - 45%		56,465	3,349,492	0	3,405,957
45% - 60%		47,736	764,388	0	812,124
60% - 90%		1,034	1,441,763	0	1,442,797
> 90%		2,206	8,047	7,138,440	7,148,693
	$	**85,589,850**	**7,842,020**	**7,138,440**	**100,570,310**

Based on the foregoing classifications, the Bank and its Subsidiaries prepare a list of customers 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.

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 instruments, 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.
- 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:

		As of December 31, 2023	As of December 31, 2022
Assets			
Debt financial assets			
investments at fair value through profit or loss	$	462,270	463,213
investments at fair value through other comprehensive income		11,415,782	10,826,820
		11,878,052	**11,290,033**
Trading derivatives		608,477	786,175
Hedging derivatives		47,975	107
Total assets		**12,534,504**	**12,076,315**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023	As of December 31, 2022
Liabilities			
Trading derivatives		830,662	631,876
Hedging derivatives		203,245	2,015
Total liabilities		**1,033,907**	**633,891**
Net position	$	**11,500,597**	**11,442,424**

Description of risk management objectives, polices and processes

The risks assumed in bank book and treasury book operations are consistent with the Bank's overall business strategy and its risk tolerance, stablished 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 markets for each instrument, its impact on risk-weighted assets and capital adequacy, the profit budget established for each business unit, and the structure of statement of financial position.

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.

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 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 the asset positions in each currency does not match the current value of the 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, and 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 risks. 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 abroad is partially hedged through “non-derivative” instruments (bonds issued in USD), which are treated as “hedging” accounting treatment once they comply with the respective requirements.

The economic relationship between financial instrument and hedged item is contained in Note 10.4.3.1.

Methods used to measure risk

Market risks are quantified using value-at-risk models (internal and standard), and additional 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.

The Bank and its Subsidiaries use the standard model to measure, control and manage market interest, exchange risk and shares price risk 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 instruments 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 adopted by the Financial Superintendence of Colombia.

The entities have parametric and non-parametric models for internal management based on the value-at-risk (VaR) method. These models allow to supplement market risk management by identifying and analyzing variations in risk factors (interest rates, exchange rates and price indexes) with respect to the value of the different instruments that constitute 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 contemplated for the Stress Testing Scheme submitted to the Financial Superintendence of Colombia, compared to the historical scenarios used in the internal methodologies that have been used to set limits for the risk management of treasury portfolios, with the purpose to verify that they are contained in them.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Additionally, 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.

Finally, 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:

		As of December 31, 2023				**As of December 31, 2022**			
		Minimum	Average	Maximum	Latest	Minimum	Average	Maximum	Latest
Interest rate	$	423,347	428,765	440,804	440,804	437,422	438,977	440,531	440,531
Exchange rate		105,390	138,671	175,945	160,165	94,303	132,910	171,517	171,517
Shares of stock		3,891	12,573	37,830	37,830	3,759	3,815	3,870	3,870
Mutual funds		106	3,860	13,085	429	108,165	125,935	143,705	143,705
Total VaR	$	**535,017**	**583,869**	**639,228**	**639,228**	**643,648**	**701,637**	**759,624**	**759,623**

The Bank and its main financial subsidiaries market risk-weighted assets represented on average about 6.73% and 8.14% of total risk-weighted assets during as of December 31, 2023, and 2022.

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

		As of December 31, 2023		**As of December 31, 2022**	
		Amount	Basis points of regulatory capital	Amount	Basis points of regulatory capital
Banco de Bogotá and financial subsidiaries	$	639,228	111	759,623	116

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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):

		As of December 31, 2023			As of December 31, 2022		
		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	$	295,671	739	1,478	644,058	1,610	3,220
Fiduciaria Bogotá S.A.		101,114	253	506	25,702	64	129
Multi Financial Holding (MFH)		44,820	112	224	60,315	151	302
Banco de Bogotá Panamá S.A.	$	21,136	53	106	130,516	326	652

Investment price risk in equity instruments

Equity investments

The Bank and its Subsidiaries have exposures to price risk of financial assets in equity instruments that are listed on the stock exchange, If the prices of these investments had change by +/-1% higher or lower, the greater or lesser impact on the OCI before taxes, would have been $61 and $36 as of December 31, 2023 and 2022, 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).

- **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 34. 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:

	As of December 31, 2023				
	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	906.38	28.46	29.42	$	3,697,534
Debt securities investments at fair value through profit or loss	40.75	0.00	0.00		155,748
Equity instruments investments at fair value through profit or loss	22.57	0.00	0.00		86,245
Debt securities investments at fair value through other comprehensive income	1,520.49	0.00	0.00		5,811,382
Equity instruments investments at fair value through other comprehensive income	0.00	0.00	1.59		6,090
Investments at amortized cost	74.11	0.00	0.00		283,257
Loan portfolio	5,910.16	0.00	0.05		22,589,096
Other accounts receivable	422.83	0.00	0.00		1,616,083
Total assets	**8,897.29**	**28.46**	**31.06**		**34,245,435**
Liabilities					
Checking accounts deposits	1,123.29	18.72	5.59		4,394,159
Savings accounts deposits	597.21	1.14	0.00		2,287,376
Time deposits	4,288.90	3.91	0.00		16,408,994
Others deposits	53.13	3.75	0.12		219,452
Interbank borrowings and overnight funds	37.57	1.25	0.00		148,882
Borrowings from banks and others	2,262.13	0.00	0.00		8,645,969
Bonds issued	2,157.99	0.00	0.00		8,247,955
Borrowings from development entities	0.15	0.00	0.00		580
Lease liability	14.90	0.00	0.00		56,948
Accounts payables and other liabilities	71.56	0.00	0.00		273,524
Total liabilities	**10,606.83**	**28.76**	**5.71**		**40,683,839**
Net asset position (liabilities)	**(1,709.54)**	**(0.30)**	**25.35**	$	**(6,438,404)**

	As of 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 instruments 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 instruments 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

	As of December 31, 2022			
	US millions of Dollars	**Millions of Euros**	**Other currencies expressed in millions of US Dollars**	**Total (in millions of Colombian pesos)**
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
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 deposits	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
Borrowings from development entities	0.09	0.00	0.00	451
Lease liability	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)**

If the estimated exchange rate had increased (decreased) by $10 Colombian pesos for US$1 U.S. dollar, the effect on the net position of the Bank and its Subsidiaries would be an decreased of $16,845 and $26,820 as of December 31, 2023, and 2022, 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 hedged partially with foreign currency bonds (see Note 10.4.3.1).

- **Interest-rate structure risk:**

The Bank and its Subsidiaries have exposures to 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 income and expenses.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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:

		As of December 31, 2023				
		Under one month	**Between one and six months**	**From six to twelve months**	**More than one year**	**Total**
Assets						
Cash and cash equivalents	$	8,133,342	0	0	0	8,133,342
Debt securities investments at fair value through profit or loss		244,124	0	3,597	214,549	462,270
Debt securities investments at fair value through other comprehensive income		15,673	545,564	743,714	10,110,831	11,415,782
Investments at amortized cost		2,224,720	1,039,108	198,047	243,219	3,705,094
Repos, interbank, overnight and money market operations		237,855	0	0	0	237,855
Commercial portfolio		12,659,027	14,244,409	9,728,029	26,818,190	63,449,655
Consumer portfolio		3,864,809	217,436	1,038,642	17,945,259	23,066,146
Mortgages portfolio		3,303,803	475	1,867	8,861,990	12,168,135
Microcredit portfolio		23,232	10,515	33,079	208,596	275,422
Abandoned accounts - ICETEX		0	0	0	243,403	243,403
Other accounts receivable (1)		0	0	0	1,187,343	1,187,343
Total assets		**30,706,585**	**16,057,507**	**11,746,975**	**65,833,380**	**124,344,447**
Liabilities						
Checking accounts deposits		14,444,536	0	0	0	14,444,536
Savings accounts deposits		30,347,871	0	0	0	30,347,871
Time deposits		3,498,154	20,460,758	12,628,514	9,406,122	45,993,548
Interbank borrowings and overnight funds		4,077,439	143,576	0	0	4,221,015
Borrowings from banks and others		1,265,807	3,536,152	2,143,215	1,704,400	8,649,574
Bonds issued		7,660	1,512,263	15,288	7,505,830	9,041,041
Borrowings from development entities		1,818,081	1,005,521	126,804	194	2,950,600
Lease liability		3,088	40,673	72,488	599,056	715,305
Total liabilities	$	**55,462,636**	**26,698,943**	**14,986,309**	**19,215,602**	**116,363,490**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	As of 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 money market operations		4,492,352	0	0	0	4,492,352
Commercial portfolio		15,617,147	12,472,488	7,507,701	26,928,507	62,525,843
Consumer portfolio		4,192,211	369,493	995,692	16,190,039	21,747,435
Mortgages portfolio		4,087,452	440	1,838	7,449,610	11,539,340
Microcredit portfolio		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 deposits		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
Borrowings from development entities		2,299,204	257	0	0	2,299,461
Lease liability		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, declared by BAC Holding International (BHI).

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

	As of December 31, 2023					
		Under one year		More than one year		Total
		Variable	Fixed	Variable	Fixed	
Assets						
Debt securities investments at fair value through profit or loss	$	8,205	132,255	22,253	299,557	462,270
Debt securities investments at fair value through other comprehensive income		0	1,193,260	269,060	9,953,462	11,415,782
Investments at amortized cost		2,224,720	1,237,155	97,069	146,150	3,705,094
Repos, interbank, overnight and money market operations		0	237,855	0	0	237,855
Commercial portfolio		29,197,619	5,596,946	25,172,830	3,482,260	63,449,655
Consumer portfolio		78,007	6,329,058	3,303,333	13,355,748	23,066,146
Mortgages portfolio		77	541,727	3,122,441	8,503,890	12,168,135
Microcredit portfolio		134	161,492	0	113,796	275,422
Abandoned accounts - ICETEX		0	0	243,403	0	243,403
Other accounts receivable (1)		0	0	0	1,187,343	1,187,343
Total assets		**31,508,762**	**15,429,748**	**32,230,389**	**37,042,206**	**116,211,105**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023				
		Under one year		More than one year		Total
		Variable	Fixed	Variable	Fixed	
Liabilities						
Checking accounts deposits		0	14,444,536	0	0	14,444,536
Savings accounts deposits		805,877	29,541,994	0	0	30,347,871
Time deposits		3,519,310	33,130,792	2,314,660	7,028,786	45,993,548
Interbank borrowings and overnight funds		0	4,221,015	0	0	4,221,015
Borrowings from banks and others		3,013,510	3,829,809	1,105,636	700,619	8,649,574
Bonds issued		0	247,225	1,287,987	7,505,829	9,041,041
Borrowings from development entities		318,542	0	2,632,058	0	2,950,600
Lease liability		0	101,030	0	614,275	715,305
Total liabilities	$	**7,657,239**	**85,516,401**	**7,340,341**	**15,849,509**	**116,363,490**

		As of 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 money market operations		0	4,492,352	0	0	4,492,352
Commercial portfolio		27,117,783	4,461,568	27,896,230	3,050,262	62,525,843
Consumer portfolio		91,687	5,627,222	3,961,513	12,067,013	21,747,435
Mortgages portfolio		28	468,318	3,939,091	7,131,903	11,539,340
Microcredit portfolio		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 deposits		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
Borrowings from development entities		143,780	0	2,155,681	0	2,299,461
Lease liability		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, declared by BAC Holding International (BHI).

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 as of December 31, 2023, and 2022, would have increased (decreased) by $12,238 and $46,984 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

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 and its Subsidiaries had significantly exposed to the LIBOR in its financial instruments, which were 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 proceeded smoothly, particularly in derivatives, consumer loans and floating rate markets. The market perceived fluid progress in commercial loans and securitization markets, observing a greater trend towards issuances indexed to SOFR.

Bank and its subsidiaries activities were framed under a work plan which was subject to adjustments according to the guidelines and recommendations of local and international regulators, and, according to the best practices that were adopted in the market during this transition. These activities focused on the preparation 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) contract modifications, iv) adjustments to information systems, v) modifications to procedures and policies, vii) modifications to valuation models.

As of July 1, 2023, the London InterBank Offered Rate (LIBOR) ceased to be used and was replaced in its entirety by the Secured Overnight Financing Rate (SOFR) reference rate, after running a parallel that began on March 5, 2021, the date on which the Financial Conduct Authority (FCA) will indicate the cessation of the reference rate.

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.

On the other hand, there are internal models that aim to anticipate the degree of short-term exposure to liquidity risk and identify and issue early alerts for risk management, through a 30 days LRI forecast, under various time windows by mapping all the expected flows of different balance sheet items with contractual and non-contractual maturities, as well as expected movements by business areas.

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.

• 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 ALCO, 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, 2023, all of the Bank's financial subsidiaries meet the reserve requirements.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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

Country	Item	%
	Checking account and savings accounts	8%
Colombia	Time deposits and time savings deposits > 18 months	3.5%
	Time deposits 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 Panamá 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)
As of December 31, 2023	$	11,924,823	9,811,253	7,608,462	2,568,828
As of December 31, 2022	$	11,749,890	10,865,287	7,758,033	6,445,745

(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 days.

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 loan with other institutions and access to special lines of loan with the Central Bank of Colombia, in accordance with current regulations. These lines of loan 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 loan 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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

		As of December 31, 2023				
		Under one month	**Between one and six months**	**From six to twelve months**	**More than one year**	**Total**
Assets						
Cash and cash equivalents	$	8,133,342	0	0	0	8,133,342
Debt securities investments at fair value through profit or loss		244,823	5,377	20,658	251,603	522,461
Debt securities investments at fair value through other comprehensive income		61,292	528,398	1,078,055	12,430,125	14,097,870
Investments at amortized cost		431,593	1,558,486	1,639,383	338,229	3,967,691
Trading derivatives		608,477	0	0	0	608,477
Hedging derivatives		47,975	0	0	0	47,975
Repos, interbank, overnight and money market operations		237,855	0	0	0	237,855
Commercial portfolio		6,716,451	18,975,489	13,709,886	36,746,361	76,148,187
Consumer portfolio		1,335,204	4,270,360	4,502,343	23,302,826	33,410,733
Mortgages portfolio		221,473	648,907	774,297	23,922,168	25,566,845
Microcredit portfolio		38,259	86,620	86,075	146,108	357,062
Abandoned accounts - ICETEX		0	0	0	243,403	243,403
Other accounts receivable (1)		0	0	0	1,187,343	1,187,343
Total assets		**18,076,744**	**26,073,637**	**21,810,697**	**98,568,166**	**164,529,244**
Liabilities						
Trading derivatives		830,564	98	0	0	830,662
Hedging derivatives		203,245	0	0	0	203,245
Checking accounts deposits		14,444,536	0	0	0	14,444,536
Savings accounts deposits		30,347,871	0	0	0	30,347,871
Time deposits		4,549,878	20,831,310	13,531,776	10,816,268	49,729,232
Others deposits		297,837	0	0	0	297,837
Interbank borrowings and overnight funds		4,077,439	146,845	0	0	4,224,284
Borrowings from banks and others		1,255,354	3,686,839	2,473,386	1,664,087	9,079,666
Bonds issued		8,117	465,493	251,329	9,404,791	10,129,730
Borrowings from development entities		95,923	573,958	643,421	2,779,449	4,092,751
Lease liability		941	46,655	62,831	610,470	720,897
Commercial accounts and others to pay		3,463,481	0	0	0	3,463,481
Total liabilities	$	**59,575,186**	**25,751,198**	**16,962,743**	**25,275,065**	**127,564,192**

		As of 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

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	As of December 31, 2022				
	Under one month	**Between one and six months**	**From six to twelve months**	**More than one year**	**Total**
Repos, interbank, overnight and money market operations	4,492,352	0	0	0	4,492,352
Commercial portfolio	6,498,925	18,216,626	11,381,247	38,050,690	74,147,488
Consumer portfolio	1,200,465	3,829,872	3,999,458	21,915,685	30,945,480
Mortgages portfolio	183,842	554,435	661,537	20,612,071	22,011,885
Microcredit portfolio	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 deposits	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
Borrowings from development entities	73,724	431,479	439,338	2,040,321	2,984,862
Lease liability	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, declared by BAC Holding International (BHI).

7.4.4 COUNTRY RISK

Country risk is related to the possibility that the Bank incurs in losses by virtue of financial operations abroad due to a detriment of the economic and/or socio-political conditions of the country receiving such operations. Country risk management is carried out by means of the instruction of numeral 6 of Part III of Chapter XXXI of the Basic Accounting and Financial Circular of the Financial Superintendence of Colombia, which establishes the methodologies for identification, measurement, control, and monitoring.

In order to measure country risk, the Bank monitors on a semiannual basis, also, for the evaluation of new markets and jurisdictions where the Bank wants to establish investments, economic variables, market, political, institutional, social and environmental factors of the countries where it has capital investments in order to classify them according to their own conditions; this classification is made on a scale of 1 to 5, being 1 the lowest rating, i.e. E, and 5 the best rating being A. Likewise, this rating is compared with the ratings of the main international risk rating agencies, and the final rating is defined as the minimum value between the monitored variables and the rating of the risk rating agencies.

The Bank's country risk exposure is defined by its subsidiaries Multi Financial Holding and Banco de Bogotá Panamá S.A. mainly, these Entities have their strategic and operational function in Panama. For this reason, the currency exposure to which the Bank is exposed is U.S. dollars.

The methodology for measuring and reporting country risk includes, among others, the following variables:

- **Economic**: annual inflation rate, unemployment rate, benchmark deposit interest rate, annual real GDP variation, export level trend, import level trend.

- **Market:** The following indicators i) 5-year Credit Default Swap (CDS) and ii) Emerging Market Bond Indicator (EMBI), ratings from major credit rating agencies, total external debt/export level.

- **Other Factors:** Level of trust in institutions, degree of popular participation, possibility of civil conflict, income and wealth distribution and probability of occurrence of natural catastrophes.

The Bank designed a model that considers the aforementioned factors and their respective variables in each information cutoff period, in order to classify the country, object of the analysis and thereby evaluate the level of country risk to which it is exposed. As of December 31, 2023, the following results were obtained:

Evaluation of variables	Weighted score
Economic, market, political, institutional, social and natural hazards segments	4.0

Standard & Poor's (S&P), in its evaluation of Panama rated the country investment grade with a stable outlook for its strong economic performance, highlighting the country's accelerated GDP growth compared to its peers in the region; on the other hand, it emphasizes the country's fiscal challenges.

Regarding Moody's, although it reduced its rating on Panama, it maintains the investment grade, with a stable outlook, this downgrade in the rating is explained in the fiscal pressures for government spending during the current and future period, however, the rating agency notes that the solid prospects for GDP growth in the coming years, with annual rates in the range of 4% to 5%, provide key support to Panama's credit profile.

As a result of the country risk assessment, it was estimated that it is not necessary to generate provisions related to the Bank's exposures in Panama, due to the stable performance of Panama's economic, market, social and environmental indicators, supported by an investment grade rating from the main risk rating agencies.

7.4.5 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.

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, 2023, 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Following is the evolution of the figures resulting from each update of the operating risk profile for the years ended as of December 31, 2023, and 2022:

	As of December 31, 2023				As of December 31, 2022			
	Processes	**Risks**	**Causes**	**Controls**	**Processes**	**Risks**	**Causes**	**Controls**
Banco de Bogotá	262	1,848	1,824	3,442	266	1,816	1,908	3,859
Banco de Bogota Panamá S.A.	62	333	294	375	59	286	283	343
Fiduciaria Bogota S.A.	40	295	1,028	1,410	40	283	965	1,391
Almaviva S.A.	17	32	138	764	18	14	95	605
Megalinea S.A.	58	417	89	447	58	481	82	525
Aval Soluciones Digitales S.A.	42	265	242	491	39	231	169	412
Multi Financial Holding (MFH)	78	1,250	22	1,405	78	1,196	22	1,321
Total	**559**	**4,440**	**3,637**	**8,334**	**558**	**4,307**	**3,524**	**8,456**

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

		As of December 31, 2023	As of December 31, 2022
Banco de Bogotá	$	45,270	22,710
Almaviva S.A.		6,698	2,199
Aval Soluciones Digitales S.A.		2,486	464
Megalínea S.A.		1,469	109
Fiduciaria Bogota S.A.		1,094	426
Multi Financial Holding. y Subsidiarias		335	208
Banco de Bogota Panamá S.A.		17	3
Total	**$**	**57,369**	**26,119**

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

Risk of Basel	Quantity		Value
External Fraud	32,830	$	38,586
Labor relations and occupational safety	101		7,942
Process execution and administration	2,444		6,248
Technology failures	3,241		1,881
Internal fraud	76		1,325
Customers, products and business practices	10,641		1,171
Damage to physical assets (recovery)	161		216
Total	**49,494**	**$**	**57,369**

With this classification it is observed that 92% of the losses of the Bank and its subsidiaries are concentrated in external fraud, Process execution and administration and Labor relations and occupational safety, which are detailed below:

External Fraud:

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

- Customer impersonation in applications and use of digital credit products and self-management to update data for $21,087.
- Fraudulent use of loan and debit card for $9,684, including recovery via commerce for $363.

- Spoofing under the Dual Tone Multi Frequency (DTMF) modality through social engineering techniques for $2,496.

Labor relations and occupational safety

- **Banco de Bogotá:** The event with the highest incidence was the constitution of provisions for lawsuits involving the recalculation of the actuarial calculation or recalculation of the pension of former employees for $2,984, includes the recovery of provisions for $1,018.

- **Almaviva:** The following events occurred:

  - Lawsuit filed by ex-employees of Silos La Caro, claim for payment of pension contributions presented for labor relationship, during the years of services rendered for $2,553.
  - Labor lawsuit, claim filed for payment of old age pensions and interest, starting in 2017, for $528.

- **Megalínea:** Lawsuit in which the payment of bonuses, salary, recalculation of social benefits, social security contributions, and sentences of moratorium indemnity were admitted. Conciliation was agreed for $175, assuming the value of the withholding for a total of $276.

Process execution and administration

- **Almaviva:** Requirement of the Dirección de Impuestos y Aduanas Nacionales de Colombia (DIAN- Spanish acronym) for using special quotas $853, customer claims for merchandise damage $697 and customer claim for differences in inventories at the close of operations $155.

- **Banco de Bogota:** Main event for $514 due to a sentence of a judge establishing inappropriateness in the application of a seizure to a client.

7.4.6 ANTI-BRIBERY - ANTI-CORRUPTION RISK

The Bank and its subsidiaries have 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 this reason 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 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, 13 risks and 29 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.
- Possible Conflicts of Interest.
- Environment pillar (society and environment).

