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Grupo AVAL

Our Consolidated Bank

[GRI 2-6]

Gross Loan Portfolio	Deposits	Equity	Net Income Attributable to Shareholders
$99.2 trillion	$91.1 trillion	$15.8 trillion	$954 billion

9.7 million customers[1]

16,450 Employees[2]

13,355 Shareholders

Presence in **3 countries**

1,601 ATMs

478 Branches

22,729 Correspondent Banks

(1) Active customers.

(2) Employees include: subsidiaries (*Almaviva, ASD, Banco de Bogotá Panamá, FiduBogotá, MFH*), Agencies and *Banco de Bogotá*. Does not include 563 under civil apprenticeship contract (*SENA*).

We contribute to the growth and well-being of our stakeholders and of the different regions where we are present, through responsible management that promotes sustainable and inclusive development in the country.

2

Chapter

2.1 Awards

Leading local and international publications recognized our leadership in the financial sector.

Best Bank in Colombia 2023

For the eighth consecutive year, we were recognized as the **Best Bank of the Year** in Colombia thanks to the wide range and reliability of our products and services, as well as the stability of our institution.

The international publication stated that *"award winners were those banks that carefully addressed the needs of their clients in difficult markets and achieved solid results while laying the foundation for future success. Winning organizations managed their assets and liabilities intelligently in light of changing interest rate scenarios".*

Best Financial Innovation Lab 2023

We won this award as part of The Innovators 2023 program, in the category **"Financial services lab working with external startups and scaleups".**

This global recognition highlights institutions that are dedicated to designing innovative financial products and services with the aim of improving customer experience and leading the banking transformation required by the industry.

Best Bank in Digital Consumer Lending and Best Mobile Banking App in Latin America

Within the framework of the Best Consumer Digital Banks 2023 awards, we were recognized at a regional level as the **Best Bank in Consumer Lending** and our App as the **Best Mobile Banking App.**

In Colombia, we also obtained an additional recognition as **Best Bank in Social Media Marketing and Services.**

Best Bank in Digital Consumer Lending, Best Mobile Banking App and Best Bank in Marketing and Social Networking Services in Colombia

These achievements reflect the strength of our strategy to provide digital services tailored to our customers' needs, thanks to the design and functionality of our Virtual Banking and Mobile Banking App.

Best Bank in Digital Solutions in Colombia

In 2023, the British magazine awarded us as the **Best Bank in Digital Solutions in Colombia**, recognizing our portfolio of 100% digital products and the short-term massification process, as well as our alliances and innovative customer and user service offer.

Market Leader in Digital Solutions and Diversity & Inclusion

Additionally, as part of the Market Leaders program, we obtained two important accolades: **Market Leader in Digital Solutions** and **Market Leader in Diversity and Inclusion**. The publication also distinguished us in two subcategories related to ESG and SME Banking.

Bringing Banking Closer to Colombians, User Protection Category

Awarded for use of **Facial Recognition for Digital Authentication.**

Bringing Banking Closer to Colombians, Financial Well-being category.

Award for the **Accessible Financial Education Program**, designed for people with hearing disabilities.

Members of the DJSI S&P Global Sustainability Yearbook

For the fourth consecutive year we were included as a member of the **S&P Global Sustainability Yearbook, ranking in the 96% percentile**, thanks to the strengthening of our customer management, privacy protection, decarbonization and sustainable finance strategy, transparency and reporting, and business ethics.

Carbon Disclosure Project - CDP

For the first year, we were measured in the Carbon Disclosure Project - CDP, which evaluates performance in terms of climate change risks and opportunities, obtaining a **satisfactory grade of B.**

Honorable Mention in the "Sustainable Bond of the Year" Category

Mention awarded within the ***Global SME Finance Awards 2023*** and the IFC's Green Bond Technical Assistance Program, for the issuance of the **first Sustainable Subordinated Bond in the country.**

Commitment to the sustainability of the Colombian economy

Recognition awarded by Low Carbon Business Action and the European Union for the Bank's work in **decarbonization and change towards more sustainable production practices.**

Good Practices for Sustainable Development, SDG 4. Quality Education

Awarded in the Finance with You (*Finanzas Contigo*) category for the **Accessible Financial Education Program** designed for people with hearing disabilities.

Best Restoration Practices in Colombia. *Bóscares*

Recognition of the work carried out with the ***Amazonía* Debit Card** which allows customers to support the reforestation of this region.