- **Other activities**

The Bank and its subsidiaries have 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 first half of the year 2023, the commitment of "Zero Tolerance" to the 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.

7.4.7 RISK OF CYBERSECURITY

Information Security and Cybersecurity Model

In order to Manage Information Security and Cybersecurity, 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, 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 and Cybersecurity 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 and Auditability.

The Bank and its subsidiaries during the first half of the year 2023 focused on strengthening its principles, policies, standards, processes and new operating schemes, as well as continuous alignment with the Digital Strategy, and everything related to Information Security and Cybersecurity, with the aim of increasing the capacity to prevent, detect and defend in a way timely possible threats and/or cyber-attack.

During the first half of the year 2023, 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.

7.4.8 ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT AND CLIMATE CHANGE SYSTEM (ESRMS)

The Environmental and Social Risk Management and Climate Change System - (ESRMS), which 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 2023, 402 clients were analyzed within the SARAS methodology, an increase of 11% compared to the previous year, where each client was categorized in one of the 3 risk levels (High, Medium and Low). Of the total analysis, 112 were new concepts, 186 were renewals and 104 were follow-ups of special conditions before and after disbursement. The total amount evaluated at the end of December is $31,417,027, distributed in 18.5% in high risk, 76.5% in medium risk and 5.0% in low risk.

It is important to highlight that adjustments were made to the Environmental and Social Risk Identification Form - FIRAS, in order to obtain information on the mitigation capacity of our clients in the face of climate change risk and strengthen their analysis. In addition to the information obtained directly from the client through the FIRAS, validations are performed in 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.

Climate change risk

Climate change risk is a cross-cutting risk that impacts the Bank through other risks. The measurement of climate risk will be done through the implementation of a transition risk score at client level, which should consider two components:

- Inherent climate risk, mainly associated with the client's activity and sector of operation.
- Transition risk mitigation, associated with the client's transition strategy and efforts to mitigate the inherent risk.

Climate change risk impacts the environment of our clients, affecting the development of their economic activities, therefore, their stability and operation, increasing credit risk and the probability of default.

The methodology adopted by the Bank to manage transition risks consists of a "transition score", starting with the corporate and business segments, which represent 71% of the corporate portfolio. As of December 31, 2023, the results of this analysis showed that 1% and 8% are at risk with a possible significant impact in the short and long term, respectively. With these two risk levels being our monitoring focus, the Bank is in the process of evaluating the information in order to understand the mitigation capacity of our clients.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The following are the first results of the transition matrix:

Inherent transition risk

Ranking	Sectors with possible significant impact in the short and medium term	Sectors with potential significant long-term impact	Sectors with low impact	Sectors with very low impact
%Exposure	1%	8%	59%	32%
Mitigation Capacity				
Leader	55%	31%	0%	0%
Advanced	6%	4%	0%	0%
In development	16%	6%	0%	0%
Lagging behind	0%	4%	0%	0%
Under evaluation	23%	55%	100%	100%

(1) The results presented correspond to companies in the corporate and business segments, which represent 71% of the total commercial portfolio and 65% of the Bank's total portfolio as of December 31, 2023. Does not include small and medium-sized companies, consumer, mortgage, microcredit portfolios.

7.4.9 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.

- **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 Agency Miami and Banco de Bogotá Agency New York; and that by the during the first half of the year 2023, the following will be carried out:

- 11 committees at the SARLAFT affiliates.
- 12 compliance committees Multi Financial Holding and its subsidiaries (MFH).
- 12 compliance committees Banco de Bogotá Panamá S.A.
- 10 compliance committees Banco de Bogotá Agency Miami.
- 10 compliance committees Banco de Bogotá Agency New York.

- **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 and causes 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.

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 first half of the year 2023, 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, 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.

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.

7.4.10 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 and assumes the legal defense of the Entity in civil proceedings brought against it.

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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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.

8.1 BANCO DE BOGOTÁ

Banco de Bogotá is a credit entity that offers financial services of deposits through checking and savings accounts and time deposits, mainly, and placement of funds at different maturities, especially loan portfolio and finance lease, commercial, consumer, mortgage and microcredit. Banco de Bogotá maintains a portfolio of investments in debt securities and equity, including shares in subsidiaries and other entities, and also operates in the foreign exchange 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 Panamá.

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

		As of December 31, 2023				
		Segments		Reconciliations		
		Banco de Bogotá	Multi Financial Holding	Other subsidiaries (1)	Write-offs	Consolidated
Assets						
Cash and cash equivalents	$	8,030,733	606,463	1,467,689	(1,971,543)	8,133,342
Financial assets		12,554,142	3,364,342	4,551,461	(2,438,913)	18,031,032
Loan portfolio, net		77,998,979	13,886,179	1,748,700	(47,298)	93,586,560
Repos, interbank, overnight and money market operations		166,383	71,472	0	0	237,855

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023				
		Segments		Reconciliations		
		Banco de Bogotá	Multi Financial Holding	Other subsidiaries (1)	Write-offs	Consolidated
Customer and finance lease operations		77,832,596	13,814,707	1,748,700	(47,298)	93,348,705
Other accounts receivable, net		3,219,210	217,973	144,049	(831)	3,580,401
Non-current assets held for sale		47,292	28,732	0	0	76,024
Investments in associates and joint ventures		11,723,703	0	304,657	(2,919,180)	9,109,180
Property, plant and equipment		604,158	282,988	59,331	0	946,477
Right-of-use assets		380,824	48,881	42,096	(1,482)	470,319
Investment property		151,289	58,099	159	0	209,547
Goodwill		465,905	139,224	0	0	605,129
Other intangible assets		754,241	112,207	32,636	0	899,084
Income tax		1,400,098	221,509	64,726	0	1,686,333
Other assets		19,506	120,438	664	0	140,608
Total assets		**117,350,080**	**19,087,035**	**8,416,168**	**(7,379,247)**	**137,474,036**
Liabilities						
Derivative financial liabilities		1,033,809	0	98	0	1,033,907
Financial liabilities at amortized cost		97,160,733	17,111,810	6,847,227	(4,458,443)	116,661,327
Customer deposits		76,140,987	12,748,005	6,604,290	(4,409,490)	91,083,792
Financial obligations		20,538,384	4,320,242	50,871	(47,267)	24,862,230
Lease liability		481,362	43,563	192,066	(1,686)	715,305
Employee benefits		218,783	8,398	28,005	0	255,186
Provisions		22,833	2,722	16,173	0	41,728
Income tax		0	56,879	32,866	0	89,745
Accounts payables and other liabilities		3,319,272	233,423	71,248	(822)	3,623,121
Total liabilities	$	**101,755,430**	**17,413,233**	**6,995,616**	**(4,459,265)**	**121,705,014**

		As of December 31, 2022				
		Segments		Reconciliations		
		Banco de Bogotá	Multi Financial Holding	Other subsidiaries (1)	Write-offs	Consolidated
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
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
Customer and finance lease operations		70,537,154	17,745,780	2,501,829	(83)	90,784,680
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
Income tax		1,936,143	315,735	25,119	0	2,276,997
Other assets		19,907	253,543	725	(31)	274,144

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2022				
		Segments		Reconciliations		
		Banco de Bogotá	Multi Financial Holding	Other subsidiaries (1)	Write-offs	Consolidated
Total assets		**110,825,250**	**25,024,611**	**7,964,954**	**(5,940,976)**	**137,873,839**
Liabilities						
Derivative financial liabilities		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
Financial obligations		21,697,677	7,983,122	55	(55)	29,680,799
Lease liability		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
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**

Statement of income for the period, by segment

		Year ended at December 31, 2023				
		Segments		Reconciliations		
		Banco de Bogotá	Multi Financial Holding	Other subsidiaries (1)	Write-offs	Consolidated
Interest income	**$**	**12,919,586**	**1,283,771**	**377,367**	**(199,163)**	**14,381,561**
Loan portfolio and finance lease		11,807,864	1,168,073	140,346	(2,470)	13,113,813
Repos, interbank, overnight and money market operations		149,046	0	0	0	149,046
Investments		656,508	87,068	149,026	(97,669)	794,933
Interest income from other receivables		99,295	0	207	(12,920)	86,582
Income from deposits		206,873	28,630	87,788	(86,104)	237,187
Interest expense		**(8,318,198)**	**(892,045)**	**(335,379)**	**200,180**	**(9,345,442)**
Customer deposits		(6,700,392)	(518,629)	(318,214)	197,595	(7,339,640)
Financial obligations		(1,584,927)	(369,365)	(3,495)	2,470	(1,955,317)
Lease liability		(32,879)	(4,051)	(13,670)	115	(50,485)
Net interest income		**4,601,388**	**391,726**	**41,988**	**1,017**	**5,036,119**
Net impairment loss on financial assets		**(2,138,741)**	**(152,914)**	**(5,463)**	**1,095**	**(2,296,023)**
Loan portfolio, finance lease and accounts receivable		(2,403,824)	(155,027)	(3,797)	0	(2,562,648)
Recovery of charged-off financial assets		265,869	0	0	0	265,869
Recovery of investments		(786)	2,113	(1,666)	1,095	756
Net interest income, after impairment losses		**2,462,647**	**238,812**	**36,525**	**2,112**	**2,740,096**
Net income from commissions and fees		**1,015,706**	**111,009**	**346,116**	**(1,210)**	**1,471,621**
Net expense of financial assets or liabilities held for trading		**(2,078,469)**	**3,117**	**24,607**	**0**	**(2,050,745)**
Net expense on valuation of trading derivative instruments		(2,017,149)	(2)	(25,782)	0	(2,042,933)
Net expense on valuation of hedging derivative instruments		(168,773)	135	0	0	(168,638)
Net Income on valuation of held-for-trading investments		107,453	2,984	50,389	0	160,826
Net income on foreign exchange		**1,644,615**	**45**	**18,892**	**0**	**1,663,552**
Net other income		**1,065,053**	**169,458**	**438,379**	**(479,283)**	**1,193,607**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		Year ended at December 31, 2023				
		Segments		Reconciliations		
		Banco de Bogotá	Multi Financial Holding	Other subsidiaries (1)	Write-offs	Consolidated
Other expenses		**(2,906,996)**	**(470,701)**	**(473,306)**	**129,436**	**(3,721,567)**
Operating expenses		(1,777,790)	(167,327)	(158,875)	129,108	(1,974,884)
Employee benefits		(851,542)	(198,324)	(143,884)	460	(1,193,290)
Depreciation and amortisation		(215,636)	(39,804)	(33,682)	249	(288,873)
Other expenses		(62,028)	(65,246)	(136,865)	(381)	(264,520)
Net income before income tax		**1,202,556**	**51,740**	**391,213**	**(348,945)**	**1,296,564**
Income tax expense		(288,404)	(1,361)	(37,865)	0	(327,630)
Net income for the period from continuing operations	$	**914,152**	**50,379**	**353,348**	**(348,945)**	**968,934**

		Year ended at December 31, 2022				
		Segments		Reconciliations		
		Banco de Bogotá	Multi Financial Holding	Other subsidiaries (1)	Write-offs	Consolidated
Interest income	**$**	**8,034,599**	**1,156,837**	**168,352**	**(66,787)**	**9,293,001**
Loan portfolio and finance lease		7,423,265	1,061,137	56,067	(1,436)	8,539,033
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 income from other receivables		48,085	0	2,134	(7)	50,212
Income from deposits		92,823	9,917	31,789	(30,564)	103,965
Interest expense		**(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)
Financial obligations		(954,723)	(225,681)	(107)	3	(1,180,508)
Lease liability		(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, finance lease and accounts receivable		(1,470,890)	(220,166)	(643)	0	(1,691,699)
Recovery of charged-off financial assets		327,786	0	0	0	327,786
Recovery of investments		(196)	1,004	1,225	(506)	1,527
Net interest income, after impairment losses		**2,960,835**	**335,165**	**37,137**	**(293)**	**3,332,844**
Net income from commissions and fees		**843,886**	**104,441**	**297,675**	**(925)**	**1,245,077**
Net income of financial assets or liabilities held for trading		**1,175,710**	**(7,601)**	**11,660**	**0**	**1,179,769**
Net income on valuation of trading derivative instruments		1,184,085	(45)	19,579	0	1,203,619
Net income on valuation of hedging derivative instruments		13,943	244	0	0	14,187
Net expense on valuation of held-for-trading investments		(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**
Net expense on foreign exchange		**(1,479,467)**	**(241)**	**(27,630)**	**125**	**(1,507,213)**
Net 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)**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		Year ended at December 31, 2022				
		Segments		Reconciliations		
		Banco de Bogotá	Multi Financial Holding	Other subsidiaries (1)	Write-offs	Consolidated
Operating expenses		(1,453,815)	(140,094)	(110,072)	138,118	(1,565,863)
Employee benefits		(807,678)	(196,990)	(124,722)	0	(1,129,390)
Depreciation and amortisation		(219,065)	(52,787)	(30,886)	229	(302,509)
Other expenses		(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**

(1) Includes: Banco de Bogotá Panamá S.A., Fiduciaria Bogotá S.A., Aval Soluciones Digitales, Megalinea S.A., Almaviva and subsidiaries and Bogotá Finance Corporation.

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

		Year ended at December 31, 2023					
		Colombia	Panamá	Costa Rica	Others (2)	Write-offs	Consolidated
Income for the period (1)	$	**12,713,178**	**1,784,723**	**(31)**	**16**	**(205,313)**	**14,292,573**
Non-current assets other than financial instruments		**3,057,884**	**785,091**	**0**	**0**	**(1,483)**	**3,841,492**
Property, plant and equipment		621,545	324,932	0	0	0	946,477
Right-of-use assets		422,641	49,161	0	0	(1,483)	470,319
Intangible assets		1,245,809	258,404	0	0	0	1,504,213
Deferred income tax assets	$	767,889	152,594	0	0	0	920,483

		Year ended at December 31, 2022					
		Colombia	Panamá	Costa Rica	Others (2)	Write-offs	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

(1) Corresponds to income from interest, income for commissions and fees and income financial assets and liabilities held for sale, net.
(2) Corresponds to Cayman Islands.

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 36 for details on income of related parties.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

NOTE 9 – CASH AND CASH EQUIVALENTS

The following table shows the breakdown of cash and cash equivalents:

		As of December 31, 2023	As of December 31, 2022
In Colombian pesos			
Cash in hand	$	1,788,302	1,864,120
Banco de la República (Central Bank of Colombia) (1)		2,571,489	1,378,577
Bank and other financial entities		12,027	4,209
Cash equivalents (2)		63,990	0
		4,435,808	**3,246,906**
In foreign currency			
Cash in hand		77,516	94,545
Bank and other financial entities		3,310,053	3,309,045
Cash equivalents		309,965	623,565
		3,697,534	**4,027,155**
Total	$	**8,133,342**	**7,274,061**

(1) Increase of $1,192,912 mainly due to money market operations as a strategy to cover the required reserve requirement and deposit constituted by liquidity.
(2) Corresponds to Repo and simultaneous transactions whose counterparty is the Cámara de Riesgo Central de Contraparte (CRCC) and whose term is between 1 and 2 days for a value of $62,494.

The credit quality determined by independent risk rating agents, of the main financial institutions in which the Bank and its Subsidiaries maintain cash funds are determined as follows:

		As of December 31, 2023	As of December 31, 2022
Investment grade	$	6,237,548	5,270,871
Speculative		7,781	9,765
Without grade or not available		22,195	34,760
Cash held by the entity		1,865,818	1,958,665
Total	$	**8,133,342**	**7,274,061**

Cash and cash equivalents in foreign currency as of December 31, 2023, is US$967 million and as of December 31, 2022, is US$837 million.

As of December 31, 2023, and December 31, 2022, there are no restrictions on cash and cash equivalents, except for the legal reserve required in Colombia amounting to $3,870,376 and $3,844,989, respectively.

NOTE 10 – FINANCIAL ASSETS

Below is the composition of financial assets:

		As of December 31, 2023	As of December 31, 2022
Investments at fair value through profit or loss	**$**	1,927,056	1,548,452
Investments at fair value with change in other comprehensive income		11,748,496	11,652,669
Investments at amortized cost		3,699,028	3,470,518
Derivative instruments		656,452	786,282
Total financial assets	**$**	**18,031,032**	**17,457,921**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

10.1 INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

		As of December 31, 2023	As of December 31, 2022
Debt securities issued or secured			
In Colombian Pesos			
Colombian Government	$	46,727	93,104
Other Colombian Government entities		80,374	133,952
Other financial entities		243,897	119,989
Others		13,821	16,231
		384,819	**363,276**
In foreign currency			
Colombian Government		45,476	0
Other financial entities		0	42,273
Foreign governments		31,697	57,600
Others		278	64
		77,451	**99,937**
Total debt securities		**462,270**	**463,213**
Equity instruments			
In Colombian Pesos			
Collective investment funds		5,356	3,610
Mandatory investment funds		0	95,665
Private investment funds (see Note 2.6)		1,373,185	880,446
		1,378,541	**979,721**
In foreign currency			
Collective investment funds		82,145	100,028
Corporate stock		4,100	5,490
		86,245	**105,518**
Total equity instruments		**1,464,786**	**1,085,239**
Total	$	**1,927,056**	**1,548,452**

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:

		As of December 31, 2023	As of December 31, 2022
Debt securities issued or secured			
Investment grade			
Sovereign (1)	$	78,424	71,386
Financial entities		26,683	62,261
		105,107	**133,647**
Speculative grade			
Sovereign (1)		45,476	79,318
Corporate		13,820	16,231
Financial entities		217,214	100,001

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023	As of December 31, 2022
Other Colombian Government entities (2)		80,375	133,952
		356,885	**329,502**
Without grade or not available			
Corporate		278	64
		278	**64**
Total debt securities		**462,270**	**463,213**
Equity instruments			
Investment grade		5,451	99,352
Without grade or not available		1,459,335	985,887
Total equity instruments		**1,464,786**	**1,085,239**
Total	**$**	**1,927,056**	**1,548,452**

(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.

As of December 31, 2023, and 2022, there are no investments at fair value through profit or loss pledged as collateral.

10.2 INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

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

As of December 31, 2023

		Cost	Unrealized gain	Unrealized loss (1)	Fair value
Debt securities issued or secured					
In Colombian Pesos					
Colombian Government (2)	$	5,699,219	42,142	(456,330)	5,285,031
Other Colombian Government entities		213,283	0	(18,884)	194,399
Other financial entities		133,153	0	(8,183)	124,970
		6,045,655	**42,142**	**(483,397)**	**5,604,400**
In foreign currency					
Colombian Government (2)		1,573,676	32,203	(15,339)	1,590,540
Other Colombian Government entities		442,057	4,705	(1,343)	445,419
Other financial entities		761,059	788	(29,899)	731,948
Real sector entities		180,045	67	(1,041)	179,071
Central banks		194,481	0	(48,992)	145,489
Foreign Governments (3)		2,592,539	5,484	(211,217)	2,386,806
Others		350,404	28	(18,323)	332,109
		6,094,261	**43,275**	**(326,154)**	**5,811,382**
Total debt securities		**12,139,916**	**85,417**	**(809,551)**	**11,415,782**
Equity instruments					
In Colombian Pesos					
Corporate stock (4)		135,100	191,569	(45)	326,624
In foreign currency					
Corporate stock		6,768	0	(678)	6,090
Total equity instruments		**141,868**	**191,569**	**(723)**	**332,714**
Total	$	**12,281,784**	**276,986**	**(810,274)**	**11,748,496**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

As of December 31, 2022

		Cost	Unrealized gain	Unrealized loss (1)	Fair value
Debt securities issued or secured					
In Colombian Pesos					
Colombian Government (2)	$	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 (2)		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
Real sector entities		38,977	0	(2,067)	36,910
Central banks		242,047	0	(47,949)	194,098
Foreign governments (3)		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 instruments					
In Colombian Pesos					
Corporate stock (4)		661,587	167,179	(2,936)	825,830
In foreign currency					
Corporate stock		19	0	0	19
Total equity instruments		**661,606**	**167,179**	**(2,936)**	**825,849**
Total	$	**13,024,151**	**208,111**	**(1,579,593)**	**11,652,669**

(1) For the year 2022 the unrealized loss also includes MFH hedging in foreign Governments ($13,801) and others ($23,051) for a total of ($36,852). For the year 2023 there is no MFH hedging.
(2) Increases in securities issued or guaranteed by the Colombian Government in the amount of $1,502,109.
(3) Decrease in securities issued or guaranteed by foreign Governments mainly by Multibank Inc. in the amount of $967,733.
(4) Decrease corresponds to the sale of share in BHI's (See Note 2.5).

Following is a breakdown of the main equity instruments at fair value through other comprehensive income:

		As of December 31, 2023	As of December 31, 2022
BAC Holding International (See Note 2.5)	$	0	519,964
Credibanco S.A.		176,125	150,800
ACH Colombia S.A.		131,450	133,191
Redeban Multicolor S.A.		6,044	6,358
Aportes en Línea S.A. (Gestión y Contacto)		4,499	3,745
Cámara de Riesgo Central de Contraparte de Colombia S.A.		3,191	2,653
Flor del Monte S.A.		1,448	1,448
Sociedad Portuaria Regional de Buenaventura S.A.		2,276	2,449
Holding Bursátil Regional (1)		6,075	3,627
Others		1,606	1,614
Total	$	**332,714**	**825,849**

(1) Exchange of shares of the Colombian Stock Exchange S.A. for shares of Holding Bursátil Regional S.A. The 2022 figures correspond to those revealed for the Colombian Stock Exchange S.A.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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:

		As of December 31, 2023	As of December 31, 2022
Debt securities issued or secured			
Investment grade			
Sovereign (1)	$	7,580,015	7,375,792
Central banks		145,489	194,098
Corporate		16,465	67,499
Financial entities		649,812	652,093
Multilaterals		248,196	372,767
Other Colombian Government entities (2)		106,890	95,529
		8,746,867	**8,757,778**
Speculative grade			
Sovereign (1)		1,682,362	1,341,737
Corporate		191,997	159,049
Financial entities		82,136	80,840
Multilaterals		3,549	4,460
Other Colombian Government entities (2)		532,928	450,001
		2,492,972	**2,036,087**
Not rated or not available			
Corporate		175,943	32,955
		175,943	**32,955**
Total debt securities		**11,415,782**	**10,826,820**
Equity instruments			
Investment grade		0	523,592
Without grade or not available		332,714	302,257
Total equity instruments		**332,714**	**825,849**
Total	$	**11,748,496**	**11,652,669**

(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.

		As of December 31, 2023	As of December 31, 2022
Pledged as collateral in money market operations			
Colombian Government (1)	$	3,734,351	114,988
Other financial entities		7,226	87,687
Real sector entities		118,865	32,955
Central banks		15,185	39,212
Foreign governments		702,886	1,651,796
Others		44,060	52,210
		4,622,573	**1,978,848**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023	As of December 31, 2022
Pledged as collateral to special entities such as CRCC, BR and/or HBR (2)			
Colombian Government		307,641	473,949
		307,641	**473,949**
Total	$	**4,930,214**	**2,452,797**

(1) There is a significant variation since there were 576 titles for $2,253,312, which went from not being delivered as collateral to being delivered in money market operations and 250 new titles for $1,342,501.
(2) Cámara de Riesgo Central de Contraparte (CRCC), Banco de la República (BR), Holding Bursátil Regional (HBR).

Impairment of investments at fair value through other comprehensive income

The following is the movement of the impairment of investments at fair value with changes in other comprehensive income, which is in stage 1:

		As of December 31, 2023	As of December 31, 2022
Balance at the beginning of the period	**$**	**5,836**	**114,419**
Impairment with effect in OCI		1,750	372
Recovery with effect in OCI		(253)	(1,112)
Exchange difference		(636)	569
Discontinued operation		0	2,926
Deconsolidation		0	(111,338)
Balance at the end of the period	**$**	**6,697**	**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, 2023, and 2022, 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 instruments 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, $20,839 and $24,801 were recognized in the statement of income for the for the years ended as of December 31, 2023, and 2022, respectively.

10.3 INVESTMENTS AT AMORTIZED COST

The balance of investments in debt securities at amortized cost includes the following:

		As of December 31, 2023	As of December 31, 2022
Debt securities issued or secured			
In Colombian Pesos			
Colombian Government	$	1,197,118	1,183,396
Other Colombian Government entities		2,224,720	1,887,090
		3,421,838	**3,070,486**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023	As of December 31, 2022
In foreign currency			
Other financial entities		86,141	105,540
Real sector entities		143,410	237,537
Foreign Governments		26,515	33,453
Others		27,190	33,632
		283,256	**410,162**
		3,705,094	**3,480,648**
Impairment		(6,066)	(10,130)
Total debt securities	$	**3,699,028**	**3,470,518**

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:

		As of December 31, 2023	As of December 31, 2022
Investment grade			
Sovereign (1)	$	1,223,633	1,216,849
Financial entities		19,227	29,026
		1,242,860	**1,245,875**
Speculative grade			
Corporate		27,190	33,632
Financial entities		5,760	7,215
Other Colombian Government entities (2)		2,224,720	1,887,090
		2,257,670	**1,927,937**
Not rated or not available			
Corporate		143,410	237,537
Financial entities		61,154	69,299
		204,564	**306,836**
Total	$	**3,705,094**	**3,480,648**

(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.

		As of December 31, 2023	As of December 31, 2022
Pledged as collateral in money market operations			
Other financial entities	$	0	25,449
Real sector entities		118,364	236,212
		118,364	**261,661**
Pledged as collateral to special entities such as CRCC, BR and/or HBR (1)			
Colombian Government		539,339	0
Other Colombian Government entities		393,634	999,561
Pledged as collateral in money market operations	$	**1,051,337**	**1,261,222**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

(1) Cámara de Riesgo Central de Contraparte (CRCC), Banco de la República (BR), Holding Bursátil Regional (HBR).

Maturity by time bands of investments at amortized cost

The following is a summary of investments at amortized cost, by time bands:

		As of December 31, 2023	As of December 31, 2022
Up to 1 month	$	387,738	295,953
More than 1 month and no more than 3 months		26,515	34,778
More than 3 months and no more than 1 year		3,047,621	2,812,032
More than 1 year and no more than 5 years		151,217	187,795
More than 5 years and no more than 10 years		64,813	116,458
More than 10 years		27,190	33,632
	$	**3,705,094**	**3,480,648**

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 as of December 31, 2021	$	2,718	7,080	9,798
Impairment with effect in income		71	57	128
Recovery with effect in income		(313)	(601)	(914)
Exchange difference		272	1,832	2,104
Discontinued operation		(76)	0	(76)
Deconsolidation		(910)	0	(910)
Balance as of December 31, 2022	$	**1,762**	**8,368**	**10,130**
Impairment with effect in net income		503	0	503
Recovery with effect in income		(1,758)	(998)	(2,756)
Exchange difference		1,290	(3,101)	(1,811)
Balance as of December 31, 2023		**1,797**	**4,269**	**6,066**

There were no reclassifications between investment categories for the period reported.

10.4 DERIVATIVE INSTRUMENTS

The following is a detail of the derivatives:

		As of December 31, 2023	As of December 31, 2022
Asset			
Trading derivatives	$	608,477	786,175
Hedging derivatives		47,975	107
Total assets		**656,452**	**786,282**
Liabilities			
Trading derivatives		830,662	631,876
Hedging derivatives		203,245	2,015
Total liabilities	**$**	**1,033,907**	**633,891**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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:

		As of December 31, 2023		As of December 31, 2022	
		Notional value	**Fair value**	**Notional value**	**Fair value**
Assets					
Forward contracts (1)					
Foreign currency to buy	$	127,074	1,572	6,052,322	400,917
Foreign currency to sell		(7,319,645)	544,404	(4,833,783)	125,681
		(7,192,571)	**545,976**	**1,218,539**	**526,598**
Swaps					
Cross currency		77,523	6,976	274,559	78,456
Interest rate		2,753,796	38,468	3,437,477	121,708
		2,831,319	**45,444**	**3,712,036**	**200,164**
Futures contracts (2)					
Currency to buy		15,288	0	13,782,907	0
Currency to sell		(4,531,996)	0	(4,164,912)	0
		(4,516,708)	**0**	**9,617,995**	**0**
Options contracts					
Currency to buy		168,044	17,057	582,934	59,413
Total assets		**(8,709,916)**	**608,477**	**15,131,504**	**786,175**
Liabilities					
Forward contracts (1)					
Foreign currency to buy		(7,537,664)	752,151	(5,791,317)	125,663
Foreign currency to sell		124,152	1,775	4,087,381	168,071
		(7,413,512)	**753,926**	**(1,703,936)**	**293,734**
Swaps					
Cross currency		49,687	3,442	361,173	111,103
Interest rate		2,338,306	36,918	4,289,410	151,077
		2,387,993	**40,360**	**4,650,583**	**262,180**
Futures contracts (2)					
Currency to buy		(7,208,195)	0	(8,751,872)	0
Currency to sell		87,907	0	8,096,529	0
		(7,120,288)	**0**	**(655,343)**	**0**
Options contracts					
Currency to sell		215,662	36,376	691,651	75,962
Total liabilities	$	**(11,930,145)**	**830,662**	**2,982,955**	**631,876**

1) 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.
2) 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The net change in fair value of the trading derivatives as of December 31, 2023, and 2022, is shown as a consequence of the movement of the valuation curves (interest rates differential), the exchange rates, adjustments for credit risk of the counterparties and variation in the volume of them.

Derivative financial instruments 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 derivative financial instruments for hedging include the following:

		As of December 31, 2023		As of December 31, 2022	
		Notional amount	**Fair value**	**Notional amount**	**Fair value**
Assets					
Swap					
Interest rate	$	3,686,399	47,975	38,482	107
Total assets		**3,686,399**	**47,975**	**38,482**	**107**
Liabilities					
Forward contracts					
Foreign currency to buy		(1,546,019)	192,374	0	0
		(1,546,019)	**192,374**	**0**	**0**
Futures contracts					
Currency to buy		(2,654,222)	0	0	0
		(2,654,222)	**0**	**0**	**0**
Swap					
Interest rate		**2,853,285**	**10,871**	**295,128**	**2,015**
Total liabilities	$	**(1,346,956)**	**203,245**	**295,128**	**2,015**

As of December 31, 2023, and 2022, there are no hedging derivatives of 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 time deposits described below.

The following is a breakdown of the credit ratings determined by independent rating agencies for the principal counterparties in derivative assets:

		As of December 31, 2023	As of December 31, 2022
Investment grade	$	141,574	171,901
Without grade or not available		514,878	614,381
Total	$	**656,452**	**786,282**

Derivatives guarantees

The following shows the nominal amounts delivered and received as guarantees to support operations with derivatives:

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023	As of December 31, 2022
Cash			
Delivered	$	173,985	22,489
Received		120,548	231,824
Financial instruments			
Delivered	$	1,191,000	1,490,500

10.4.3 HEDGE ACCOUNTING

Hedging instruments

Non-derivatives: A 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 and its Subsidiaries use derivative financial instruments (interest rate swaps) to protect against interest rate risk on financial assets or liabilities.

Thus, 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 (CDT's). It also uses forward derivative instruments to hedge the cash flows of foreign currency debt transactions.

Measuring of Hedging Effectiveness and Ineffectiveness

The Bank has documented the effectiveness tests of hedging its assets and liabilities in foreign currency of foreign subsidiaries and branches, based on the portion of the net investment hedged at the inception of the hedging relationship. The hedges are 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. Hedges effectiveness is measured on a pre-tax basis.

In the case of fair value hedges of financial assets or liabilities, it documents evidence of effectiveness, comparing the changes in the fair value of the hedged instrument against 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-COP 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 risk-weighted assets (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 “unhedging" 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 be excluded 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Moreover, for fair value hedges on CDTs, at the beginning of the transactions, the Bank documents each hedging relationship clearly identifying the primary positions hedged (CDTs) and the hedging instruments used. Prospective and retrospective effectiveness tests are performed, using the "dollar offset" measurement method, comparing the changes in the fair value of the hedged instrument versus the changes in the fair value of the hedging instrument.

For cash flow hedges on USD financing, the effectiveness and ineffectiveness of the strategy will be measured using a quantitative analysis in which all sources of ineffectiveness of the strategy will be analyzed and monitored on a monthly basis. For this type of hedge, the hypothetical derivative will be used as the effectiveness measurement method, which consists of comparing the changes in the fair value of the actual derivative (hedging instrument) versus the changes in the fair value of the hypothetical derivative under different scenarios (prospective) and as time elapses (retrospective).

In the case of cash flow hedges of the foreign currency dividend receivable, hedge effectiveness tests are performed by applying the "regression analysis" method. This statistical technique is used to analyze, based on historical information, the relationship between changes in the present value of the account receivable (hedged item) and changes in the present value of the dollar bond issued (hedging instrument).

In the event that an effectiveness ratio outside the 80%-125% range, the Hedging Committee will evaluate the procedures to be followed within the framework of the policies.

10.4.3.1 HEDGING OF NET INVESTMENTS IN FOREIGN OPERATION

The assets and liabilities of the hedging strategy of the foreign exchange risk exposure of net investments in foreign business, are converted from US dollars to Colombian pesos at the representative market exchange rate certified daily by the Financial Superintendence of Colombia, which generates an unrealized gain or loss from exchange differences that is recognized in Other Comprehensive Income in equity.

The following is the detail of hedging on net investments in foreign operation:

		Millions of U.S. dollars					
		As of December 31, 2023			As of December 31,2022		
		Multi Financial Holding	Banco de Bogotá Panamá, other subsidiaries and agencies (1)	Total	Multi Financial Holding	Banco de Bogotá Panamá, other subsidiaries and agencies (1)	Total
Book value of the investment	$	406	153	559	394	132	526
Hedged value of investment		390	120	510	390	120	510
Value of hedge with foreign currency bonds	$	(390)	(120)	(510)	(390)	(120)	(510)

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		Millions of Colombian pesos					
		As of December 31, 2023			As of December 31,2022		
		Multi Financial Holding	Banco de Bogotá Panamá, other subsidiaries and agencies (1)	Total	Multi Financial Holding	Banco de Bogotá Panamá, other subsidiaries and agencies (1)	Total
Exchange difference in subsidiaries and agencies abroad	$	6,974	202,519	209,493	400,812	340,250	741,062
Exchange difference on hedged investment (2)		(45,584)	115,304	69,720	339,795	233,882	573,677
Exchange difference on foreign currency bonds		46,019	115,108	161,127	(339,360)	(3,470)	(342,830)
Exchange difference on foreign currency derivatives		(435)	(230,412)	(230,847)	(435)	(230,412)	(230,847)
Net of hedging	**$**	**0**	**0**	**0**	**0**	**0**	**0**

(1) Includes: Bogotá Finance Corporation, Corporación Financiera Centroamericana (Ficentro), investment in Panamá Branch and agencies in Miami and New York.
(2) The exchange difference on the unhedged investment amounted to $139,773 and $167,385 as of December 31, 2023, and 2022, respectively, resulting in a movement of ($27,612) (See Note 28).

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 businesses as follows:

- Hedging of the investment in the subsidiary Multi Financial Holding assigned to 22 "parts" of US$10 million each, of the subordinated bond SOFR + 3.75% and maturing in 2033, for an amount of US$220 million (Position 1).

- Hedging of the investment in the subsidiary Multi Financial Holding a balance of 17 "parts", of US$10 million each, of the Subordinated Bond Tranche I, maturing in 2026 and coupon 6.25%, for an amount of US$170 million (Position 1).

- Hedging of investments in Agencies and Branches abroad and of 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 million each for a total of US$120 million (Position 2).

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

10.4.3.2 FAIR VALUE HEDGING

The following tables present the breakdown of gains or losses on hedging instruments and hedged items outstanding:

CDTs (time deposits) interest rate hedging

		As of December 31, 2023				
		Notional value of hedged item	Book value of hedged item		Change in fair value	Accumulated income
			Assets	Liabilities		
Hedging instrument						
Interest rate swaps	$	6,539,684	47,975	10,871	38,333	(20,375)
Hedged item						
Time deposits	$	6,539,684	0	40,289	41,531	(41,531)

		As of December 31, 2022				
		Notional value of hedged item	Book value of hedged item		Change in fair value	Accumulated income
			Assets	Liabilities		
Hedging instrument						
Interest rate swaps	$	235,000	0	1,228	1,228	(1,228)
Hedged item						
Time deposits	$	235,000	1,242	0	(1,242)	1,242

10.4.3.3 CASH FLOW HEDGING

10.4.3.3.1 HEDGING OF ACCOUNT RECEIVABLE DIVIDEND RECEIVABLE IN USD

As described in Note 2.3.1 the following is the detail of the cash flow hedging:

	As of December 31, 2023					
	Millions of USD		Book value		Change in fair value	Result in OCI for the period
			Assets	Liabilities		
Hedging instrument						
Bonds issued	309.8	$	0	1,184,025	(270,064)	270,064
Hedged item						
Dividend receivable	309.8	$	1,184,025	0	(258,981)	(258,981)

10.4.3.3.2 HEDGING OF FINANCING IN USD

As described in note 2.3.2. the following is the detail of the hedging of financing in USD:

		As of December 31, 2023				
		Notional value in millions of USD	Book value		Changes in the value of the hedging instrument recognized in OCI	Ineffectiveness of hedging recognized in P&L
			Assets	Liabilities		
Hedging instrument						
Forwards OTC (1)	$	405	0	192,374	(9,949)	392
Forward Novados CRCC (2)		694			(22,724)	(191)
Hedged item						
Financing	$	1,097	0	4,192,933	0	0

(1) Over The Counter
(2) Cámara de Riesgo Central de Contraparte

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, 2023, and 2022, 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 for $3,888,682 and $667,596, respectively.

Additionally, 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 finance lease 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:

		As of December 31, 2023		
		Balance on the consolidated statement of financial position	Reclassification of finance lease	Balance according to disclosure
Commercial portfolio	$	63,449,655	(3,524,628)	59,925,027
Consumer portfolio		23,066,146	(6,445)	23,059,701
Mortgage portfolio		12,168,135	(783,727)	11,384,408
Microcredit portfolio		275,422	0	275,422
Finance lease portfolio		0	4,314,800	4,314,800
Repos, interbank and others		237,855	0	237,855
Total	$	**99,197,213**	**0**	**99,197,213**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2022		
		Balance on the consolidated statement of financial position	**Reclassification of finance lease**	**Balance according to disclosure**
Commercial portfolio	$	62,525,843	(3,388,913)	59,136,930
Consumer portfolio		21,747,435	(9,067)	21,738,368
Mortgage portfolio		11,539,340	(741,490)	10,797,850
Microcredit portfolio		265,340	0	265,340
Finance lease portfolio		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**

The foreign currency portfolio as of December 31, 2023 and 2022 is US$5,910 million and US$5,609 million, respectively.

The net decrease as of December 31, 2023, compared to December 31, 2022 of $1,373,097 is principally due to:

- Decrease of $5,333,433 in the foreign currency portfolio effect of the exchange difference.

- Banco de Bogotá, decrease in repo and interbank operations for $4,285,535, increase in the commercial portfolio for $5,706,286, in the consumer portfolio for $2,011,237 and in the housing portfolio for $1,445,396.

- Multi Financial Holding and Subsidiaries, the commercial portfolio decreased by $425,636 (US$111.4 million) and the consumer portfolio increased by $136,322 (US$35.7 million). The foreign currency portfolio as of December 31, 2023, and December 31, 2022, is US$5,910 million and US$5,609 million, respectively.

Interest income

		Years ended at December 31	
		2023	**2022**
Commercial portfolio	$	8,146,438	4,919,935
Consumer portfolio		3,829,302	2,760,698
Mortgage portfolio		1,066,956	794,067
Microcredit portfolio		71,117	64,333
Repos, interbank and other		149,046	58,208
Total portfolio interest		**13,262,859**	**8,597,241**

Variation in interest income due to increases in portfolio placements and interest rates (approximately 13% and 4% on average, respectively), in Banco de Bogotá.

As of December 31, 2023 and 2022, Multi Financial Holding presents portfolio interest income of $1,168,073 and $1,061,037 (US$270.5 y US$220.6 million), respectively.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

11.1 LOAN PORTFOLIO, BY CREDIT LINES

The following shows the distribution of the Bank and its Subsidiaries loan portfolio, by credit lines:

		As of December 31, 2023	As of December 31, 2022
Ordinary loans	$	63,177,027	63,109,804
Home mortgage porfolio		10,950,719	10,448,448
Payroll installment loans		8,370,489	7,803,005
Credit cards		4,417,016	3,933,319
Loans with resources from other institutions		2,972,767	2,329,138
Leasing of immovable property		2,533,936	2,405,063
Loans to constructors		2,492,954	2,047,327
Leasing of movable property		1,780,864	1,734,407
Loans to micro - businesses and SMEs		573,983	652,909
Found in current banking account		461,373	423,078
Employee loans		436,564	355,222
Microcredit		275,422	265,340
Discounts		180,788	203,237
Non-recourse factoring		170,908	99,295
Repos and interbank		170,321	4,492,352
Hedged letters of credit		46,684	63,972
Consignment in transit		20,850	36,648
Others		164,548	167,746
Total gross loan portfolio		**99,197,213**	**100,570,310**
Loss Impairment		(5,610,653)	(5,293,278)
Total	$	**93,586,560**	**95,277,032**

11.2 LOAN PORTFOLIO, BY MATURITY

The following shows the distribution of the Bank and its Subsidiaries loan portfolio, by maturity:

		As of December 31, 2023				
		Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Commercial portfolio	$	34,064,975	14,693,606	7,167,469	3,998,977	59,925,027
Consumer portfolio		6,405,454	6,954,930	4,710,038	4,989,279	23,059,701
Mortgage portfolio		496,478	702,155	763,088	9,422,687	11,384,408
Microcredit portfolio		161,626	107,524	5,134	1,138	275,422
Finance lease portfolio		776,530	1,173,908	865,000	1,499,362	4,314,800
Repos, interbank and other		237,855	0	0	0	237,855
Total	$	**42,142,918**	**23,632,123**	**13,510,729**	**19,911,443**	**99,197,213**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2022				
		Up to 1 year	1 to 3 years	3 to 5 years	More than 5 years	Total
Commercial portfolio	$	30,870,353	15,943,127	8,027,045	4,296,405	59,136,930
Consumer portfolio		5,716,222	6,169,530	4,393,305	5,459,311	21,738,368
Mortgage portfolio		424,656	616,717	669,268	9,087,209	10,797,850
Microcredit portfolio		154,130	104,577	5,559	1,074	265,340
Finance lease portfolio		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**

11.3 LOAN PORTFOLIO, BY TYPE OF CURRENCY

The following is the classification of the loan portfolio, by type of currency:

		As of December 31, 2023			As of December 31, 2022		
		Local	Foreign	Total	Local	Foreign	Total
Commercial portfolio	$	43,996,314	15,928,713	59,925,027	40,273,385	18,863,545	59,136,930
Consumer portfolio		19,714,071	3,345,630	23,059,701	17,701,569	4,036,799	21,738,368
Mortgage portfolio		8,261,890	3,122,518	11,384,408	6,858,731	3,939,119	10,797,850
Microcredit portfolio		275,422	0	275,422	265,340	0	265,340
Finance lease portfolio		4,280,307	34,493	4,314,800	4,040,740	98,730	4,139,470
Repos, interbank and others		80,112	157,743	237,855	4,450,623	41,729	4,492,352
Total	$	**76,608,116**	**22,589,097**	**99,197,213**	**73,590,388**	**26,979,922**	**100,570,310**

11.4 LOAN PORTFOLIO, BY STAGES

The following is a breakdown of the portfolio according to the different stages:

		As of December 31, 2023			
		Stage 1	Stage 2	Stage 3	Total
Commercial portfolio	$	52,361,351	1,908,936	5,654,740	59,925,027
Consumer portfolio		20,080,295	2,088,525	890,881	23,059,701
Mortgage portfolio		10,382,022	691,519	310,867	11,384,408
Microcredit portfolio		225,561	13,733	36,128	275,422
Finance lease portfolio		3,894,813	157,170	262,817	4,314,800
Repos, interbank and others		237,855	0	0	237,855
Total	**$**	**87,181,897**	**4,859,883**	**7,155,433**	**99,197,213**

		As of December 31, 2022			
		Stage 1	Stage 2	Stage 3	Total
Commercial portfolio	$	50,027,806	3,337,018	5,772,106	59,136,930
Consumer portfolio		18,033,606	3,109,099	595,663	21,738,368
Mortgage portfolio		9,666,261	885,143	246,446	10,797,850
Microcredit portfolio		222,837	14,028	28,475	265,340
Finance lease portfolio		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**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

11.5 MOVEMENT IN THE ALLOWANCE FOR IMPAIRMENT OF THE LOAN PORTFOLIO

The following is the movement in the allowance for impairment by type:

		Commercial portfolio	Consumer portfolio	Mortgage portfolio	Microcredit portfolio	Finance lease portfolio	Total
Balance as of December 31, 2021	$	**3,805,732**	**2,769,012**	**537,262**	**104,388**	**420,753**	**7,637,147**
Charged-off		(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
Exchange difference		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 as of December 31, 2022	**$**	**3,377,085**	**1,329,967**	**165,014**	**38,194**	**383,018**	**5,293,278**
Charged-off		(285,798)	(1,919,431)	(36,716)	(24,758)	(78,548)	(2,345,251)
Impairment with effect in net income		77,948	2,477,498	69,909	31,822	(95,812)	2,561,365
Reversal of caused interests (1)		222,480	42,179	8,663	6,728	80,988	361,038
Exchange difference		(48,754)	(12,979)	(4,276)	0	(51)	(66,060)
Purchase of portfolio		0	0	0	666	0	666
Sale of portfolio		(68,789)	(78)	0	0	(125,516)	(194,383)
Balance as of December 31, 2023	**$**	**3,274,172**	**1,917,156**	**202,594**	**52,652**	**164,079**	**5,610,653**

During 2023, the impairment expense net of recoveries of $2,561,365 represented an increase of $870,476 with respect to the net expense for 2022 of $1,690,889, mainly due to an increase of $762,791 in impairment of the consumer portfolio, due to an increase in credit risk indicators; and a reduction in impairment of the commercial portfolio of $207,651, due to the effect of the variation in the USD/ COP exchange rate and the improvement in the financial situation of some customers.