Facial recognition

2.2 Shareholders and investors

2023 was a year that could be understood in three stages in terms of communication with shareholders and investors:

- In March 2023, the Bank sold 4.11% of the shares it still owned in BAC Holding International Corp (BHI), at book value. This operation, combined with those carried out in 2022 with the same entity, required an effort to communicate the accounting changes and their impact on the financial statements and indicators.
- In the second quarter of the year, some banks in the United States and Europe presented financial difficulties due to diverse phenomena such as liquidity situations, high interest rates and the performance of cryptocurrencies, among others. Although, the Colombian banking system in general was well spared, in this quarter analysts focused their interest on the risk of international spillover and on *Banco de Bogotá*'s commercial relations with other institutions.
- The second half of the year was characterized by concerns generated by the economic slowdown, pronounced inflation and high interest rates. These circumstances contributed to a deterioration in the quality of banks' loan portfolios, particularly in the consumer portfolio. Most analysts consider the phenomenon to be systemic, related to the level of monetary policy rates, and agree that 2024 has a better macroeconomic and profitability outlook for banks.

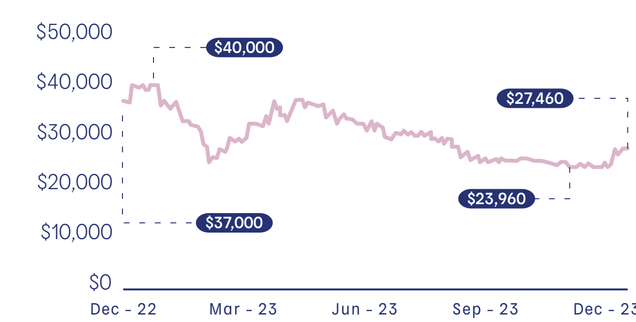
We received visits from international investors, organized by JP Morgan, on two opportunities, and by Jefferies LLC. These meetings included analysts from TWC, Loomis Sayles, Point Break Capital Management, PGGM, Wellington, Eaton Vance and M&G PLC. We also attended more than 80 requests for information through our quarterly earnings conferences, calls, video calls, webcasts and e-mails, providing regular and timely updates to the market on our organization's results.

Behavior of the stock

Banco de Bogotá's stock closed 2022 with a price of $37,000. At the close of 2023, the share price was $27,460, representing a decrease of 25.8%. The maximum share price for the year was $40,000 in January, and the minimum was $23,960, in November.

The fall in *Banco de Bogotá*'s share price is not an isolated phenomenon, due to several factors. In the first instance, the Bank's profitability declined in 2023, generated by increases in provision expenses as a consequence of the effects of the economic slowdown, inflation and high interest rates.

In addition, Colombian companies listed on the stock exchange showed, in general, a significant decline in their share prices. Between the close of December 2022 and the end of December 2023, the COLCAP index fell by 7%. The drop in the share price of other domestic banks was relatively similar to that of *Banco de Bogotá*, explained more by investors' aversion to invest in Colombian equities at the 2023 juncture, rather than the performance of Colombian banks.



International Vice-presidency

2.3 Ratings

In 2023, despite the challenging economic environment, the rating agencies reaffirmed their credit opinion and expectations for the Bank's performance, presented below:

	International Ratings			Local Rating
	Moody's	FitchRatings	S&P	BRC Ratings A Company of S&P Global
Issuer				
Foreign Currency - LT	Baa2 / Stable	BB+ / Stable	BB+ / Stable*	
Foreign Currency – ST	P-2	B	B	
Local Currency – LT	Baa2 / Stable	BB+ / Stable	BB+ / Stable*	AAA
Local Currency - ST	P-2	B	B	BRC1+
Bonds				
Ordinary Bonds 2027	Baa2 / Stable	BB+ / Stable	BB+ / Stable*	
Subordinated Bonds 2026	Ba2 / Stable	BB- / Stable		

Data as of December 2023.
*On January 19th, 2024, S&P downgraded its rating outlook from stable to negative due to the sovereign's outlook adjustment.

Among the positive aspects highlighted by these entities are: the Bank's resilience in generating results, the consistent financial performance, the good diversification of funding, the increase in market share in different segments of the loan portfolio, as well as the reasonable credit risk policies that have maintained our solid business position. Although the Bank has suffered deterioration of its portfolio, the rating agencies understand that this is a general phenomenon in the Colombian financial system and view positively that the deterioration of our portfolio has been less than the system in general[7], due to prudent credit policies.

Regarding capital levels, the rating agencies have stated that the consistency in solvency has been sufficient to leverage the growth of the loan portfolio. These indicators were strengthened in the last months of 2023 thanks to the subscription of the shareholders' agreement between *Grupo Aval*, *Banco de Bogotá*, *Banco de Occidente* and *Banco Popular*, in which *Banco Popular* becomes the controlling company of *Corficolombiana*, an agreement that generated a positive effect on the technical equity and, therefore, on the tier 1 and capital adequacy ratio of *Banco de Bogotá*.