The following is the movement in the allowance for impairment by stages:

		Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	**$**	**1,099,805**	**2,182,399**	**4,354,943**	**7,637,147**
Charged-off		(7,154)	(241,293)	(1,539,832)	(1,788,279)
Impairment with effect in net income		55,598	569,132	1,066,159	1,690,889
Reversal of caused interests (1)		0	28	277,555	277,583
Exchange difference		(2,313)	28,272	26,188	52,147
Reclassification from Stage 1 to Stage 2		(128,028)	128,028	0	0
Reclassification from Stage 1 to Stage 3		(25,347)	0	25,347	0
Reclassification from Stage 2 to Stage 3		0	(520,477)	520,477	0
Reclassification from Stage 3 to Stage 2		0	129,107	(129,107)	0
Reclassification from Stage 2 to Stage 1		189,448	(189,448)	0	0
Reclassification from Stage 3 to Stage 1		20,969	0	(20,969)	0
Discontinued operation		(3,843)	14,798	253,502	264,457
Deconsolidation		(640,049)	(1,003,291)	(1,197,326)	(2,840,666)
Balance as of December 31, 2022	**$**	**559,086**	**1,097,255**	**3,636,937**	**5,293,278**
Charged-off		(113,429)	(539,263)	(1,692,559)	(2,345,251)
Impairment with effect in net income		309,693	1,085,008	1,166,664	2,561,365
Reversal of caused interests (1)		12	62	360,964	361,038
Exchange difference		(8,061)	(16,434)	(41,565)	(66,060)
Purchase of portfolio		27	0	639	666
Sale of portfolio		0	(78)	(194,305)	(194,383)

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		Stage 1	Stage 2	Stage 3	Total
Reclassification from Stage 1 to Stage 2		(244,887)	244,887	0	0
Reclassification from Stage 1 to Stage 3		(59,620)	0	59,620	0
Reclassification from Stage 2 to Stage 3		0	(862,845)	862,845	0
Reclassification from Stage 3 to Stage 2		0	285,672	(285,672)	0
Reclassification from Stage 2 to Stage 1		413,613	(413,613)	0	0
Reclassification from Stage 3 to Stage 1		70,612	0	(70,612)	0
Balance as of December 31, 2023	**$**	**927,046**	**880,651**	**3,802,956**	**5,610,653**

(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).

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:

		As of December 31, 2023			
		Stage 1	Stage 2	Stage 3	Total
Commercial portfolio	$	28,436	6,779	2,633	37,848
Consumer portfolio		43,818	60,633	7,544	111,995
Mortgage portfolio		10,095	7,537	3,634	21,266
Microcredit portfolio		(93)	22	(6)	(77)
Finance lease portfolio		1,947	1,663	442	4,052
Total	**$**	**84,203**	**76,634**	**14,247**	**175,084**

		As of December 31, 2022			
		Stage 1	Stage 2	Stage 3	Total
Commercial portfolio	$	(57,334)	39,267	85,886	67,819
Consumer portfolio		(18,004)	36,959	(8,034)	10,921
Mortgage portfolio		(53,644)	(14,620)	(9,446)	(77,710)
Microcredit portfolio		(402)	331	(87)	(158)
Finance lease portfolio		(1,679)	(6,635)	(514)	(8,828)
Total	**$**	**(131,063)**	**55,302**	**67,805**	**(7,956)**

11.6 MOVEMENT OF LOAN PORTFOLIO BALANCES

The following is the movement of balances by type:

		Commercial portfolio	Consumer portfolio	Mortgage portfolio	Microcredit portfolio	Finance lease portfolio	Repos, interbank and others	Total
Balance as of 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
Charged-off		(252,849)	(1,415,532)	(33,190)	(80,580)	(6,128)	0	(1,788,279)
Effect of movements in Exchange difference		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)

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		Commercial portfolio	Consumer portfolio	Mortgage portfolio	Microcredit portfolio	Finance lease portfolio	Repos, interbank and others	Total
Balance as of December 31, 2022	**$**	**59,136,930**	**21,738,368**	**10,797,850**	**265,340**	**4,139,470**	**4,492,352**	**100,570,310**
Principal increases and underwriting costs		42,993,688	15,107,584	2,306,807	237,586	2,112,563	49,676	62,807,904
Principal decreases and underwriting costs		(38,795,810)	(10,926,733)	(920,842)	(205,536)	(1,604,098)	(4,577,224)	(57,030,243)
Increases and/or decreases in interest		995,376	(117,743)	46,064	2,124	(59,299)	0	866,522
Charged-off		(285,798)	(1,919,431)	(36,716)	(24,758)	(78,548)	0	(2,345,251)
Exchange difference		(4,033,153)	(822,059)	(808,755)	0	(8,577)	273,051	(5,399,493)
Purchase of portfolio		0	0	0	666	0	0	666
Sale of portfolio - allowance		(68,789)	(78)	0	0	(125,516)	0	(194,383)
Sale of portfolio – cash		(17,417)	(16,981)	0	0	(61,195)	0	(95,593)
Gain or loss on sale of portfolio		0	16,774	0	0	0	0	16,774
Balance as of December 31, 2022	**$**	**59,925,027**	**23,059,701**	**11,384,408**	**275,422**	**4,314,800**	**237,855**	**99,197,213**

The following is the movement of portfolio balances by stage:

		Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	**$**	**129,147,554**	**19,329,857**	**9,328,390**	**157,805,801**
Principal increases and underwriting costs		65,785,659	797,024	369,686	66,952,369
Principal decreases and underwriting costs		(47,459,006)	(3,029,372)	(1,427,143)	(51,915,521)
Increases and/or decreases in interest		268,530	254,308	197,515	720,353
Charged-off		(7,154)	(241,293)	(1,539,832)	(1,788,279)
Exchange difference		3,675,391	686,083	193,577	4,555,051
Reclassification from Stage 1 to Stage 2		(6,801,554)	6,801,554	0	0
Reclassification from Stage 1 to Stage 3		(1,139,982)	0	1,139,982	0
Reclassification from Stage 2 to Stage 3		0	(2,428,306)	2,428,306	0
Reclassification from Stage 2 to Stage 1		5,324,045	(5,324,045)	0	0
Reclassification from Stage 3 to Stage 2		0	513,769	(513,769)	0
Reclassification from Stage 3 to Stage 1		108,663	0	(108,663)	0
Discontinued operation		4,985,907	(1,228,725)	(2,082,045)	1,675,137
Deconsolidation		(68,298,203)	(8,288,834)	(847,564)	(77,434,601)
Balance as of December 31, 2022	**$**	**85,589,850**	**7,842,020**	**7,138,440**	**100,570,310**
Principal increases and underwriting costs		58,826,111	1,121,837	2,859,956	62,807,904
Principal decreases and underwriting costs		(51,571,618)	(2,277,604)	(3,181,021)	(57,030,243)
Increases and/or decreases in interest		739,936	106,393	20,193	866,522
Charged-off		(113,429)	(539,263)	(1,692,559)	(2,345,251)
Effect of movements in exchange rates		(4,648,224)	(358,519)	(392,750)	(5,399,493)
Purchase of portfolio		27	0	639	666
Sale of portfolio - allowance		0	(78)	(194,305)	(194,383)
Sale of portfolio – cash		0	(78)	(95,515)	(95,593)
Gain or loss on sale of portfolio		0	0	16,774	16,774
Reclassification from Stage 1 to Stage 2		(8,841,402)	8,841,402	0	0
Reclassification from Stage 1 to Stage 3		(873,359)	0	873,359	0
Reclassification from Stage 2 to Stage 3		0	(2,943,533)	2,943,533	0
Reclassification from Stage 2 to Stage 1		7,711,998	(7,711,998)	0	0
Reclassification from Stage 3 to Stage 2		0	779,304	(779,304)	0
Reclassification from Stage 3 to Stage 1		362,007	0	(362,007)	0
Balance as of December 31, 2023	**$**	**87,181,897**	**4,859,883**	**7,155,433**	**99,197,213**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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).

		As of December 31, 2023						
		Commercial portfolio	Consumer portfolio	Mortgage portfolio	Microcredit portfolio	Finance lease portfolio	Repos, interbank and others	Total
Loss Impairment								
Individually assessed loans	$	2,041,760	1,764	0	0	87,919	0	2,131,443
Collectively assessed loans		1,232,412	1,915,392	202,594	52,652	76,160	0	3,479,210
Total impairment		**3,274,172**	**1,917,156**	**202,594**	**52,652**	**164,079**	**0**	**5,610,653**
Gross balance of financial assets by loan portfolio:								
Individually assessed loans (1)		4,580,857	2,328	0	0	189,761	0	4,772,946
Collectively assessed loans		55,344,170	23,057,373	11,384,408	275,422	4,125,039	237,855	94,424,267
Total gross loan portfolio	**$**	**59,925,027**	**23,059,701**	**11,384,408**	**275,422**	**4,314,800**	**237,855**	**99,197,213**

		As of December 31, 2022						
		Commercial portfolio	Consumer portfolio	Mortgage portfolio	Microcredit portfolio	Finance lease portfolio	Repos, interbank and others	Total
Loss Impairment								
Individually assessed loans	$	2,114,981	1,801	238	0	272,562	0	2,389,582
Collectively assessed loans		1,262,104	1,328,166	164,776	38,194	110,456	0	2,903,696
Total impairment		**3,377,085**	**1,329,967**	**165,014**	**38,194**	**383,018**	**0**	**5,293,278**
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**

(1) Includes all individually assessed loans of more than $2,000, regardless of whether they are judged as impaired or otherwise.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

11.8 LOAN PORTFOLIO ASSESSED INDIVIDUALLY

The following is a breakdown of the loans assessed individually for impairment:

		As of December 31, 2023		
		Registered gross value	**Collateral guarantees**	**Constituted impairment**
No registered impairment				
Commercial portfolio	$	239,937	239,937	0
		239,937	**239,937**	**0**
With registered impairment				
Commercial portfolio		4,340,920	720,015	2,041,760
Consumer portfolio		2,328	0	1,764
Finance lease portfolio		189,761	0	87,919
		4,533,009	**720,015**	**2,131,443**
Totals				
Commercial portfolio		4,580,857	959,952	2,041,760
Consumer portfolio		2,328	0	1,764
Finance lease portfolio		189,761	0	87,919
Total	**$**	**4,772,946**	**959,952**	**2,131,443**

		As of December 31, 2022		
		Registered gross value	**Collateral guarantees**	**Constituted impairment**
No registered impairment				
Commercial portfolio	$	138,324	138,324	0
Finance lease portfolio		102	0	0
		138,426	**138,324**	**0**
With registered impairment				
Commercial portfolio		4,757,922	1,246,073	2,114,981
Consumer portfolio		2,699	279	1,801
Mortgage portfolio		1,017	0	238
Finance lease portfolio		424,885	6,668	272,562
Repos, interbank and others		1	0	0
		5,186,524	**1,253,020**	**2,389,582**
Totals				
Commercial portfolio		4,896,246	1,384,397	2,114,981
Consumer portfolio		2,699	279	1,801
Mortgage portfolio		1,017	0	238
Finance lease portfolio		424,987	6,668	272,562
Repos, interbank and others		1	0	0
Total	**$**	**5,324,950**	**1,391,344**	**2,389,582**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

11.9 LOAN PORTFOLIO FINANCE LEASE

The following is the reconciliation between the gross investment in finance lease agreements and the present value of the minimum payments to be received at these dates.

		As of December 31, 2023	As of December 31, 2022
Gross investment in finance lease agreements	$	**7,485,732**	**7,066,911**
Less unrealized financial income		(3,170,932)	(2,927,441)
Net investment in finance lease agreements		**4,314,800**	**4,139,470**
Impairment of net investment in finance lease agreements	$	**(164,079)**	**(383,018)**

Below is a breakdown of the gross and net investment in finance lease agreements to be received in each of the following periods:

		As of December 31, 2023		As of December 31, 2022	
		Gross investment	Net investment	Gross investment	Net investment
Up to 1 year	$	150,596	147,762	131,959	130,407
1 to 5 years		2,066,998	1,554,904	1,787,324	1,372,659
More than 5 years		5,268,138	2,612,134	5,147,628	2,636,404
Total	$	**7,485,732**	**4,314,800**	**7,066,911**	**4,139,470**

The Bank and its Subsidiaries grant loans in the form of finance lease for purchase of machinery and equipment, computer equipment, immovable property, furniture and fixtures, vehicles and ships, trains and aircraft. 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:

		As of December 31,2023	As of December 31,2022
Dividends (1)	$	1,187,475	1,469,383
Electronic transactions in compensation process (2)		791,376	312,059
Prepayments to contractors and suppliers		561,481	504,099
Transfers of abandoned accounts to Instituto Colombiano de Crédito Educativo y Estudios Técnicos en el Exterior (ICETEX)		243,403	226,381
Guarantee deposits and others (3)		215,727	55,886
Accounts receivable from customers		139,262	198,902
Prepaid expenses		78,944	70,290
Insurance claim (4)		76,330	76,224
Discountable taxes, prepayments and withholdings		54,452	2,838
Commissions		54,084	47,153
Transfers of inactive accounts to the National Treasury		41,468	46,701
Daily liquidation Cámara de Riego Central de Contraparte (5)		30,150	0
Storage services		25,715	29,768
Bonuses receivable		23,643	19,162
Spot operations		20,735	4,730

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31,2023	As of December 31,2022
Electronic deposits offsetting – Credibanco		12,817	12,615
Sale of goods and services		11,666	12,357
Other interest		6,547	3,405
Sick leave		2,822	3,380
Forward compliance		1,043	1,107
Accounts pending settlement		409	92,832
Fees, services and others		280	23,336
Other accounts receivable		53,373	72,185
		3,633,202	**3,284,793**
Impairment of other accounts receivable		(52,801)	(63,153)
Total	$	**3,580,401**	**3,221,640**

(1) Decrease due to dividends declared receivable BAC Holding International (BHI) for USD $311 million (equivalent to $1,187,343) and for USD $301 million (equivalent to $1,445,881) decrease with respect to December 2022 for $302,036 as a result of the fluctuation of the exchange rate (peso/dollar).
(2) Increase as of December 31, 2023, mainly due to the compensation of ATH (Shared Services Center of the AVAL Group Entities) transactions, a process that depends on the number of transactions and days of the week according to the cut-off cycles; at the end of the year 2023, there is a higher amount due to the annual bank closing, leaving more days pending to compensate.
(3) Increase mainly in Banco de Bogota for the guaranteed deposits for derivative transactions of $169,838.
(4) Corresponds mainly to the recognition of the right of Fiduciaria Bogotá to the payment of the claim for the judicial process in Florida U.S.A., in which the Fiduciaria was involved due to the administration of the GYPTEC trust.
(5) Corresponds to daily payments and liquidations made at Banco República for the management of securities and derivatives market operations.

The following shows the movement in the impairment:

		As of December 31, 2023	As of December 31, 2022
Balance at the beginning of the period	$	**63,153**	**94,761**
Impairment with effect in net income		1,157	956
Charged-off		(10,566)	(695)
Exchange difference		(943)	686
Discontinued operation		0	469
Deconsolidation		0	(33,024)
Balance at the end of the period	$	**52,801**	**63,153**

NOTE 13– NON-CURRENT ASSETS HELD FOR SALE

The following is a breakdown:

		As of December 31, 2023	As of December 31, 2022
Non-current assets held for sale			
Movables	$	2,799	1,744
Real estate for housing		15,008	23,780
Real estate other than housing		35,270	36,978
		53,077	**62,502**
Assets returned from leasing agreements			
Vehicles		552	134
Real estate		10,107	3,297
Real estate under housing leases		268	1,595
		10,927	**5,026**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023	As of December 31, 2022
Other non-current assets held for sale			
Land		7,484	0
Real estate		4,536	0
		12,020	**0**
Total	$	**76,024**	**67,528**

The next table details the movement:

		Cost	Impairment	Total
Balance as of December 31, 2021	**$**	**172,676**	**(737)**	**171,939**
Additions		69,811	0	69,811
Disposals / Sales		(30,421)	407	(30,014)
Impairment charged to income, net		0	(76)	(76)
Reclassifications (1)		(94,334)	78	(94,256)
Impact on results due to change in sales plan		(18)	0	(18)
Exchange difference		13,969	(7)	13,962
Discontinued operation		8,194	0	8,194
Deconsolidation		(72,083)	69	(72,014)
Balance as of December 31, 2022	**$**	**67,794**	**(266)**	**67,528**
Additions		69,415	0	69,415
Disposals / Sales		(29,630)	89	(29,541)
Impairment charged to income, net		0	(268)	(268)
Reclassifications (1)		(24,213)	198	(24,015)
Exchange difference		(7,090)	(5)	(7,095)
Balance as of December 31, 2023	**$**	**76,276**	**(252)**	**76,024**

(1) As of December 31, 2023 and 2022, respectively, it corresponds to transfers to other assets for $25,653 and ($61,297) and to investment property for (76,597) and ($31,184) and to investments for ($581) and ($1,775) See Note 2.6 and PP&E $27,510.

For these assets special sale processes and programs have been established, either in cash or with the granting of financing to potential buyers under normal market conditions and they are expected to be sold within a period of 12 months after their classification non-current assets held for sale. The Bank and its Subsidiaries in their commercialization plan advance the steps contemplated in the Asset Management Manual - Marketing and accounting of foreclosed assets and assets returned from leasing.

The liabilities associated with the groups of assets held for sale as of December 31, 2023, and 2022, came to $4,338 and $5,304, respectively.

NOTE 14 – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES, NET

The following is a breakdown of investments in associates and joint ventures:

		As of December 31, 2023	As of December 31, 2022
Associates	$	9,107,458	8,734,980
Joint ventures		1,722	1,585
Total	$	**9,109,180**	**8,736,565**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

14.1 INVESTMENTS IN ASSOCIATES

The following is the corporate purpose and headquarters of the associates:

	Associates	Corporate Purpose	Place of Business
1	Corporación Financiera Colombiana S.A.	Specializes in a wide range of products for private banking, investment banking, treasury operations and investments in equity instruments.	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 shareholding percentages and their book value:

		As of December 31, 2023				
		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	$	6,346,976	2,740,858	12,806	4,039	2,779
Current assets		9,387,071	2,892,440	130,996	4,793	15,064
Non-current assets		17,786,180	647,873	5,443	45,635	105
Total assets		**27,173,251**	**3,540,313**	**136,439**	**50,428**	**15,169**
Current liabilities		14,235,688	674,432	84,899	5,080	1,276
Non-current liabilities		926,379	0	352	17,732	0
Total liabilities		**15,162,067**	**674,432**	**85,251**	**22,812**	**1,276**
Equity		12,011,184	2,865,881	51,188	27,616	13,893
Income		9,881,896	2,677,008	151,965	857	16,879
Expenses		(8,998,301)	(2,118,350)	(149,977)	(14,782)	(15,870)
Net income		**883,595**	**558,658**	**1,988**	**(13,925)**	**1,009**
Other comprehensive income		567,513	46,308	4,381	0	0
Total comprehensive income		**1,451,108**	**604,966**	**6,369**	**(13,925)**	**1,009**
Cash and cash equivalents		1,510,602	128,292	17,609	1,106	5,407
Current financial liabilities		13,854,699	98,119	78,852	0	112
Non-current financial liabilities		918,396	0	0	13,000	0
Income from commissions and fees		23,184	979,018	27,093	265	15,522
Depreciation and amortisation		9,012	16,786	1,919	0	162
Interest income		463,153	87,851	6,237	592	536
Interest expense		1,778,755	56,322	6,914	2,697	35
Income tax expense	$	3,044	162,301	1	(7,484)	589

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	As of 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	653,560	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	245	52	0
Total liabilities	**12,604,544**	**1,032,337**	**38,159**	**4,846**	**1,731**
Equity	**11,424,899**	**2,461,426**	**44,858**	**21,149**	**12,885**
Income	11,222,647	3,058,424	161,303	754	15,838
Expenses	9,439,782	2,904,457	146,024	22,100	15,225
Net income	1,782,865	153,967	15,279	(21,346)	613
Other comprehensive income	(489,166)	(59,130)	(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 amortisation	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

The following is the movement in investments in associates:

		Years ended at December 31, 2023	2022
Balance at beginning of the period	$	**8,734,980**	**8,402,777**
Share of the profit or loss (1)		564,905	665,216
Share in profit/loss from other comprehensive income (2)		78,016	(197,517)
Acquisitions		2,433	7,267
Dividends		(267,709)	(140,770)
Withholding tax for dividends		0	(1,992)
Increase due to the retained interest in BHI (Note 14.3)		0	3,356,952
Discontinued operation		0	(191,075)
Sale of investment in BHI (Note 14.3)		0	(2,645,914)
Derecognition due to recognition of the investment as available for sale		0	(519,964)
		9,112,625	**8,734,980**
Impairment movement, net (3)		(5,167)	0
Balance at end of the period	$	**9,107,458**	**8,734,980**

(1) See note 31.
(2) Corresponds mainly to participation in other comprehensive income of Corficolombiana and Porvenir.
(3) To cover the probability of recovery of the investment in the entity Servicios de Identidad Digital S.A.S.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

14.2 INVESTMENTS IN JOINT VENTURES

The following is the corporate purpose and headquarters of the joint venture:

	Joint ventures	Corporate Purpose	Place of Business
1	A Toda Hora S.A. Joint venture	Financial transactions services.	Bogotá D.C.
2	Aval Soluciones Digitales S.A Joint venture	Electronic Deposits and Payments - 100% digital financial transactions.	Bogotá D.C.

The following is a summary of the financial information of investments in joint venture, showing the shareholding percentages and their book value:

		As of December 31, 2023		As of December 31, 2022	
		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%	38.50%
Book value	$	1,718	4	1,581	4
Current assets		76,487	15,582	68,541	23,085
Non-current assets		3,948	107,898	10,180	65,246
Toral assets		**80,435**	**123,480**	**78,721**	**88,331**
Current liabilities		73,564	123,470	72,396	88,321
Total liabilities		**73,564**	**123,470**	**72,396**	**88,321**
Equity		6,871	10	**6,325**	**10**
Income		397,891	80,111	350,132	40,801
Expenses		(397,345)	(80,111)	349,718	40,801
Net income		546	0	414	0
Total comprehensive income		**546**	**0**	**414**	**0**
Cash and cash equivalents		31,701	5,293	31,126	9,873
Current financial liabilities		3,420	42	5,928	0
Income from commissions and fees		201,751	2,064	184,530	534
Depreciation and amortisation		6,836	5,595	6,888	1,761
Interest income		1,493	0	830	0
Interest expense	$	618	0	662	0

The following is the movement of investments in joint ventures:

		As of December 31, 2023	As of December 31, 2022
Balance at the beginning of the period	$	**1,585**	**1,482**
Share of the profit or loss		137	103
Balance at the end of the period	$	**1,722**	**1,585**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

14.3 OPERATIONS BAC HOLDING INTERNATIONAL (BHI) DISCONTINUED IN 2022.

BAC Holding International (hereinafter "BHI") was a foreign subsidiary of Banco de Bogotá, which has operations in Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua and Panamá. As of March 31, 2022, as a result of the spin-off process of 75% of said company, 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 participation in a public takeover bid (TOB), 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.

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. Considering the above, the Bank discontinued this line of business as a result of the TOB.

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.

14.3.1 ESCISIÓN PARTICIPACIÓN DEL 75% EN BAC HOLDING INTERNATIONAL (BHI)

In application of accounting requirements, the spin-off of BHI was carried out at the Bank's book 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)**

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 of OCI, income tax		
Current tax on hedged bonds		337,996

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Current tax on hedging derivatives		700,522
Deferred tax on hedged 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
Total realization of OCI to retained earnings	**$**	**(7,735)**
Total (See Note 28)	**$**	**1,179,519**

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

		For the three-month period ended March 31,2022
Interest income	$	1,849,419
Interest expenses		554,086
Net interest income		**1,295,333**
Net impairment loss on financial assets		**267,776**
Net interest income, after impairment		**1,027,557**
Income for commissions and other services		753,523
Costs and expenses for commissions and other services		30,396
Net income for commissions and other services		**723,127**
Net income from financial assets or liabilities held for trading		**954**
Net gain on exchange difference		**232,765**
Other Income		**58,380**
Operating expenses		**1,273,728**
Net income before income tax		**769,055**
Income tax expense		224,104
Net income for the period from discontinued operations		**544,951**
Non-controlling interests		(61)
Realization of OCI to income		1,187,254
Total income for the period from discontinued operations	**$**	**1,732,144**

Considering the applicable accounting requirements, 100% of the net income related to BHI as a subsidiary due to the effect of the loss of control is presented in discontinued operations. In connection with March 2022, the realization of OCI was reclassified from continuing operations to discontinued operations for $1,187,254.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Statement of cash flows from discontinued operations of BHI and Subsidiaries:

		For the three-month period ended March 31,2022
Net cash provided by operating activities	$	1,666,630
Net cash used in investing activities		(1,040,893)
Net cash used in financing activities		(594,580)
Effect of exchange rate difference on cash and cash equivalents		(1,424,759)
Net decrease in cash and cash equivalents		(1,393,602)
Cash and cash equivalents at beginning of the period		**18,963,992**
Cash and cash equivalents at the end of the period	**$**	**17,570,390**

14.3.2 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**

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.

Effect on asset accounts		
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)**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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**

NOTE 15 – PROPERTY, PLANT AND EQUIPMENT

The following is a breakdown:

		As of December 31, 2023			As of December 31, 2022		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	$	249,788	0	249,788	313,217	0	313,217
Buildings		522,690	(205,899)	316,791	660,143	(251,510)	408,633
Machinery and equipment		25,444	(14,250)	11,194	18,705	(12,601)	6,104
Vehicles		8,662	(4,267)	4,395	8,498	(4,580)	3,918
Office equipment, furniture, and fixtures		305,049	(240,753)	64,296	300,635	(231,799)	68,836
Computer equipment, networking and communications		699,021	(482,822)	216,199	681,467	(497,523)	183,944
Leasehold improvements		106,949	(45,032)	61,917	110,864	(41,199)	69,665
Construction in progress		21,897	0	21,897	30,531	0	30,531
Total	$	**1,939,500**	**(993,023)**	**946,477**	**2,124,060**	**(1,039,212)**	**1,084,848**

The following is the activity of costs:

		Land	Buildings and construc-tions	Machi-nery and equip-ment	Vehicles	Office equipment, furniture, and fixtures	Computer equipment, networking and communi-cations	Leasehold improve-ments	Constru-ction in progress	Total
Balance as of December 31, 2021	**$**	**555,232**	**1,377,751**	**16,500**	**49,039**	**857,500**	**1,763,792**	**400,182**	**148,620**	**5,168,616**
Additions (1)		2,562	5,173	2,291	1,682	15,373	79,971	313	38,575	145,940
Disposals / Sales		(14,116)	(18,612)	(5)	(1,979)	(9,790)	(14,476)	(1,345)	(126)	(60,449)
Reclassifications (2)		(13,053)	(88,461)	(82)	933	1,512	11,612	4,277	(32,641)	(115,903)
Exchange difference		30,024	32,424	1	601	3,721	3,633	8,266	4,770	83,440
Discontinued operation		0	(84)	0	0	(6,446)	(15,809)	(3,975)	0	(26,314)
Deconsolidation		(247,432)	(648,048)	0	(41,778)	(561,235)	(1,147,256)	(296,854)	(128,667)	(3,071,270)
Balance as of December 31, 2022	**$**	**313,217**	**660,143**	**18,705**	**8,498**	**300,635**	**681,467**	**110,864**	**30,531**	**2,124,060**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		Land	Buildings and construc-tions	Machi-nery and equip-ment	Vehicles	Office equipment, furniture, and fixtures	Computer equipment, networking and communi-cations	Leasehold improve-ments	Constru-ction in progress	Total
Additions (1)		0	88	7,930	2,692	9,686	72,641	632	34,839	128,508
Disposals / Sales		(2,849)	(17,626)	(290)	(1,325)	(5,657)	(62,020)	(3,650)	(135)	(93,552)
Reclassifications (2)		(25,182)	(82,269)	(900)	(127)	4,744	11,570	9,795	(37,297)	(119,666)
Exchange difference		(35,398)	(37,646)	(1)	(1,076)	(4,359)	(4,637)	(10,692)	(6,041)	(99,850)
Balance as of December 31, 2023	**$**	**249,788**	**522,690**	**25,444**	**8,662**	**305,049**	**699,021**	**106,949**	**21,897**	**1,939,500**

(1) Includes decommissioning costs of $1,158 and $391 as of December 31, 2023, and 2022, respectively.
(2) Correspond to transfer to negotiable investments ($52,212) and ($115,084) (see Note 2.6), to non-current assets held for sale for ($48,284), for deductible VAT for ($9,538) and ($8,549) as of December 31, 2023 and 2022 respectively, to other assets for ($186) and to investment properties in 2022 for $8,426.

The following is the activity in depreciation:

		Buildings and construc-tions	Machi-nery and equip-ment	Vehicles	Office equipment, furniture, and fixtures	Computer equipment, networking and communi-cations	Leasehold improve-ments	Total
Balance as of December 31, 2021	**$**	**(485,686)**	**(11,185)**	**(29,157)**	**(637,083)**	**(1,293,954)**	**(193,917)**	**(2,650,982)**
Depreciation		(29,032)	(1,419)	(819)	(17,326)	(50,249)	(10,806)	(109,651)
Disposals / Sales		8,070	4	1,758	9,190	14,410	1,212	34,644
Reclassifications		46,479	0	(933)	(1)	1	75	45,621
Exchange difference		(3,071)	(1)	(158)	(2,080)	(1,573)	(2,014)	(8,897)
Discontinued operation		(4,022)	0	(2,025)	(3,985)	(16,458)	(2,890)	(29,380)
Deconsolidation		215,752	0	26,754	419,486	850,300	167,141	1,679,433
Balance as of December 31, 2022	**$**	**(251,510)**	**(12,601)**	**(4,580)**	**(231,799)**	**(497,523)**	**(41,199)**	**(1,039,212)**
Depreciation		(22,673)	(1,825)	(1,067)	(17,127)	(49,668)	(9,933)	(102,293)
Disposals / Sales		7,082	216	884	5,520	61,839	2,838	78,379
Reclassifications (1)		56,924	(40)	126	28	(6)	0	57,032
Exchange difference		4,278	0	370	2,625	2,536	3,262	13,071
Balance as of December 31, 2023	**$**	**(205,899)**	**(14,250)**	**(4,267)**	**(240,753)**	**(482,822)**	**(45,032)**	**(993,023)**

(1) Correspond to: transfer to investments $29,292 and $46,554 (see Note 2.6), non-current assets held for sale $20,774 in 2023 and in 2022 to other assets for ($933).

There were no restrictions registered on ownership of PP&E.

As of December 31, 2023, the Bank and its Subsidiaries carried out a qualitative analysis that takes into account the internal and external sources of information. Based upon that analysis, it was determined that certain assets might have some impairment and their recoverable value was identified based on their fair value, which was determined through an independent technical appraisal.

The Bank and its Subsidiaries have PP&E that is fully depreciated, but still in use as of December 31, 2023. Additionally, have PP&E that is temporarily out of service for $9,306.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

NOTE 16 – RIGHT-OF- USE ASSETS

The following is a breakdown by type of property:

		As of December 31, 2023			As of December 31, 2022		
		Cost	Accumulated depreciation	Net	Cost	Accumulated depreciation	Net
Land	$	167	(11)	156	210	(131)	79
Buildings and constructions		769,477	(306,872)	462,605	803,067	(267,177)	535,890
Mobilization team and machinery		313	(137)	176	313	(118)	195
Computer equipment, networking and communications		34,206	(26,824)	7,382	34,100	(20,052)	14,048
Total	$	**804,163**	**(333,844)**	**470,319**	**837,690**	**(287,478)**	**550,212**

The following is the activity of costs:

		Land	Buildings	Vehicles	Machinery	Computer equipment	Total
Balance as of December 31, 2021	**$**	**278**	**1,650,716**	**113**	**36,318**	**33,715**	**1,721,140**
Additions		0	68,298	200	0	0	68,498
Adjustments to contracts		73	26,190	0	0	385	26,648
Disposals/ Sales		(141)	(72,710)	0	0	0	(72,851)
Reclassification (1)		0	1,774	0	0	0	1,774
Exchange difference		0	20,759	0	1	0	20,760
Discontinued operation		0	(55,104)	0	(3,176)	0	(58,280)
Deconsolidation		0	(836,856)	0	(33,143)	0	(869,999)
Balance as of December 31, 2022	**$**	**210**	**803,067**	**313**	**0**	**34,100**	**837,690**
Additions		152	25,167	0	0	0	25,319
Adjustments to contracts		14	41,699	0	0	106	41,819
Disposals/ Sales		(209)	(77,953)	0	0	0	(78,162)
Exchange difference		0	(22,503)	0	0	0	(22,503)
Balance as of December 31, 2023	**$**	**167**	**769,477**	**313**	**0**	**34,206**	**804,163**

The activity of depreciation:

		Land	Buildings	Vehicles	Machinery	Computer equipment	Total
Balance as of December 31, 2021	**$**	**(161)**	**(537,776)**	**(11,556)**	**(85)**	**(13,444)**	**(563,022)**
Depreciation		(110)	(87,313)	0	(33)	(6,608)	(94,064)
Disposals/ Sales		140	35,899	0	0	0	36,039
Reclassifications (1)		0	(1,774)	0	0	0	(1,774)
Exchange difference		0	(5,949)	0	0	0	(5,949)
Discontinued operation		0	(28,006)	(1,619)	0	0	(29,625)
Deconsolidation		0	357,742	13,175	0	0	370,917
Balance as of December 31, 2022	**$**	**(131)**	**(267,177)**	**0**	**(118)**	**(20,052)**	**(287,478)**
Depreciation		(78)	(85,106)	0	(19)	(6,772)	(91,975)
Disposals/ Sales		198	37,451	0	0	0	37,649
Exchange difference		0	7,960	0	0	0	7,960
Balance as of December 31, 2023	**$**	**(11)**	**(306,872)**	**0**	**(137)**	**(26,824)**	**(333,844)**

(1) Corresponds to transfers of other assets

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

In the development of its operations, the Bank and its Subsidiaries lease several properties such as lands, buildings, computer equipment, mobilization equipment and warehouses. Normally, lease contracts are made for fixed periods of 1 to 15 years. 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.

NOTE 17 – INVESTMENT PROPERTY

The following is a breakdown by type of property:

		As of December 31, 2023	As of December 31, 2022
Land	$	96,381	167,436
Buildings		113,166	69,170
Total	$	**209,547**	**236,606**

The following table shows the activity in the cost:

		Land	Buildings	Total
Balance as of December 31, 2021	**$**	**117,314**	**59,095**	**176,409**
Disposals / Sales		(23,102)	(3,238)	(26,340)
Reclassifications (1)		11,078	3,934	15,012
Exchange difference		131	2,154	2,285
Balance as of December 31, 2022	**$**	**105,421**	**61,945**	**167,366**
Additions		37	37	74
Disposals / Sales		(5,399)	(4,048)	(9,447)
Reclassifications (1)		(9,545)	67,292	57,747
Exchange difference		(157)	(8,175)	(8,332)
Balance as of December 31, 2023	**$**	**90,357**	**117,051**	**207,408**

(1) As of December 31, 2023, and 2022 respectively, corresponds to transfers of non-current assets held for sale for $76,597 and $31,184, to investments ($18,850) and ($9,112) see Note 2.6 and to PP&E ($7,061) in the year 2022.

The following table shows the activity in the fair value:

		Land	Buildings	Total
Balance as of December 31, 2021	**$**	**59,194**	**7,850**	**67,044**
Changes in fair value		(1,670)	2,160	490
Disposals / Sales		4,866	959	5,825
Exchange difference		0	(3)	(3)
Reclassifications (1)		(375)	(3,741)	(4,116)
Balance as of December 31, 2022	**$**	**62,015**	**7,225**	**69,240**
Changes in fair value		(34,408)	(11,545)	(45,953)
Disposals / Sales		434	(272)	162
Exchange difference		11	1,241	1,252
Reclassifications (1)		(22,028)	(534)	(22,562)
Balance as of December 31, 2023	**$**	**6,024**	**(3,885)**	**2,139**

(1) Corresponds to investments transferred to investments (see Note 2.6)

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The following is the detail of amounts included in net income of the period:

		As of December 31, 2023	As of December 31, 2022
Rental income from investment property	$	4,520	3,207
Direct operating expenses arising from investment property generating rental income		(129)	(195)
Direct operating expenses arising from investment property not generating rental income		(2,075)	0
Total	$	**2,316**	**3,012**

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, 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 as of December 31, 2023, since their recoverable amounts exceeds the book value.

The following is the movement on goodwill:

		As of December 31, 2023	As of December 31, 2022
Balance at the beginning of the period	$	641,124	**6,867,211**
Deconsolidation entity (1)		0	(6,256,286)
Exchange difference		(35,995)	30,199
Balance at the end of the period	$	**605,129**	**641,124**

(1) Deconsolidation BAC Holding International (BHI) in 2022.

The value of goodwill recorded in the financial statements of the Bank and its Subsidiaries was generated from the following acquisitions:

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Buyer Company	Acquisition	CGU Group		As of December 31, 2023	As of December 31, 2022
Banco de Bogotá	Megabanco	Banco de Bogotá	$	465,905	465,905
Multi Financial Holding (1)	Multi Financial Holding	Multi Financial Holding (MFH)		139,224	175,219
Total Goodwill			$	**605,129**	**641,124**

(1) 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.

Cash Generating Units		As of December 31, 2023			
		Goodwill carrying amount	CGU Book value	Value in use	Excess
UGE en Banco de Bogotá (Megabanco)	$	465,905	6,352,238	12,391,866	6,039,628
Multi Financial Holding (MFH) (1)		139,224	1,673,802	2,503,432	829,630
Total	**$**	**605,129**	**8,026,040**	**14,895,298**	**6,869,258**

Cash Generating Units		As of December 31, 2022			
		Goodwill carrying amount	CGU Book value	Value in use	Excess
UGE en Banco de Bogotá (Megabanco)	$	465,905	7,849,212	14,436,755	6,587,543
Multi Financial Holding (MFH) (1)		175,219	1,994,609	3,456,899	1,462,290
Total	**$**	**641,124**	**9,843,821**	**17,893,654**	**8,049,833**

(1) Adjusted for exchange rate at December 31, 2023 and December 31, 2022, respectively.

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.

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 January 2024 report and is based on the Banco de Bogotá's financial statements as of September 30, 2023, 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 $12,391,866 in value in use resulting from the assessment valuation exceeds in $6,039,628 the book value of the CGU groups of banking operation segment which was $6,352,238.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The following are the main assumptions used as a basis for the impairment analysis developed in December 2023 and 2022:

	As of December 31, 2023				
	2024	2025	2026	2027	2028
Lending rate on the loan portfolio and investments	12.1%	10.8%	10.2%	10.0%	9.8%
Liability interest rates	7.1%	5.5%	4.9%	4.7%	4.5%
Growth in income from commissions	16.0%	14.7%	14.1%	11.3%	11.2%
Growth in expenses	11.7%	8.3%	7.9%	6.2%	5.6%
Inflation	5.8%	3.5%	3.2%	3.1%	3.1%
Discount rate after taxes	16.5%	13.7%	12.4%	11.3%	11.6%
Growth rate after five years	6.5%				

	As of 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%
Liability interest rates	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%				

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.
- Liability interest rates were projected taking into account the expectations of the company and independent specialists.
- 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 6.5%, which corresponds to the Company's growth expectation for the long term.

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 value in use of the cash-generating unit would be $11,213,981, which is above the book value of $6,352,238.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Multi Financial Holding (MFH)

On May 22, 2020, Banco de Bogotá acquired 96.6% of the shares of Multi Financial Holding (MFH) through its Subsidiary Leasing Bogotá S.A. Panamá (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 Panamá 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 January 2024, based on the financial statements of MFH as of September 30, 2023. The respective report indicates there are no situations that would imply possible impairment, since the value in use of $2,503,432 exceeds the book value of $1,673,802 of the groups of cash generating units with assigned goodwill.

The following are the main assumptions used as a basis for the impairment analysis developed in December 2023 and 2022:

	As of December 31, 2023				
	2024	2025	2026	2027	2028
Lending rate on the loan portfolio and investments	6.89%	6.87%	6.87%	6.90%	6.92%
Borrowing rate	4.8%	4.4%	4.3%	4.2%	4.2%
Growth in income from commissions	-22.0%	8.6%	12.6%	11.7%	11.9%
Growth in expenses	-1.6%	2.1%	1.4%	2.6%	3.0%
Discount rate after taxes	11.3%				
Growth rate after ten years	5.6%				

	As of 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%				

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.

- 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

- 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 5.6% 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 11.3% 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 value in use of the cash generating unit to which the goodwill is allocated would be $2,273,792 exceeding the book value of $1,673,802.

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 as of December 31, 2021	**$**	**1,632,379**	**(766,780)**	**(252)**	**865,347**
Additions		24,190	0	0	24,190
Capitalized costs		146,097	0	0	146,097
Other capitalized costs acquired separately		27,672	0	0	27,672
Disposals / Sales		(26,639)	24,441	0	(2,198)
Amortization charged to expenses		0	(100,171)	0	(100,171)
Exchange difference		41,760	(13,327)	0	28,433
Discontinued operation		0	(23,239)	0	(23,239)
Deconsolidation entities		(612,237)	421,015	252	(190,970)
Balance as of December 31, 2022	**$**	**1,233,222**	**(458,061)**	**0**	**775,161**
Additions		10,296	0	0	10,296
Costs capitalized personnel expenses (1)		123,278	0	0	123,278
Capitalized costs		94,045	0	0	94,045
Other capitalized costs acquired separately		25,995	0	0	25,995
Disposals / Sales		(13,808)	11,942	0	(1,866)
Amortization charged to expenses		0	(95,804)	0	(95,804)
Exchange difference		(50,730)	18,709	0	(32,021)
Balance as of December 31, 2023	**$**	**1,422,298**	**(523,214)**	**0**	**899,084**

(1) Corresponds to personnel expenses that are being capitalized in the intangibles under development for the optimization of the Bank's processes and platforms.

19.2 INTERNAL INTANGIBLE ASSETS AND OTHER COSTS CAPITALIZED ACQUIRED SEPARATELY

Internal intangible assets correspond to those assets that are developed within the entity; the costs can be capitalized in the development process when the finished asset is used in production, activating the amortisation.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Other costs capitalized acquired separately correspond to intangible assets that are purchased externally and require an additional adjustment so that they can be fully utilized.