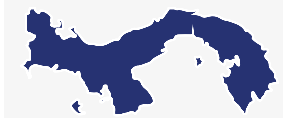
7 Source: Financial Superintendency of Colombia. August 2023..


Financial Planning Team

2.4 Our Coverage

[GRI 2-6, FS13]

By the end of 2023, we will have at least one banking services channel in 1,020 municipalities, representing a coverage of 92.6% of the total number of municipalities in Colombia. Reflecting our commitment to banking penetration and financial inclusion, allowing us to provide products and services to the most remote areas of the country or those with little presence of financial institutions. Our banking services include branches, banking correspondents and ATMs.



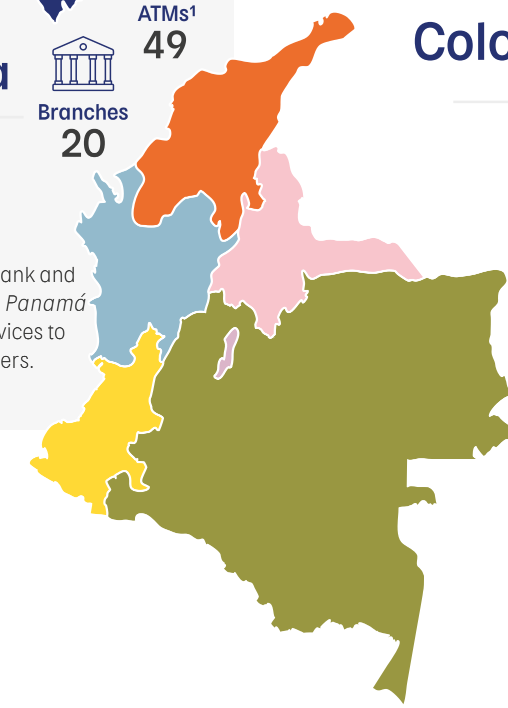
Panama

69

Branches 20

ATMs[1] 49

In Panama, Multibank and *Banco de Bogotá Panamá* offer financial services to customers and users.



		Branches	BCs	ATMs[1]
Total Colombia	24,693	412	22,729	1,552
North Coast	2,700	60	2,365	275
Antioquia	2,539	75	2,208	256
West	3,257	52	3,008	197
East	4,192	30	3,987	175
Central	5,046	96	4,692	258
Bogotá	6,959	99	6,469	391

1 Does not include mobile ATMs.

2.5 Our Environment

International context

> Central banks in advanced economies continued to raise their interest rates until the end of the year, while in emerging economies, a few began a cycle of cuts.

In 2023, the global economy surprised with a better-than-expected performance of activity, while inflation continued to curb, which did not prevent central banks from being cautious and maintaining and reinforcing their contractionary monetary policy with high interest rates throughout the year.

Although global growth slowed to 3.0% in 2023, according to the International Monetary Fund, compared to 3.5% in 2022, the result was better than anticipated, although below the historical average (3.5% without pandemic). The recovery of China's economy in the first part of the year after the late reopening and the resilience of the U.S. economy supported global growth, while in the Eurozone the consequences of the war between Russia and Ukraine affected activity.

> In 2023, global growth was slightly better than expected, but in any case it was a year of deceleration and lower performance than in the past.

The solution to supply problems, with the normalization of global supply chains, and the reduction in commodity prices, allowed inflation to moderate throughout the year. Reflected in lower goods inflation, while services inflation continued to show pressures. Thus, it will be lower demand that will allow inflation to continue on its upward path in 2024.

The challenging macroeconomic balance, in which activity remained at acceptable levels while inflation, although moderating, remained high, led central banks to continue with their interest rate hike cycles, especially in advanced economies. In this group, rate hikes continued to be observed until the end of the year, although expectations of early cuts were also evident. Meanwhile, in emerging economies, a few were able to reduce their interest rates as their inflationary risks were controlled. Latin America led this process.

Geopolitical risks deepened, with the conflict between Israel and Hamas and its possible broader repercussions in the Middle East, adding to that of Russia and Ukraine. The latter remained relatively contained, but miscalculations could end up widening the conflicts and negatively impacting the global economy in 2024. In addition, the U.S. elections will also add uncertainty to the global context.

Colombian Environment

> In 2023, Colombia faced a slowdown leading growth to 1.0%, below its potential.