The following is the movement for these items:

		Computer software and applications		
		Cost	Amortization	Total
Balance as of December 31, 2021	$	**472,948**	**(93,614)**	**379,334**
Capitalized costs		146,097	0	146,097
Other costs capitalized 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)
Exchange difference		1,687	0	1,687
Deconsolidation entities		(13,538)	0	(13,538)
Balance as of December 31, 2022	$	**598,755**	**(124,653)**	**474,102**
Costs capitalized personnel expenses		123,278	0	123,278
Capitalized costs		94,045	0	94,045
Other costs capitalized acquired separately		25,995	0	25,995
Reclassifications		(14,712)	0	(14,712)
Disposals / Sales		(1,162)	0	(1,162)
Amortization charged to expenses		0	(40,378)	(40,378)
Exchange difference		(767)	0	(767)
Balance as of December 31, 2023	$	**825,432**	**(165,031)**	**660,401**

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 as of 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)
Exchange difference		11,443	0	5,501	9,779	13,350	40,073
Deconsolidation entities		(3,805)	(47,774)	(228,285)	(318,835)	0	(598,699)
Balance as of December 31, 2022	$	**66,396**	**0**	**214,204**	**276,409**	**77,458**	**634,467**
Additions		0	0	8,111	2,185	0	10,296
Reclassifications		0	0	690	14,022	0	14,712
Disposals / Sales		0	0	(11,939)	(707)	0	(12,646)
Exchange difference		(13,639)	0	(6,568)	(13,844)	(15,912)	(49,963)
Balance as of December 31, 2023	$	**52,757**	**0**	**204,498**	**278,065**	**61,546**	**596,866**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The following is the movement of the amortization:

		Intellectual property rights	Licenses	Computer software and applications	Intangible assets related with clients	Total
Balance as of December 31, 2021	**$**	**(29,859)**	**(329,714)**	**(293,011)**	**(20,582)**	**(673,166)**
Disposals / Sales		0	15,363	4,281	0	19,644
Amortization charged to expenses		0	(26,525)	(31,051)	(6,759)	(64,335)
Exchange difference		0	(3,321)	(4,842)	(5,164)	(13,327)
Discontinued operation		(1,174)	(9,653)	(12,412)	0	(23,239)
Deconsolidation entities		31,033	196,333	193,649	0	421,015
Balance as of December 31, 2022		**0**	**(157,517)**	**(143,386)**	**(32,505)**	**(333,408)**
Disposals / Sales		0	11,939	3	0	11,942
Amortization charged to expenses		0	(22,781)	(27,175)	(5,470)	(55,426)
Exchange difference		0	4,746	6,641	7,322	18,709
Balance as of December 31, 2023	**$**	**0**	**(163,613)**	**(163,917)**	**(30,653)**	**(358,183)**

The following is the movement of the Impairment.

		Trade marks
Balance as of December 31, 2021	**$**	**(252)**
Deconsolidation entities		252
Balance as of December 31, 2022	**$**	**0**

The following items are significant intangible assets: licenses for $40,885, programs and applications under development including platform optimization for the different products and services required by the entities for $169,839, programs and applications in use for $65,018, Customer-Related Assets for $30,893, and Trademarks for $52,757.

The Bank and its Subsidiaries have fully amortized intangible assets that are still in use and correspond to licenses and computer software and applications amounting to $187,401. Development costs as of December 31, 2023, and 2022 amount to $13,359, and $4,522, respectively. These amounts increase due to fees paid to the supplier Mckinsey & Company Colombia INC. for the consultancy service concerning the diagnosis and definitions to be taken for the development of the AVAL Payment Ecosystem Project.

There are no restrictions on ownership of other intangible assets.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

NOTE 20– INCOME TAX

20.1 COMPONENTS OF THE INCOME TAX EXPENSE

The income tax expense includes the following:

		Years ended at December 31	
		2023	2022
Income tax for the current period	$	**96,401**	**35,584**
Income tax surcharge		4,194	1,320
Recovery of current tax of previous periods		(1,874)	(6,628)
Subtotal current tax		**98,721**	**30,276**
Net deferred taxes for the period		243,679	243,906
Recovery (expense) of prior periods deferred taxes		(13,359)	16,032
Subtotal deferred tax		**230,320**	**259,938**
Recovery for uncertain tax positions		(1,411)	0
Total income tax from continuing activities		**327,630**	**290,214**
Discontinued operation		0	224,104
Total income tax	$	**327,630**	**514,318**

Current and deferred taxes are recognized as income or expense in net income, except to the extent they have arisen from a transaction or event that is recognized outside net income in other comprehensive income (OCI), in equity. Therefore, during the years ended as of December 31, 2023 and 2022, unrealized deferred tax expense and deferred tax income of ($448,487) and $543,595, respectively, mainly related to the unrealized loss on investments available for sale and exchange difference of hedging instruments, bonds and investments in foreign subsidiaries. For accounting purposes these are recorded in the OCI account and for tax purposes they 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 expense and current tax in the parent company of ($1,324,886) and ($1,038,518), respectively, were 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.

And for the year 2023, a current tax income of $923 was recognized because of the cleansing performed on the exchange rate component of the derivatives settled during 2015 and 2016.

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

- 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 taxable income equal to or greater than 120,000 Tax Value Units (UVT, as per its Spanish acronym) in the period, apply a few additional percentage points of income tax of 3%.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

- For the year 2023, in accordance with Law 2277 of 2022 Tax Reform for Equality and Social Justice, 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 5%.

- The Economic Growth Law 2010 of 2019 reduces the presumptive income to 0% of the net equity 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 Law 2010 of 2019, the term of finality of the income and complementary tax returns of taxpayers who determine or offset tax losses or are subject to the transfer pricing regime, will be 5 years from the filing of the income tax return.

- The excess of presumptive income may be offset in the following 5 taxable periods.

- Tax losses may be offset against ordinary net income obtained in the following 12 taxable periods.

- The tax on casual income for the year 2022 is taxed at a rate of 10% and for the year 2023 at a rate of 15%.

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.

- Panamá: Rate of 25%.

The following is a reconciliation of the income tax expense of the Bank and its Subsidiaries, calculated at currently effective tax rates, to the tax expense effectively recorded in the results of the period as follows:

		Years ended at December 31	
		2023	2022
Net income before income tax	**$**	**1,296,564**	**2,095,684**
Theoretical tax expense at a rate of 40% and 38% (2023 and 2022)		518,626	796,360
Plus (minus) taxes that increase (decrease) the theoretical tax:			
Non-deductible expenses		200,434	156,161
Effect of dividends received		(5,821)	(4,813)
Non-taxable equity method income (1)		(226,017)	(252,821)
Gain (loss) on sale or valuation of non-taxable investments		(3,869)	0
Interests and other non- taxable income		(220,689)	(240,880)
Effect of deconsolidation		0	(52,223)
Exempt income		(45,744)	(555,621)
Non-accountable tax income from partial sale of BHI - exchange difference		114,201	543,879
Tax discounts		(2,088)	(18,861)
Casual income (Taxed at the rate of 15% 2023 and 10% 2022)		52,697	8,922
Income from tax-exempt subsidiaries in tax-free countries		(8,011)	(3,418)

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		Years ended at December 31	
		2023	2022
Difference in tax rate on income of subsidiaries in countries with different tax rates		(17,207)	(14,698)
Effect on deferred tax due to tax rates different tan 40% and 38% (2023 and 2022)		(1,792)	(81,224)
Recovery of current tax of previous periods		(1,874)	(6,628)
Recovery for uncertain tax positions		(1,411)	0
Deferred tax expense (recovery) from prior periods		(13,359)	16,032
Difference in tax loss carryforwards on which no deferred tax was calculated		(805)	0
Investments in Foreign Subsidiaries - WHT (2)		(3,986)	(476)
Other items		(5,655)	523
Total income tax expense for the period from continuing operations	**$**	**327,630**	**290,214**

(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 the tax on dividends 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, considering:

- 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.

Temporary differences on which no deferred tax liabilities were recognized as of December 31, 2023 and 2022 amounted to $3,368,509 y $3,170,685, 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, 2023, and 2022, pending to be used for $$18,114 and $14,642 respectively and on which the Bank and its Subsidiaries do not have recorded deferred tax assets due to the uncertainty in its recovery.

		Years ended at December 31	
		2023	2022
Tax losses expiring in			
December 31, 2023	$	1,052	1,323
December 31, 2024		3,850	4,846
December 31, 2025		2,178	2,742
December 31, 2026		5,908	0
December 31, 2031		0	141
December 31, 2032		2,966	5,264
December 31, 2034		2,102	0
December 31, 2035		58	122

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		Years ended at December 31	
		2023	2022
Subtotal		**18,114**	**14,438**
Surplus of presumptive income expiring in			
December 31, 2024		0	133
December 31, 2025		0	71
Subtotal		**0**	**204**
Total tax credits	**$**	**18,114**	**14,642**

20.4 INCOME TAXES FROM THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Income taxes for the years ended December 31, 2023 and 2022 are composed as follows:

Income taxes assets

Concept		As of December 31, 2023	As of December 31, 2022
Deferred income tax asset	$	920,483	1,640,467
Current income tax asset		765,850	636,530
Net	**$**	**1,686,333**	**2,276,997**

Income tax liabilities

Concepto		As of December 31, 2023	As of December 31, 2022
Deferred income tax liabilities	$	57,700	76,322
Current income tax liabilities		32,045	1,474
Net	**$**	**89,745**	**77,796**

20.4.1 DEFERRED INCOME TAXES, BY TYPE OF TEMPORARY DIFFERENCE

The differences between the carrying value of the assets and liabilities and their tax bases give rise to the temporary differences which result in deferred taxes, calculated and recorded for the years ended December 31, 2023, and 2022, based on tax rates in force for the years wherein such temporary differences will be reversed.

The movement in deferred tax assets and liabilities as of December 31, 2023, and 2022 is presented below:

	Balance as of December 31, 2022	Income (expense) in P&L	Unrealized income (expense) in OCI	Reclassifi-cations and exchange difference	Balance as of December 31, 2023
Deferred tax assets					
Valuation of debt securities investments	430,288	(20,251)	(233,653)	(254)	176,130
Unrealized loss on derivatives	0	422,708	9,793	3,003	435,504
Higher value of the accounting impairment for loan portfolio compared to the tax impairment	203,894	(6,104)	0	(40,461)	157,329
Other accounts receivable impairment	308	517	0	0	825
Higher value of the accounting impairment for foreclosures compared to the tax impairment	8,361	(2,848)	0	(1,053)	4,460
Higher tax value of property, plant and equipment book cost	0	101	0	0	101
Higher value of the accounting depreciation of property, plant and equipment compared to the tax depreciation	267	62	0	0	329

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	Balance as of December 31, 2022	Income (expense) in P&L	Unrealized income (expense) in OCI	Reclassifi-cations and exchange difference	Balance as of December 31, 2023
Higher tax value of deferred charges -intangible assets	746	(405)	0	0	341
Tax credits to be amortized	12,174	267,116	0	(2,323)	276,967
Provisions for other expenses	8,677	1,548	0	0	10,225
Employee benefits	10,551	1,647	6,614	(551)	18,261
Tax discounts	16,480	5,545	0	0	22,025
Finance lease contracts under IFRS 16	227,730	25,799	0	(1,884)	251,645
Exchange difference on foreign currency bonds	1,421,540	(620,539)	(273,608)	0	527,393
Unrealized exchange difference of financial obligations	365,565	(365,565)	0	0	0
Other items	5,661	4,433	0	0	10,094
Subtotal	**2,712,242**	**(286,236)**	**(490,854)**	**(43,523)**	**1,891,629**
Deferred tax liabilities					
Valuation of debt securities investments	0	2,643	0	(77)	2,566
Valuation of equity instruments investments	55,651	8,812	3,583	0	68,046
Unrealized loss on derivatives	190,562	(190,562)	0	0	0
Higher value of the tax impairment for loan portfolio compared to the accounting impairment	262,556	28,828	0	(13,931)	277,453
Higher accounting value of the cost for foreclosures	64,103	(26,152)	0	0	37,951
Higher value of the accounting cost of property, plant and equipment	45,636	(9,222)	0	(1,408)	35,006
Investment property	654	(96)	0	(111)	447
Higher accounting value for deferred charges and intangible assets	81,504	(12,372)	0	(2,943)	66,189
Retained profits of subsidiaries	4,849	(5,024)	0	175	0
Non-deductible passive provisions	2,278	(152)	0	(432)	1,694
Employee benefits	346	578	(720)	(115)	89
Goodwill	194,623	0	0	0	194,623
Exchange difference on branches abroad	47,420	0	(45,230)	1	2,191
Right-of-use under IFRS 16	190,565	(26,647)	0	(2,126)	161,792
Unrealized exchange difference of financial obligations	0	177,766	0	(1)	177,765
Other items	7,350	(4,316)	0	0	3,034
Subtotal	**1,148,097**	**(55,916)**	**(42,367)**	**(20,968)**	**1,028,846**
Total	**1,564,145**	**(230,320)**	**(448,487)**	**(22,555)**	**862,783**

	Balance as of December 31, 2021	Income (expense) in P&L	Unrealized income (expense) in OCI	Discon-tinued operation in P&L	Discon-tinued operation in OCI	Deconso-lidation BAC	Reclassifi cations and exchange difference	Balance as of 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 on 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

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	Balance as of December 31, 2021	Income (expense) in P&L	Unrealized income (expense) in OCI	Discon-tinued operation in P&L	Discon-tinued operation in OCI	Deconso-lidation BAC	Reclassifi cations and exchange difference	Balance as of December 31, 2022
Higher tax value of property, plant and equipment book cost	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
Tax discounts	180	16,300	0	0	0	0	0	16,480
Financial lease contracts under (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 instruments investments	31,243	12,862	11,546	0	0	0	0	55,651
Unrealized loss on 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 under 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**

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:

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023		
		Gross amounts Deferred Tax	**Offsetting reclassifications**	**Balance in statement of financial position**
Deferred tax assets	$	1,891,629	(971,146)	920,483
Deferred tax liabilities		(1,028,846)	971,146	(57,700)
Net	**$**	**862,783**	**0**	**862,783**

		As of December 31, 2022		
		Gross amounts Deferred Tax	**Offsetting 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**

20.4.2 CURRENT TAXES

The balance of current tax assets and liabilities is composed as follows:

Current tax assets

		As of December 31,2023	As of December 31,2022
Income tax prepayments	$	93,120	155,201
Withholdings and self-withholding		78	5
Credit balance of previous periods		678,921	492,280
Income tax liability		(6,269)	(10,956)
Net current tax assets	$	**765,850**	**636,530**

Current tax liability

		As of December 31,2023	As of December 31,2022
Provision for income tax and complementary taxes	$	38,314	11,019
Provision for tax uncertainties		0	1,411
Income tax asset		(6,269)	(10,956)
Net current tax liabilities	$	**32,045**	**1,474**

20.5 EFFECT OF CURRENT AND DEFERRED TAXES ON EACH COMPONENT OF OTHER COMPREHENSIVE INCOME IN EQUITY

The effects of current and deferred taxes on each component of OCI are detailed below:

	As of December 31, 2023				As of December 31,2022			
	Amount before tax	**Current Tax**	**Deferred tax**	**Net**	**Amount before tax**	**Current Tax**	**Deferred tax**	**Net**
Items that can be reclassified later to net income								
Exchange difference on financing	(32,673)	0	13,069	(19,604)	0	0	0	0

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	As of December 31, 2023				As of December 31,2022			
	Amount before tax	**Current Tax**	**Deferred tax**	**Net**	**Amount before tax**	**Current Tax**	**Deferred tax**	**Net**
Exchange difference on bonds hedging of cash flow operations	270,064	0	(97,223)	172,841	0	0	0	0
Exchange difference on dividends (hedged item)	(258,981)	0	0	(258,981)	0	0	0	0
Exchange difference on derivatives foreign currency	0	923	(2,930)	(2,007)	38,289	0	(14,328)	23,961
Exchange difference on bonds foreign currency	503,957	0	(176,385)	327,572	(908,740)	0	360,394	(548,346)
Exchange difference of foreign subsidiaries	(531,569)	0	0	(531,569)	588,237	0	0	588,237
Unrealized gain (loss) on measurement of financial assets at fair value	746,928	0	(250,633)	496,295	(1,167,247)	0	238,701	(928,546)
Realization to income from measurement of debt instruments at fair value	(68,964)	0	17,259	(51,705)	(483)	0	0	(483)
Share in other comprehensive income of associates	67,609	0	0	67,609	(157,473)	0	0	(157,473)
Exchange difference of foreign agencies and branches	(152,838)	0	44,884	(107,954)	9,465	0	(24,579)	(15,114)
Impairment of debt instruments at fair value	1,497	0	(280)	1,217	(8,294)	0	2,054	(6,240)
Realization of OCI due to loss of control of subsidiaries	0	0	0	0	1,151,565	(1,038,518)	(1,677,004)	(1,563,957)
Subtotals	**545,030**	**923**	**(452,239)**	**93,714**	**(454,681)**	**(1,038,518)**	**(1,114,762)**	**(2,607,961)**
Items that will not be reclassifies to net income								
Changes in actuarial assumptions from defined benefit plans	(18,612)	0	6,859	(11,753)	20,191	0	(7,100)	13,091
Unrealized gain on measurement of equity instruments at fair value	24,946	0	(3,583)	21,363	30,336	0	(11,546)	18,790
Share in other comprehensive income of associates	10,405	0	0	10,405	(55,408)	0	0	(55,408)
Realization to retained earnings from measurement of investments at fair value with changes in OCI in equity instruments	1,656	0	0	1,656	0	0	0	0
Realization to retained earnings from changes in actuarial assumptions in defined benefit plans	(1,285)	0	476	(809)	0	0	0	0
Realization of OCI due to loss of control of subsidiaries	0	0	0	0	15,799	0	(8,064)	7,735
Subtotals	**17,110**	**0**	**3,752**	**20,862**	**10,918**	**0**	**(26,710)**	**(15,792)**
Total other comprehensive income during the period	**562,140**	**923**	**(448,487)**	**114,576**	**(443,763)**	**(1,038,518)**	**(1,141,472)**	**(2,623,753)**

20.6 PROVISION FOR TAX POSITION:

At December 31, 2023 and 2022, provisions for tax positions amounted to $0 and $1,411 in both periods:

	Years ended at December 31	
	2023	2022
Balance at beginning of period	$ **1,411**	**40,307**
Discontinued operation	0	(2,818)
Deconsolidation BHI	0	(36,078)
(-) Amount of unused provisions recovery	(1,411)	0
Balance at end of period	$ **0**	**1,411**

As of January 1, 2020, and by means of Decree 2270 of 2019, the interpretation of IFRIC 23 - Uncertainty over Income Tax Treatments was adopted for purposes of Group I local financial statements, which clarifies when the recognition and measurement criteria of IAS 12 - Income tax are applied, in the event that there is uncertainty about income tax treatments.

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 generate taxable net income against which the deferred tax assets recognized in the Bank and subsidiaries can be recovered.

Estimates of future financial results and tax projections are the basis for determining the recovery of deferred tax assets, mainly from foreign exchange differences on foreign currency bonds and tax credits to be amortized, whose positive trend is expected to continue.

20.8 TRANSFER PRICING

Pursuant to the provisions of Laws 788/2002, 863/2003, 1607/2012 and 1819/2016, regulated by Decree 2120 of 2017, the Bank and Subsidiaries prepared a transfer pricing study on transactions carried out with foreign economic related parties during the taxable year 2022. The study did not result in adjustments affecting the income, costs and tax expenses of the Bank's and its subsidiaries.

Although the 2023 transfer pricing study is in the process of preparation, no significant changes are anticipated in relation to that of the previous year.

20.9 TAX REFORM FOR EQUALITY AND SOCIAL JUSTICE

By means of Law 2277 of December 13, 2022, a Tax Reform was adopted, such provision introduces some modifications regarding income tax, which are presented below:

- The general income tax rate is maintained at 35% for domestic companies and their affiliates, permanent establishments of foreign entities, and foreign legal entities with or without residence in the country obliged to file the annual income and complementary tax returns.

- For financial institutions, insurance companies, reinsurance companies, stockbroker companies, agricultural commission agent companies, agricultural, agro-industrial or other commodities goods and products exchanges and stock market infrastructure providers, a surtax of 5 additional points of the general income tax rate is established during the taxable periods 2023 to 2027, being the total rate 40% if they have a taxable income equal or higher than 120,000 Tax Value Units [UVTs] ($5,089 for 2023). The surtax will be subject to an advance payment of 100%.

- 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 (CTeI- 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.

- 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 casual income 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 casual income (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 casual income 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).

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

- 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:

		As of December 31, 2023	As of December 31, 2022
Checking accounts	$	14,444,536	16,280,516
Savings accounts|		30,347,871	32,316,968
Time deposits		45,993,548	39,006,600
Others		297,837	423,389
Total	$	**91,083,792**	**88,027,473**

The following is the detail of customer deposits in U.S. dollars or their equivalent in U.S. dollars:

USD million		As of December 31, 2023	As of December 31, 2022
Checking accounts	USD	1,150	1,149
Savings accounts		598	659
Time deposits		4,293	3,667
Others		57	74
Total	**USD**	**6,098**	**5,549**

Customer deposits presented a net increase as of December 31, 2023 with respect to December 31, 2022 of $3,056,319 mainly in time deposits for $6,986,948 and a decrease in checking accounts for $1,835,980, savings accounts for $1,969,097 and other deposits for $125,552. Additionally, there was a decrease of $6,527,768 in foreign currency deposits due to exchange differences.

A detail interest expenses is a following:

		Years ended December 31	
		2023	**2022**
Checking accounts	$	(241,881)	(145,805)
Savings accounts		(2,265,913)	(1,382,739)
Time deposits		(4,831,846)	(1,858,184)
Total	**$**	**(7,339,640)**	**(3,386,728)**

Variation in interest expense due to an increase in deposits and interest rates (approximately 11% and 4.5%, respectively), in Banco de Bogotá.

For Central America the most significant increase was in term certificates of deposit where Multi Financial Holding contributed $112,668 and Banco de Bogotá Panamá $187,814, mainly as a result of the increase in interest rates and the fluctuation of the average TRM over 2023 with respect to 2022 for $20.92.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The detail of some macroeconomic indicators:

Rates	As of December 31, 2023	As of December 31, 2022	Variatión %
Bank of the Republic (BR) (1)	13.00%	12.00%	1.00%
Benchmark Banking Indicator (IBR 3M) (1)	12.71%	12.36%	0.36%
Fixed Term Deposit (DTF) (1)	12.69%	13.70%	(1.01%)
Consumer Price Index (IPC) (1)	9.28%	13.12%	(3.84%)
Secured Overnight Financing Rate (SOFR 3M) (1)	5.33%	4.59%	0.74%

(1) Spanish acronym

21.1 CUSTOMER DEPOSITS - INTEREST RATES

Effective annual interest rates on customer deposits are shown below:

	As of December 31, 2023				As of December 31, 2022			
	Colombian pesos		Foreign currency		Colombian pesos		Foreign currency	
	Min %	Max %	Min %	Max %	Min %	Max %	Min %	Max %
Checking accounts	0.16%	13.40%	0.05%	5.40%	0.01%	0.13%	0.02%	4.40%
Savings accounts	0.10%	13.61%	0.05%	4.85%	0.10%	14.93%	0.01%	4.00%
Time deposits	0.10%	23.52%	0.60%	6.01%	0.10%	19.54%	0.15%	7.27%

21.2 DEPOSITS BY ECONOMIC SECTOR AND GEOGRAPHIC AREA

The following is a breakdown of the concentration of customer deposits, by economic sector:

		As of December 31, 2023		As of December 31, 2022	
		Amount	%	Amount	%
Services	$	15,924,041	17.48%	14,483,561	16.45%
Financial		15,798,154	17.34%	14,656,652	16.65%
Individuals		15,484,968	17.00%	15,397,112	17.49%
Colombian government or Colombian government entities		9,637,674	10.58%	8,036,962	9.13%
Real estate		8,502,991	9.34%	2,458,225	2.79%
Insurance		7,634,328	8.38%	7,631,719	8.67%
Commerce		4,747,097	5.21%	4,461,906	5.07%
Manufacturing		2,683,472	2.95%	2,998,395	3.41%
Agriculture and livestock		1,905,035	2.09%	2,052,336	2.33%
Education		1,506,940	1.65%	1,118,900	1.27%
Transport		1,353,434	1.49%	1,723,069	1.96%
Mining and quarrying		1,071,957	1.18%	1,700,628	1.93%
Telecommunications		631,278	0.69%	680,053	0.77%
Religious organizations		340,948	0.37%	229,917	0.26%
Arts, entertainment, and recreation		316,956	0.35%	1,035,984	1.18%
Foreign governments		264,220	0.29%	421,007	0.48%
Tourism		86,656	0.10%	102,704	0.12%
Others		3,193,643	3.51%	8,838,343	10.04%
Total	$	**91,083,792**	**100.00%**	**88,027,473**	**100.00%**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The following is the detail of deposits by country:

		As of December 31, 2023				
		Checking accounts	Savings accounts	Time certificates of deposit	Others	Total
Colombia	$	8,953,577	28,060,495	27,146,609	290,806	64,451,487
Panamá		1,755,490	2,164,461	14,695,911	7,031	18,622,893
Miami		2,872,547	32,896	1,651,839	0	4,557,282
New York		862,922	90,019	2,499,189	0	3,452,130
Total	$	**14,444,536**	**30,347,871**	**45,993,548**	**297,837**	**91,083,792**

		As of 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**

21.3 MATURITIES OF TIME DEPOSITS

The following is a breakdown:

		As of December 31, 2023	As of December 31, 2022
2023	$	0	31,381,671
2024		36,459,882	4,896,068
2025		5,026,526	1,616,362
2026		2,788,171	758,788
2027 and following		1,718,969	353,711
Total	$	**45,993,548**	**39,006,600**

NOTE 22 – FINANCIAL OBLIGATIONS

The following is a breakdown of the financial obligations:

		As of December 31, 2023	As of December 31, 2022
Bonds issued	$	9,041,041	11,288,150
Borrowings from banks and others		8,649,574	14,996,950
Interbank borrowings and overnight funds		4,221,015	1,096,238
Borrowings from development entities		2,950,600	2,299,461
Total	**$**	**24,862,230**	**29,680,799**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The following is a detail of the financial obligations in US dollars or their equivalent in US dollars:

USD million		**As of December 31, 2023**	**As of December 31, 2022**
Borrowings from banks and others	USD	2,262	3,118
Bonds issued		2,158	2,158
Interbank borrowings and overnight funds		39	195
Total	**USD**	**4,459**	**5,471**

The net decrease as of December 31, 2023 in financial obligations of $4,818,569 with respect to December 31, 2022, is mainly due to:

- Impact due to a decrease in the exchange difference of $3,941,800 with effect in P&L and $774,021 effect in Other Comprehensive Income (OCI) of the bonds that fulfill the hedging function.
- Increase of $3,203,051 mainly due to repo and simultaneous operations, as a result of the greater need to borrow resources in the money market to meet liquidity requirements.
- Decrease in: i) Borrowings from banks and others payments were made for $20,560,715 and acquisition of new financial obligations for $17,106,035 for a net decrease of $3,454,680 and ii) Bonds issued corresponding to the issuance of $2,588,994 and payment of $2,783,505, generating a net decrease of $194,511.

The following is a detail of interest expense generated by financial obligations:

		Years ended at December 31	
		2023	**2022**
Bonds issued	$	(669,196)	(633,881)
Interbank borrowings and overnight funds		(508,188)	(171,034)
Borrowings from banks and others		(422,868)	(227,781)
Borrowings from development entities		(355,065)	(147,812)
Total	$	**(1,955,317)**	**(1,180,508)**

The increase of $774,809 is mainly due to a higher interest rate of new obligations and those obligations that are maintained whose rate is variable (See macroeconomic indicators in Note 21). Interest paid as of December 31,2023, and 2022 was $1,624,720 and $1,277,338, respectively.

22.1 INTERBANK BORROWINGS AND OVERNIGHT FUNDS

		As of December 31, 2023	**As of December 31, 2022**	**Interest rate As of December 31, 2023**
In Colombian pesos				
Simultaneous operations	$	3,745,106	114,753	13.00%
Interbank funds purchased		288,566	0	12.04% to 12.06%
Commitments originated in short positions		34,735	40,305	13.00%
Correspondent Banks		3,726	966	0.00%
		4,072,133	**156,024**	
In foreign currency				
Transfer commitments in repo operations		143,576	552,843	6.70%
Correspondent Banks		5,306	7,199	0.00%
Interbank funds purchased		0	380,172	4.45% to 4.75%
		148,882	**940,214**	
Total	$	**4,221,015**	**1,096,238**	

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The following shows the contractual maturities of interbank borrowing and overnight funds:

		As of December 31, 2023	As of December 31, 2022
2023	$	0	1,096,238
2024		4,221,015	0
Total	$	**4,221,015**	**1,096,238**

22.2 BORROWINGS FROM BANKS AND OTHERS

The following table shows the detail of this item:

		As of December 31, 2023	As of December 31, 2022	Interest rate As of December 31, 2023
In Colombian pesos				
Borrowings	$	3,604	0	IBR + 3.10% to 4.08%
		3,604	**0**	
In foreign currency				
Borrowings		5,192,257	9,981,117	1.50% to 7.18% SOFR 3 + 6.44% to 7.77% SOFR 4 + 6.41% to 6.52% SOFR 5 + 6.39% to 6.53% SOFR 6 + 6.32% to 8.37% SOFR 7 + 6.21% SOFR 9 + 7.20% to 7.24% SOFR 11+ 6.39% SOFR 12 + 5.16% to 7.46%
Acceptances		2,427,309	3,759,550	0.00% to 7.61%
Letter of credit		1,026,404	1,256,283	0.00% to 7.76%
		8,645,970	**14,996,950**	
Total	$	**8,649,574**	**14,996,950**	

The following table shows the contractual maturities of borrowings from bank and others:

		As of December 31, 2023	As of December 31, 2022
2023	$	0	12,934,452
2024		6,843,319	264,463
2025		1,437,859	1,280,346
2026		193,359	242,507
2027 and onwards		175,037	275,182
Total	$	**8,649,574**	**14,996,950**

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 guaranteed 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:

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	Date			As of December 31, 2023	As of December 31, 2022	Interest rate As of December 31, 2023
	Issuance	**Expiration**				
In Colombian pesos						
Straight bonds	2020	2023	$	0	114,252	IBR + 1.14%
Straight bonds	2020	2025		186,114	186,086	4.75%
Straight bonds	2021	2024		210,979	210,934	3.40%
Straight bonds	2021	2026		395,993	396,804	IPC + 1.16%
				793,086	**908,076**	
In foreign currency						
Straight bonds (1)	2017 to 2020	2023 to 2027		1,779,545	2,344,139	4.13% to 4.38%
Straight bonds	2021	2023 to 2026		42,011	62,424	2.50 to 3.00%
Straight bonds	2022 to 2023	2023 to 2028		1,182,870	78,058	5.00% to 7.75%
Subordinated bonds	2013	2023		0	2,451,304	5.38%
Subordinated bonds (2)	2016	2026		4,225,024	5,310,311	6.25%
Subordinated bonds	2022	2032		106,527	133,838	7.25%
Subordinated bonds	2023	2032		7,629	0	7.25%
Subordinated bonds (3)	2023	2033		904,349	0	5.00% to 7.75% SOFR + 3.75%
				8,247,955	**10,380,074**	
Total			$	**9,041,041**	**11,288,150**	

(1) Designated as cash flow hedging instruments on account receivable for dividends from BAC Holding International $1,184,025 (US$309.8 million) are (see Notes 2.3.1 and 10.4.3.3.1).
(2) Designated as hedging instruments $649,749 (US$170) of the foreign investment of Multi Financial Holding and Agencies, Branch and other subsidiaries abroad $458,646 (US$120) (see Note 10.4.3.1).
(3) Designated as hedging instruments $840,851 (US$220) of Multi Financial Holding's foreign investment (see Note 10.4.3.1).

The following is the detail of the maturities of bonds issued:

		As of December 31, 2023	As of December 31, 2022
2023	$	0	2,677,364
2024		247,225	234,942
2025		212,503	218,856
2026		4,643,915	5,735,899
2027 and onwards		3,937,398	2,421,089
Total	$	**9,041,041**	**11,288,150**

22.4 BORROWINGS FROM DEVELOPMENT ENTITIES

The Colombian government has created a number of lending programs to develop specific sectors of the economy, including foreign trade, agriculture, tourism, housing 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 of said item:

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023	As of December 31, 2022	Interest rate As of December 31, 2023
In Colombian pesos				
FINDETER	$	1,247,963	1,145,924	DTF -4.00% to 4.80% IBR -2.80% to 7.10% IPC -1.00% to 5.00%
BANCOLDEX		743,122	756,907	DTF -2.00% to 7.00% IBR -1.70% to 9.75%
FINAGRO		958,935	396,179	DTF -3.50% to 2.00% IBR -3.50% to 2.60%
		2,950,020	**2,299,010**	
In Foreign currency				
BANCOLDEX		580	451	SOFR 6 + 5.44% to 5.46%
		580	**451**	
Total	$	**2,950,600**	**2,299,461**	

The following is a breakdown of the maturities of borrowings from development entities:

		As of December 31, 2023	As of December 31, 2022
2023	$	0	143,780
2024		318,542	235,158
2025		444,123	614,042
2026		470,448	165,575
2027 and onwards		1,717,487	1,140,906
Total	$	**2,950,600**	**2,299,461**

22.5 LEASE LIABILITY

The following table shows the detail of the item:

		As of December 31, 2023	As of December 31, 2022	Interest rate As of December 31, 2023
Colombian pesos				
Lease liabilities	$	658,357	579,649	1.36% to 19.40%
		658,357	**579,649**	
In foreign currency				
Lease liabilities		56,948	67,313	1.37% to 7.36%
		56,948	**67,313**	
Total	$	**715,305**	**646,962**	

The following is a breakdown of the lease liability maturities:

		As of December 31, 2023	As of December 31, 2022
2023	$	0	116,063
2024		116,249	39,682
2025		18,018	16,060
2026		14,545	17,595
2027 and onwards		566,493	457,562
Total	$	**715,305**	**646,962**

Interest expense of ($50,485) and ($30,535) was presented at December 31, 2023 and 2022, respectively.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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	Borrowings from banks and borrowings from development entities	Lease liability	Total
Balances as of December 31, 2022	**$**	**32,263**	**11,288,150**	**17,296,411**	**646,962**	**29,263,786**
Cash flows from financing activities						
Dividends paid for controlling interest		(575,172)	0	0	0	(575,172)
Dividends paid for non-controlling interest		(256,413)	0	0	0	(256,413)
Issuance of outstanding bonds		0	2,588,994	0	0	2,588,994
Payment of outstanding bonds		0	(2,783,505)	0	0	(2,783,505)
Acquisition of financial obligations		0	0	17,106,035	0	17,106,035
Payment of financial obligations		0	0	(20,560,715)	0	(20,560,715)
Payment of principal on lease liability		0	0	0	(100,198)	(100,198)
Net cash used in financing activities		**(831,585)**	**(194,511)**	**(3,454,680)**	**(100,198)**	**(4,580,974)**
Accrued interest		0	(669,196)	(777,933)	(50,485)	(1,497,614)
Interest paid		0	(636,659)	(733,807)	(43,454)	(1,413,920)
Exchange difference on foreign currency bonds with effect in (OCI)		0	(503,957)	0	0	(503,957)
Exchange difference of cash flow hedge bonds with effect in (OCI)		0	(270,064)	0	0	(270,064)
Declared dividends in cash (See note 26.3)		1,112,646	0	0	0	1,112,646
Income exchange difference		0	(1,311,114)	(2,285,683)	(12,792)	(3,609,589)
Other changes		(1,494)	0	0	174,302	172,808
Total liabilities related to other changes		**1,111,152**	**(2,052,598)**	**(2,241,557)**	**168,541**	**(3,014,462)**
Balances as of December 31, 2023	**$**	**311,830**	**9,041,041**	**11,600,174**	**715,305**	**21,668,350**

		Dividends payable	Bonds issued	Borrowings from banks and borrowings from development entities	Lease liability	Total
Balances as of December 31, 2021	$	**306,165**	**14,126,058**	**20,054,152**	**1,220,884**	**35,707,259**
Cash flows from financing activities						
Dividends paid for controlling interest		(189,455)	0	0	0	(189,455)
Dividends paid for non-controlling interest		(126,453)	0	0	0	(126,453)
Issuance of outstanding bonds		0	200,325	0	0	200,325
Payment of outstanding bonds		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 liability		0	0	0	(85,674)	(85,674)
Net cash used in investing 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)

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		Dividends payable	Bonds issued	Borrowings from banks and borrowings from development entities	Lease liability	Total
Interest paid		0	(634,732)	(568,291)	(27,231)	(1,230,254)
Exchange difference of cash flow hedge bonds with effect in (OCI)		0	908,740	0	0	908,740
Declared dividends in cash		43,255	0	0	0	43,255
Expense exchange difference		0	1,160,952	2,523,742	12,681	3,697,375
Discontinued operation		0	61,195	63,546	3,075	127,816
Deconsolidation of entities		(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 as of December 31, 2022	$	**32,263**	**11,288,150**	**17,296,411**	**646,962**	**29,263,786**

NOTE 23 – EMPLOYEE BENEFITS

The following is a breakdown of the provisions for employee benefits:

		As of December 31, 2023	As of December 31, 2022
Short-term benefits	$	124,951	129,081
Post-employment benefits		99,039	87,359
Long-term benefits		48,220	37,877
		272,210	**254,317**
Post-employment plan assets		(17,024)	(18,177)
Total	$	**255,186**	**236,140**

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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

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 OTHER LONG-TERM 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	
		As of December 31, 2023	As of December 31, 2022	As of December 31, 2023	As of December 31, 2022
Balance Liabilities at the beginning of the period	$	**87,359**	**203,582**	**37,877**	**39,172**
Costs incurred during the period		1,682	2,721	2,657	3,441
Interest expense		9,138	6,955	4,517	2,667
Past services costs		0	0	9,766	0
Loss (gain) on changes in demographic assumptions		15,520	0	6,587	0
Loss (gain) on changes in financial assumptions		4,955	(25,799)	(2,167)	(2,760)
Employee benefits payable		(15,926)	(12,407)	(11,017)	(4,643)
Exchange difference		(3,689)	4,080	0	0
Discontinued Operation		0	6,251	0	0
Deconsolidation		0	(98,024)	0	0
Total Liabilities		**99,039**	**87,359**	**48,220**	**37,877**
Plan assets		**(18,177)**	**(46,840)**	**0**	**0**
Interest income		(794)	(427)	0	0
Asset remeasurements		(1,787)	5,885	0	0
Exchange difference		3,734	(4,064)	0	0
Deconsolidation		0	27,269	0	0
Total asset		**(17,024)**	**(18,177)**	**0**	**0**
Net balance at the end of the period	$	**82,015**	**69,182**	**48,220**	**37,877**

The expense for post-employment benefits and long-term benefits, is detailed as follows:

		Post-employment Benefits		Long-term benefits	
		Years ended December 31		Years ended December 31	
		2023	**2022**	**2023**	**2022**
Defined contribution plans	$	(78,160)	(76,360)	(9,877)	(9,589)
Defined benefit plans		(10,026)	(9,676)	(21,360)	(3,348)
	$	**(88,186)**	**(86,036)**	**(31,237)**	**(12,937)**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

23.3 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	
	As of December 31, 2023	As of December 31, 2022	As of December 31, 2023	As of December 31, 2022
Discount rate	10.57%	11.98%	11.37%	13.74%
Price Inflation rate	3.00%	3.00%	3.00%	3.00%
Salary increase rate	3.16%	3.16%	4.00%	4.00%
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.

The life expectancy of employees is calculated based on mortality tables published by the Financial Superintendence of Colombia, which have been constructed based on the mortality experience provided by the different insurance companies operating in Colombia. The life expectancy of employees is calculated based on mortality tables RV08 (Colombia) and GA83 (Central America).

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 effect of the change in the liability for post-employment and long-term employee benefits, applying a sensitivity to the different financial and actuarial variables of 0.5 basis points (increase or decrease) and holding all other variables constant, for the six-month period ended December 31, 2023, is as follows:

	Post-employment Benefits		Long Term Benefits	
	- 0.50 basis points	+ 0.50 basis points	- 0.50 basis points	+ 0.50 basis points
Discount rate	$ 2,639	(2,536)	971	(927)
Salary increase rate	(749)	1,320	(1,299)	975
Pensions-in-payment increase rate	(2,029)	2,125	N/A	N/A

23.5 EXPECTED CASH FLOWS FOR FOLLOWING YEAR

Expected future benefit payments, reflecting service as appropriate, are expected to be paid as follows:

	Post-employment Benefits	Long Term Benefits
2024	$ 17,596	9,548
2025	15,923	8,412
2026	14,947	5,227
2027	13,967	4,769
2028	13,692	8,782
Years 2029 – 2032	$ 57,329	24,308

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

The number of participants used in the actuarial calculations of employee benefits is detailed below.

	Post-employment Benefits		Long Term Benefits	
	As of December 31, 2023	As of December 31, 2022	As of December 31, 2023	As of December 31, 2022
Retirement bonuses	10,056	10,575	0	0
Severance	47	60	0	0
Pensión	660	701	0	0
Seniority bonuses	1,315	1,190	0	0
Quinquennium	0	0	5,787	6,141
Seniority tickets	0	0	9,296	9,799

Compensation for key management personnel in each benefit category is described in Note 36 - Related Parties.

NOTE 24 – PROVISIONS

The following table shows the provisions movement:

		Legal proceedings	Other provisions	Total
Balance at December 31, 2021	$	**18,519**	**58,298**	**76,817**
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**
New provisions		9,296	4,956	14,252
Increase in existing provisions		2,096	89	2,185
Increase due to adjustments that arise over time		0	1,231	1,231
Used provisions		(3,998)	(1,613)	(5,611)
Reverted unused provisions		(1,796)	(354)	(2,150)
Difference in exchange		(296)	(368)	(664)
Balance at December 31, 2023	$	**18,749**	**22,979**	**41,728**

Estimated period to be canceled		Legal proceedings	Other provisions	Total
Within twelve months	$	4,210	4,736	8,946
After twelve months		14,539	18,243	32,782
Total	$	**18,749**	**22,979**	**41,728**

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:

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Legal provisions

Corresponds mainly to labor, civil and administrative proceedings, the most representative as of December 31, 2023, and 2022, $15,960 and $10,551 respectively.

Other Provisions

As of December 31, 2023, they are mainly composed of estimated provisions for dismantling costs of ATMs and leasehold improvements of $14,008 and contingent portfolio quotas of $3,653.

NOTE 25 – ACCOUNTS PAYABLES AND OTHER LIABILITIES

Accounts payables and other liabilities include the following:

		As of December 31,2023	As of December 31,2022
Electronic transactions in process (1)	$	921,086	746,633
Liabilities payable for services and collections		518,020	503,933
Payments to suppliers and payments for services		438,444	352,976
Payable dividends and surpluses (2)		311,830	32,263
Transactions with AVAL Group Entities (3)		287,002	37,387
Withholdings and other labor contributions		154,312	177,339
Other taxes		120,463	58,116
VISA smart card payments - VISA Electron		91,549	86,890
Time deposits at maturity		75,741	83,011
Leasing contract prepayments		71,745	73,229
Insurance and insurance premiums		64,579	65,012
Daily settlement Cámara de Riego Central de Contraparte (4)		63,161	0
Disbursements pending payment to customers (5)		55,194	66,867
Collection of services and credit card payments for AVAL Group Entities		53,159	44,407
Checks drawn but not cashed		47,763	60,988
Solidarity Bonds for Peace and Security		35,282	35,475
Tax on financial transactions (GMF)		29,092	31,038
Resources in custody		24,073	22,516
Spot operations		20,745	4,652
Cancelled accounts		16,120	16,147
Loyalty programs		13,887	13,093
Accrued income		11,162	11,888
Cash surpluses – clearing		7,661	7,922
Liens and garnishments		7,635	8,466
Electronic purse for coffee growers		7,297	6,256
Commissions and fees		6,052	7,254
Contributions, affiliations and transfers		2,010	1,031
Affiliate establishments		738	494
Other accounts payable		167,319	172,449
Total	**$**	**3,623,121**	**2,727,732**

(1) Increase due to the transactional compensation with related entities that occur one business day later. At the end of the year 2023, there is a higher amount due to the annual bank closing, leaving more days pending to compensate.
(2) Increase mainly in Banco de Bogotá, which is due to the declared dividends in the General Shareholders' Meeting held in March 2023 for $1,112,646 (see Note 26), of which $831,585 were paid during the year 2023.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

(3) Increase mainly due to the leftovers in withdrawals made at Aval Group offices, with outstanding days to be compensated due to the annual bank closure.
(4) Corresponds to daily payments and settlements made at Banco República for the management of securities and derivatives market operations.
(5) Corresponds to approved credits not credited to customer accounts. Increase corresponding to the opening of Digital CDTS which are cleared the following business day.

NOTE 26 – EQUITY

26.1 SHARES CAPITAL

The face value of authorized ordinary, issued and outstanding common shares in the Bank was $10 pesos each. These shares are represented as follows:

		As of December 31, 2023	As of December 31, 2022
Number of authorized ordinary shares		500,000,000	500,000,000
Number of subscribed and paid-up common shares		355,251,068	355,251,068
Subscribed and paid-in capital	$	3,553	3,553

26.2 RETAINED EARNINGS

The following table shows the composition of retained earnings:

		As of December 31, 2023	As of December 31, 2022
Legal reserve			
Appropriation of net income	$	13,742,200	12,980,541
Statutory and occasional reserve			
Charity and donations		401,512	400,500
At the disposal of the Board of Directors		272,851	228,596
Tax regulations		0	360
Other reserves		4,229,350	3,852,115
Prior period losses		(10,203,818)	(10,699,853)
Total	**$**	**8,442,095**	**6,762,259**

(1) Include the value for ($9,660,616) Spin-off transactions between stockholders as of December 31, 2022. See Note 14.3.