Colombia's economy recorded an economic slowdown in 2023, with a growth of 0.6%, which surprised on the downside and is below potential growth, which our Economic Research team estimates at around 3.0%. The weakness of the sectors that are traditionally the engine of the Colombian economy explains the lower dynamics. The declines in commerce (-2.8%), industry (-3.5%) and construction (-4.2%), were partially offset by the positive performance of services.

Given the above, Economic Research estimates a GDP expansion of 1.0% of GDP by 2024, in line with consensus forecasts, and considering the lagged effect of monetary policy, the need for adjustment of past spending excesses and fiscal policy uncertainty, mainly.

Meanwhile, inflation surprised on the downside in the final part of 2023 and ended at 9.3%, below expectations. After being one of the components that explained the upward trend in prices in 2021 and 2022, the food item drove down total inflation by going from an annual price growth of 27.8% at the end of 2022 to 5.0% in 2023. This improvement was explained by lower input prices, the appreciation of the Colombian peso and improved weather conditions in the second half of the year. The other segment that also contributed to the result was that of goods, which went from an annual variation of 15.0% to 7.1% between 2022 and 2023, where the lower cost of imported goods due to the improvement in the exchange rate, added to the low household demand, explained the result.

On the other hand, regulated tariffs and services put upward pressure on prices during the year, the former due to higher gasoline prices and the latter due to indexation. Despite the return of inflation to single digit levels, it is still far from *Banco de la República's* target (3% +/-1 percentage point). For 2024, Economic Research anticipates inflation slightly below 6.0%, affected by the effect of the *El Niño* phenomenon on food prices and energy prices, the possible increase in the price of Diesel, an increase in the health tax, but above all the inertia of prices due to the indexation to past inflation and the minimum wage.

The economic slowdown and the beginning of the moderation trend in inflation led *Banco de la República* to begin the phase of interest rate cuts at its last meeting of the year. After reaching a maximum of 13.25% in April and remaining at this level for most of the year, in December the central bank cut the rate 25 basis points to end the year at 13.0%. By 2024, the macroeconomic balance will continue to support a cycle of cuts until 2025. Our Economic Research team expects the benchmark rate to end the year near 8.0%.

> Higher interest rates by *Banco de la República,* lower confidence among households and companies, and high inflation had an impact on durable goods consumption and investment decisions, which limited the dynamics of the aforementioned sectors.

Economic Research Team

Turning to the exchange rate, 2023 was a year of appreciation of the Colombian peso against the dollar, with the local currency was the one with the highest revaluation among the main emerging economies. Specifically, the exchange rate went from $4,810 at the end of 2022 to $3,822 on the last day of 2023, a revaluation of 20.5%. The dynamics was explained by the weakening of the dollar at a global scale, the significant correction of the country's external imbalance and the lower perception of country risk, where the 5-year CDS fell from 274 basis points to 157 basis points between 2022 and 2023.

Indeed, in the third quarter of 2023 the account deficit stood at -1.7% of GDP, the lowest quarterly level since 2009 and with an annual correction of -5.4 percentage points, the largest adjustment since information has been available (2000). Lower domestic demand and the resilience of high levels of production were the perfect combination for the country to prolong the adjustment of its external imbalance by going from-5.5% to -2.9% of GDP between 2022 and 2023, according to the Economic Research estimate.

Finally, the 2024 General National Budget (*PGN*) was approved for $503 trillion, 19% more than in 2023, a relevant increase. A primary surplus of 0.2% of GDP and a fiscal deficit of -4.4% of GDP in 2024 is expected for the Central National Government, according to the Medium-Term Fiscal Framework. While compliance with the Fiscal Rule is planned for 2024, there are challenges related to revenues, as indicated by the Ministry of Finance, could be met with spending adjustments. Although fiscal uncertainty is high, until December 2023 the rating agencies kept their ratings unchanged. However, in January 2024 Standard and Poor's adjusted its outlook from stable to negative due to concerns about low investment levels that may affect long-term growth; the rating for Colombia remained at BB+.