Legal reserve

By law, all credit 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

26.3 DECLARED DIVIDENDS

The declared dividends were the following:

		As of December 31, 2023	As of December 31, 2022
Declared dividends		A dividend at the rate of $261.00 pesos per share per month to be paid in cash between April 2023 and March 2024. In the month of April 2023, the payment was made on the second business day of the month, thereafter on the first business day of each month, to the persons who have the status of shareholders at the time each payment becomes due. These dividends were taken from the profits of the year 2022 and from the retained earnings of the years 2016 and prior years and may be distributed to the shareholders as non-taxable.	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 share capital account and $44,222 pesos in the additional paid-in capital account. These dividends were taken from the profits of the year 2021 and the retained earnings of 2016 and prior years, eligible for distribution to shareholders as non-taxable.
Ordinary shares outstanding		355,251,068	355,251,068
Total, declared dividends (1)	**$**	**1,112,646**	**1,105,152**

(1) During the year 2022, the amount of $1,638 was recognized for withholding tax in the payment of dividends in shares and cash.

There are no rights or privileges over the outstanding common shares.

NOTE 27– NON-CONTROLLING INTEREST

The following table provides details of the non-controlling interest and summarized financial information on each of the Bank's subsidiaries:

		As of December 31, 2023				
		Almacenes Generales de Depósito Almaviva S.A.	Aval Soluciones Digitales S.A.	Fiduciaria Bogotá S.A.	Megalínea S.A.	Others (1)
Country		Colombia	Colombia	Colombia	Colombia	Colombia - Panamá
% Share		4.19%	61.10%	5.01%	5.10%	
Share of equity	$	12,499	8,570	30,183	403	6,909
Income Share		9,156	(294)	5,744	37	155
Assets		595,258	38,874	659,156	29,960	0
Liabilities		304,265	24,847	56,353	22,051	0
Total income		418,760	7,063	307,151	129,354	0
Net income for the period		218,361	(482)	114,719	727	0
OCI		(628)	0	4,814	0	0
Cash Flows	$	(2,612)	2,026	26,969	217	0

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	As of December 31, 2022				
	Almacenes Generales de Depósito Almaviva S.A.	Aval Soluciones Digitales S.A.	Fiduciaria Bogotá S.A.	Megalínea S.A.	Others (1)
Country	Colombia	Colombia	Colombia	Colombia	Colombia - Panamá
% Share	4.19%	61.10%	5.01%	5.10%	
Share of equity	3,378	8,865	24,198	366	8,339
Income Share	108	(1,299)	2,221	27	326
Assets	146,684	40,511	527,810	30,647	0
Liabilities	73,411	26,002	44,541	23,465	0
Total income	167,238	941	184,038	139,478	0
Net income for the period	2,591	(2,125)	44,362	522	0
OCI	22,096	0	29,061	196	0
Cash Flows	(2,081)	5,114	3,495	(3,012)	0

(1) Pertains primarily to non-controlling interest in subsidiaries that sub consolidate, primarily Multi Financial Holding and Banco de Bogotá Panamá.

NOTE 28 - OTHER COMPREHENSIVE INCOME

The following are details on the "Other Comprehensive Income" accounts included in equity:

		Balance as of December 31, 2022	Changes during the period		Balance as of December 31, 2023
			Controlling	Non-controlling	
Hedge accounting					
Cash flow hedging	$	0	(21,590)	0	(21,590)
Hedge of net investment in foreign operation					
Exchange difference on translation of financial statements of foreign subsidiaries (hedged item)		573,677	(503,957)	0	69,720
Exchange difference on foreign currency derivatives		(230,847)	0	0	(230,847)
Exchange difference on foreign currency bonds		(342,830)	503,957	0	161,127
Exchange difference on translation of financial statements of foreign subsidiaries (not-hedged item)		167,385	(27,612)	0	139,773
Unrealized gain from measurement of debt instruments at fair value (1)		(1,498,873)	774,235	504	(724,134)
Unrealized gain from measurement of investments equity instruments at fair value through OCI		164,243	26,611	(8)	190,846
Reclassification to income of the impairment of debt instruments at fair value		5,835	866	(5)	6,696
Exchange difference on translation of financial statements of agencies and foreign branches (1)		254,060	(246,891)	(2,087)	5,082
Share in other comprehensive income of associates		(191,024)	77,773	241	(113,010)
Changes in actuarial assumptions from defined benefits plans		2,789	(19,858)	(39)	(17,108)
Income tax		508,495	(447,578)	14	60,931
Total other comprehensive income	**$**	**(587,090)**	**115,956**	**(1,380)**	**(472,514)**
Controlling interest		(586,923)	115,956	0	(470,967)
Non-controlling interest		(167)	0	(1,380)	(1,547)

(1) Includes $96,140 of exchange difference on the portfolio of debt instruments at fair value.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

	Balance as of December 31, 2021	Changes during the period other than loss of control		Realization for loss of control of subsidiaries (1)	Balance as as of December 31, 2022
		Controlling	Non-controlling		
Hedge accounting					
Exchange difference on translation of financial statements of foreign subsidiaries (hedged item)	$ 7,154,880	870,451	0	(7,451,654)	573,677
Exchange difference on foreign currency derivatives	(4,282,346)	38,289	0	4,013,210	(230,847)
Exchange difference on foreign currency bonds	(2,872,534)	(908,740)	0	3,438,444	(342,830)
Exchange difference on translation of financial statements of foreign subsidiaries (not-hedged item)	472,019	(282,214)	0	(22,420)	167,385
Unrealized loss from measurement of debt instruments at fair value (1)	(320,417)	(1,178,537)	(1,536)	1,617	(1,498,873)
Unrealized gain from measurement of investments equity instruments at fair value through OCI	133,871	32,939	42	(2,609)	164,243
Reclassification to income of the impairment of debt instruments at fair value	114,419	(8,000)	(20)	(100,564)	5,835
Exchange difference on translation of financial statements of agencies and foreign branches	(1,010,840)	17,262	1,627	1,242,349	250,398
Share in other comprehensive income of associates	6,492	(212,573)	(308)	15,364	(191,025)
Changes in actuarial assumptions from defined benefits plans	(51,028)	20,171	20	33,627	2,790
Income tax	2,688,485	543,597	(1)	(2,723,586)	508,495
Total other comprehensive income	**$ 2,033,001**	**(1,067,355)**	**(176)**	**(1,556,222)**	**(590,752)**
Controlling interest	2,036,654	(1,067,355)	0	(1,556,222)	(586,923)
Non-controlling interest	(3,653)	0	(176)	0	(3,829)

(1) See Note 14.3

NOTE 29 –NET INCOME FROM COMMISSIONS AND FEES

The following is the detail:

	Years ended at December 31	
	2023	2022
Income from commissions and fees		
Banking services	$ 814,567	728,784
Credit and debit cards	797,997	636,410
Trust activities	206,826	161,147
Storage services	126,908	129,814
Drafts, checks and checkbooks	12,679	13,445
Office network services	2,780	3,841
	1,961,757	**1,673,441**
Expenses from commissions and fees		
Banking services	(354,799)	(305,347)
Others	(101,621)	(95,362)
Information processing service	(18,806)	(15,926)
Service of the network of office	(12,034)	(10,085)

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		Years ended at December 31	
		2023	2022
Management and intermediary services		(2,876)	(1,644)
		(490,136)	**(428,364)**
Total	$	**1,471,621**	**1,245,077**

NOTE 30 – NET INCOME (EXPENSE) ON FOREIGN EXCHANGE

The following table details:

		Years ended at December 31	
		2023	2022
Income exchange difference	$	5,203,644	2,502,087
Expense exchange difference		(3,540,092)	(4,009,300)
Net (1)	$	**1,663,552**	**(1,507,213)**

(1) The net variation as of December 31, 2023 and December 31, 2022 corresponds mainly to the effect of the exchange rate variation of ($988.15) pesos, where the most significant impacts of assets are: Cash and cash equivalents for $1,280,057, Loan portfolio for $190,660 and Other accounts receivable for $ 272,490. The most significant impacts of liabilities are: Bonds outstanding for $1,755,079 and Due from banks for $ 3,031,014.

NOTE 31 – NET OTHER INCOME

The following is the detail:

		Years ended at December 31	
		2023	2022
Share of the profit or loss of associates and joint ventures (1)	$	565,042	665,319
Gain on sale of PP&E (2)		256,986	97,355
Premiums issued		106,548	94,140
Incentives from debit and credit card franchises		57,053	209
Other income		50,361	46,369
Fees for legal and pre-legal debt collection		48,994	36,375
Gain on sale and valuation of assets, net (3)		23,059	1,153
Gain on sale of non-current assets held for sale		20,989	3,391
Dividends and equity interest		20,839	24,801
Gain (loss) on sale of portfolio		16,774	(39,990)
Leases		9,524	8,017
Gain on repurchase of bonds		6,804	13,447
reinstatement of provisions		5,287	2,580
Collections and repayments		3,341	7,539
Insurance recoveries - operating risk		2,006	4,401
Total	**$**	**1,193,607**	**965,106**

(1) Variation as of December 31, 2023, with respect to December 31, 2022 mainly corresponds to Porvenir S.A. for an income of the investment portfolio of 36.51%, which amounts to $147,752.
(2) Includes $250,170 from Almaviva for the transfer of assets to “Fondo de Capital Privado Nexus Inmobiliario” (See Note 2.6).

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

(3) Includes ($45,953) for the valuation of investment properties and $69,012 for net gain on sale of investments.

NOTE 32– OTHER EXPENSES OPERATING

The following is the breakdown for the years ended:

		Years ended at December 31	
		2023	2022
Taxes and duties	$	(526,962)	(359,695)
Insurance		(301,062)	(260,352)
Fees		(224,404)	(188,671)
Maintenance and repairs		(129,034)	(114,601)
Advertising and publicity		(111,048)	(91,647)
Other expenses operating		(103,984)	(30,639)
ATH joint account		(100,056)	(77,597)
Software development services		(81,018)	(61,339)
Public services		(54,269)	(55,311)
Contributions, affiliations and transfers		(50,126)	(45,953)
Electronic data processing		(45,564)	(37,728)
Leases		(36,754)	(35,734)
Transportation		(35,688)	(36,003)
Cleaning and surveillance services		(35,034)	(33,971)
Database and queries		(26,046)	(28,642)
Payroll incentives		(25,248)	(20,482)
Temporary services		(23,216)	(20,964)
Supplies and stationery		(23,141)	(23,010)
Building administration fee		(20,732)	(19,422)
Adaptation and installation		(10,796)	(11,229)
Travel expenses		(10,702)	(12,873)
Total	$	**(1,974,884)**	**(1,565,863)**

NOTE 33 – COMMITMENTS AND CONTINGENCIES

33.1 COMMITMENTS TO DISBURSE FUNDS FOR CAPITAL OUTLAY

As of December 31, 2023, the Bank and its Subsidiaries did incur capital expenditures for $18,447, corresponding to contracts for purchases of PP&E (real estate) and intangible assets (licenses). These contracts require commitments of disbursements in the next twelve months for $9,874.

33.2 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.

As of December 31, 2023, and December 31, 2022, there are commitments to pay lease payments not exceeding one year of $1,247 and $1,606, 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, 2023, and 2022 $36,754 and $35,734, respectively.

33.3 LEGAL CONTINGENCIES

The administrative and judicial claims pending against the Bank and its Subsidiaries as of December 31,2023 and 2022, amounted $338,940 and $272,577 respectively. Based on the analysis and concepts of the lawyers in charge of such processes, it is estimated that their resolution of such processes will not imply the outflow of economic resources; therefore, the recording of provisions has not been required.

Following is a breakdown of the contingencies against the Bank for over $5,000:

Popular Action - Valle del Cauca Department

Banco de Bogotá together with several banks of the financial sector were sued in the context of an Action Popular public interest lawsuit claiming the alleged payment of excess interest by the Department of Valle del Cauca 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 Case of Clinica 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 court ruling of November 15, 2017, a sanction was imposed against the Bank, which is not in force for the appeals filed by the Bank. 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 a lien order, the Bank considers that the decision should be revoked.

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 her by Banco de Bogotá and that for alleged damages allegedly caused by the Bank for not having complied with the payment agreement signed between the parties, the Bank be ordered to pay an indemnity of $7,097, The first instance judgment was obtained in favor of the Bank, which was appealed by the plaintiff, and the appeal is currently being.

Fiduciaria Bogota S.A vs. Previsora S.A

Claim of an arbitration proceeding filed by Fiduciaria Bogotá against La Previsora S.A. Compañía de Seguros through which it is sought to declare the existence of the insurance contract subscribed between Banco de Bogotá and La Previsora Seguros S.A., to declare the existence of a loss that affected the professional liability coverage and that, in effect, La Previsora S.A. be convicted to fully indemnify Fiduciaria Bogotá S.A. for $110,427. Said amount derived from the payments that the Fiduciaria had to make for the attention and the settlement agreement entered into in the process filed by Carlos Hakim Daccach before the courts of the State of Florida, who claimed to be entitled to receive resources from the autonomous patrimony that arose from the administration and payment trust agreement entered into on July 30, 2015. The Court ordered to integrate the claim with Banco de Bogotá to the extent that the Bank is a party to the insurance contracts whose declaration of existence is sought by the plaintiff. The Bank has already ruled in relation to the connection.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

Civil Case filed by San Javier Investors S.A.

Actions and omissions in the loans granted by Multibank Inc. to Jaime Uribe Carvajal. The claim amounts to $21,786.

NOTE 34 – CAPITAL MANAGEMENT

34.1 REGULATION IN MATTERS OF CAPITAL

In line with the definitions of solvency ratio of Basel III Standards 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.

In this way, it updated the methodology for the calculation of assets weighted by credit risk level, and included capital requirements for exposure to operational risk, adopting the standardized approaches for credit risk and operational risk, from the document "Basel III: Financing Post-Crisis Reforms" of December 2017. The aforementioned provisions are being applied as of 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%.

The following indicators were also 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 leverage ratio (minimum 3%). These indicators (except for the leverage ratio) must be achieved gradually, in accordance with the transition plan established in the regulation. For the year 2023 the requirements are as follows: i) The Additional Basic Solvency Ratio (5.625%) and ii) Combined Buffer: conservation buffer (1.125%) and systemic buffer (0.75%). Banco de Bogotá was considered an Entity of Systemic Importance, according to Circular Letter 75 of November 30, 2022, issued by the Financial Superintendence of Colombia, and therefore must comply with this systemic buffer.

34.2 RESULTS OF THE SOLVENCY RELATION

The following is the detail of the calculation of the Bank and its financial Subsidiaries Solvency Ratio under the Standards described above (Basel III) for the years ended to December 31, 2023, and 2022:

		As of December 31, 2023 (1)	As of December 31, 2022 (1)
A. Basic Equity (PBO- Spanish acronym)	$	13,644,969	10,437,701
B. Additional Basic Equity (PBA - Spanish acronym)		0	0
C. Total Basic Equity (C= A+B)		**13,644,969**	**10,437,701**
D. Additional Equity (PA - Spanish acronym)		2,573,696	3,135,871

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31, 2023 (1)	As of December 31, 2022 (1)
E. Deductions from Technical Reserves		0	0
F. Technical Reserves (PT, for the Spanish acronym) (F=C+D-E)		**16,218,665**	**13,573,572**
G. Credit RWA		91,625,712	88,898,130
H. Weighted Market risk (VaR MR)		7,102,531	8,440,262
I. Weighted Operational Risk (VaR OR)		6,806,068	6,412,206
J. Risk-Weighted Assets (Credit + Market + Operational)	$	**105,534,310**	**103,750,598**
Basic Solvency Ratio (RSB - Spanish acronym) I min 4.5%		12.93%	10.06%
Additional Basic Solvency Ratio (RSBA - Spanish acronym) I min 6% (1)		12.93%	10.06%
Total relation Solvency Ratio (RST- Spanish acronym) I min 9%		15.37%	13.08%
Basic Solvency Ratio available for Buffer Compliance (RSB% - 4.5%)		8.43%	5.56%
Combined Required Buffer (Conservation + Systemic) (%) (1)		1.88%	1.25%
Leverage value		141,766,918	136,096,623
Leverage Ratio (min. 3%)		9.62%	7.67%

(1) Additional Basic Solvency Ratio (ABR) and Combined Required Buffer (Conservation and Systemic) are included in transition plan from 2021 to 2024. For 2023, the RSBA cannot be less than 5.625%, and the Basic Solvency Ratio less minimum way requirement of 4.5%, cannot be less than 1.875%, corresponding to the combined required buffer, discriminated the following way: Conservation 1.125% and Systemic 0.75%. As of January 2024, 100% of these indicators must be met (RSBA 6% and cushions 2.5%).

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	As of December 31, 2023	As of December 31, 2022
Banco de Bogotá (Individual)	9%	18.59%	17.03%
Multi Financial Holding. and subsidiaries (1)	8%	12.51%	12.29%
Fidubogotá S.A.	9%	77.87%	57.29%
Almaviva S.A. (2)	36 times PT	3.71 veces	5.57 times

(1) According to agreement 001 of 2015 and 003 of 2016 of the Superintendence of Banks of Panamá.
(2) 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).

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

NOTE 35 – 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:

		As of December 31, 2023				
		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	$	656,452	656,452	1,191,000	173,985	(708,533)
Repo operations		0	0	27,803	0	(27,803)
Total assets subject to offsetting		**656,452**	**656,452**	**1,218,803**	**173,985**	**(736,336)**
Liabilities						
Derivatives		1,033,907	1,033,907	0	120,548	913,359
Repo operations		3,923,417	3,923,417	3,923,417	0	0
Total liabilities subject to offsetting	**$**	**4,957,324**	**4,957,324**	**3,923,417**	**120,548**	**913,359**

		As of 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**

NOTE 36 – 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 related parties are defined for the Bank and its Subsidiaries as all economic events entered into with the shareholders and entities of Grupo Aval Acciones y Valores S.A. (hereinafter Grupo Aval S.A.).

- Shareholders who individually own more than 10% of the Bank's share capital (Grupo Aval 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.

- 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 2023, and 2022, 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 allows 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.

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

In keeping with the provisions outlined in Law 50 / 1990 (Labor Reform Act) and Law100 / 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.

Directors' fees were paid for attendance at meetings of the Board of Directors and Committees for the years ended December 31, 2023, and 2022 for $2,994 and $ 2,261, respectively.

All transactions and disbursements were conducted at market prices. Credit card operations and overdrafts were done at the full rates for those products.

The grouping of balances with related parties, including the detail of transactions with key management personnel, is shown below:

Statement of financial position

		As of December 31,2023				
					Related entities	
		Economically related parties	Grupo Aval S.A.	Key Management personnel	Others related parties	Associates and joint ventures
Assets						
Cash and cash equivalents	$	863	0	0	7,571	0
Investments accounted for using the equity method		0	0	0	0	9,121,988
Impairment of investments		(13)	0	0	0	(12,808)
Derivatives at fair value		48	0	0	0	0
Financial investment assets		11,466	0	0	0	4,499
Loan portfolio, net		1,276,753	427,724	16,659	20,064	1,197,874
Other accounts receivable		1,562,589	9	17	101	40,628
Right-of-use assets		0	0	0	0	639
Other assets		1	0	0	0	0
Total		**2,851,707**	**427,733**	**16,676**	**27,736**	**10,352,820**
Liabilities						
Derivative financial liabilities		239	0	0	0	0
Financial liabilities at amortized cost		773,777	292,294	36,488	214	611,805
Accounts payables and other liabilities		24,490	191,724	705	5,109	11,927
Total	$	**798,506**	**484,018**	**37,193**	**5,323**	**623,732**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		As of December 31,2022				
		Economically related parties	Grupo Aval S.A.	Key Management personnel	Related entities	
					Others related parties	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		1,808,048	7	0	0	53,200
Right-of-use assets		0	0	0	0	672
Other assets		1	0	0	0	0
Total		**3,970,334**	**506,507**	**22,217**	**2,374**	**9,803,937**
Liabilities						
Derivative financial liabilities		5,018	0	0	0	0
Financial liabilities at amortized cost		1,358,003	271,217	31,987	820	1,393,142
Accounts payables and other liabilities		437	0	350	104	18,870
Total	$	**1,363,458**	**271,217**	**32,337**	**924**	**1,412,012**

Statement of income

		Year ended December 31, 2023				
		Economically related parties	Grupo Aval S.A.	Key Management personnel	Related entities	
					Other related parties	Associates and joint ventures
Income						
Interest	$	188,164	73,667	1,162	292	185,698
Commissions and other services		512	78	66	3,023	11,237
Other income		403	0	0	1,071	560,507
Total		**189,079**	**73,745**	**1,228**	**4,386**	757,442
Expenses						
Interest		(59,105)	(13,209)	(3,127)	(50)	(101,703)
Commissions and other services		(414)	0	(109)	(4,656)	(6,686)
Other expenses		(16,313)	(125,257)	(11,639)	(37,887)	(108,872)
Total	$	**(75,832)**	**(138,466)**	**(14,875)**	**(42,593)**	**(217,261)**

(Amounts expressed in millions of Colombian pesos, except where otherwise indicated)

		Year ended December 31, 2022				
					Related entities	
		Economically related parties	Grupo Aval S.A.	Key Management personnel	Other related parties	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
Total		**343,319**	**49,792**	**1,277**	**3,620**	**788,302**
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)
Total	$	**(216,619)**	**(169,814)**	**(14,539)**	**(32,096)**	**(160,921)**

Pending amounts are not guaranteed and they shall be settled 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:

		Years ended December 31	
		2023	2022
Short-term employee benefits	$	49,845	42,504
Post-employment benefits		167	76
Termination benefits		74	25
Total	$	**50,086**	**42,605**

NOTE 37 – STATUTORY CONTROLS

The legal controls correspond to regulations established by the Financial Superintendence of Colombia for credit institutions (Banks, Financial Corporations and Financing Companies), in relation to reserve requirements (see Note 7.4.3 Liquidity risk), own position (see Note 7.4.2 Market risk), solvency margin and other equity requirements (see Note 34) and mandatory investments, which must 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 as of December 31, 2023, and 2022.

NOTE 38 – SUBSEQUENT EVENTS

There are no events occurring after the reporting period that require disclosure, corresponding to the year ended December 31, 2023, up to the date of authorization of the financial statements.

NOTE 39 – AUTHORIZATION FOR THE PRESENTATION OF FINANCIAL STATEMENTS

The Board of Directors of Banco de Bogotá, in a meeting held on February 21, 2024, approved the presentation of the separate financial statements as of December 31, 2023, and the accompanying notes.