Colombian Banking System

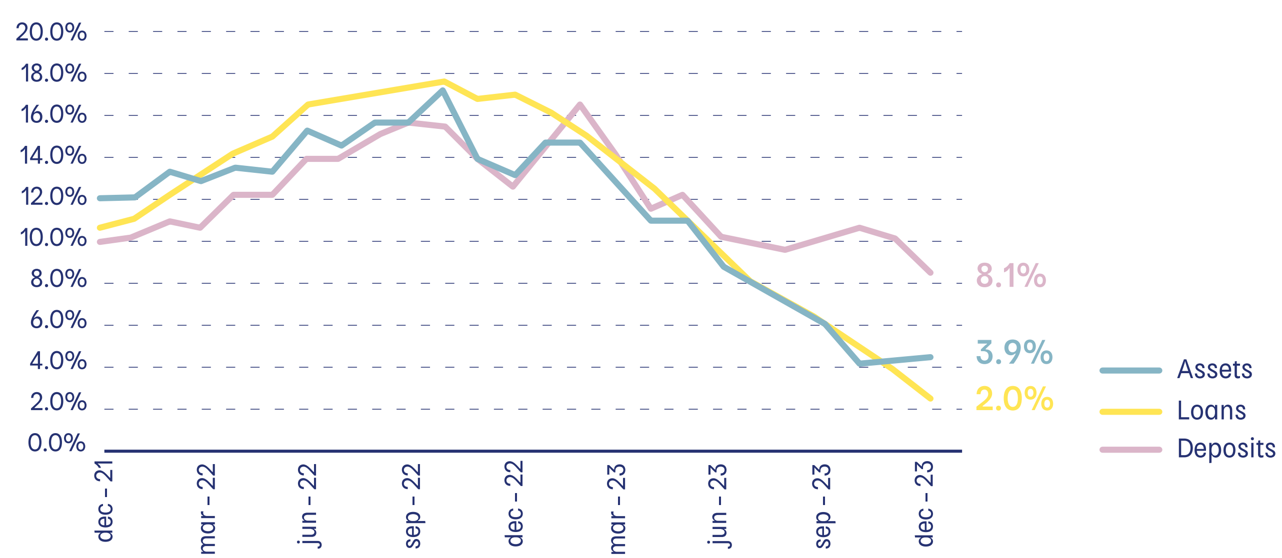
After a 2022 characterized by the recovery of lending activity in Colombia, 2023 was a year of slowdown due to more challenging macroeconomic conditions. High and persistent inflation, issuer rates at historical levels and increasing delinquency, among others, combined with a revaluation trend of the dollar, resulted in a loan portfolio growth of 2.0% compared to the previous year. Consequently, the system's assets grew 3.9%, reaching a balance of $957,594 billion.

Regarding credit, the most important modalities in terms of composition, commercial with 51.6% and consumer with 29.9%, led the trend of the total loan portfolio. Commercial loans ended the year with a nominal growth of 2.3% and a balance of $338,202 billion, in line with the macroeconomic environment that affected mainly the corporate and SME segment, while the annual revaluation of 20.5% impacted the foreign currency portfolio balance. The consumer portfolio decreased -2.3% reaching a balance of $195,740 billion at the end of 2023. Free destination loans accounts for almost 60% of the drop and the deterioration in portfolio quality[8] compared to 2022, closing the year at 8.1%, +265 basis points above the figure recorded a year earlier.

Deposits closed 2023 with a year-on-year increase of 8.1% and a balance of $646,561 billion, representing 75.6% of total liabilities, reached $854,747 billion with a growth of 4.6%. Demand deposits accounted for 55.4% of total deposits, savings accounts reached $282,498 billion, a drop of 4.4% below year-end 2022, partly as a result of the requirements associated with the Net Stable Funding Ratio *(CFEN*, for its acronym in Spanish). Checking accounts reached $75,843 billion with a contraction of -6.4%. Time deposits increased 31.2% compared to that observed in 2022, reaching a balance of $271,358 billion, responding to the same context of the *CFEN*, which generated a greater appetite for this source of funding.

Regarding the results obtained by the Colombian banking system in 2023, profits closed the year at $8,235 billion, equivalent to a decrease of -42.4%, especially due to a higher interest expense of time deposits, given the higher deposits made through this instrument, and the provisioning of the loan portfolio, given the deterioration observed in the period.

Colombian Banking System - Interannual Growth Rates

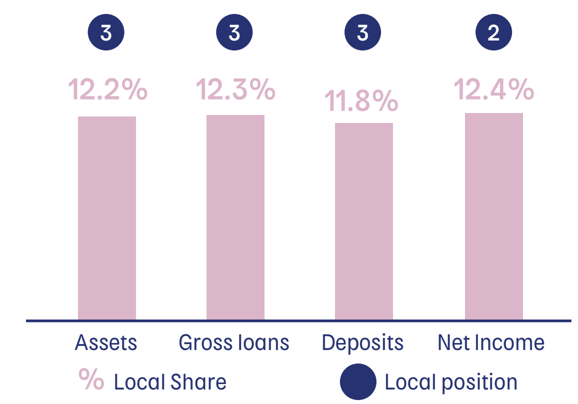


8 Past-due loan portfolio +30 days / Gross loan portfolio.

Our Participation in the Colombian Banking System

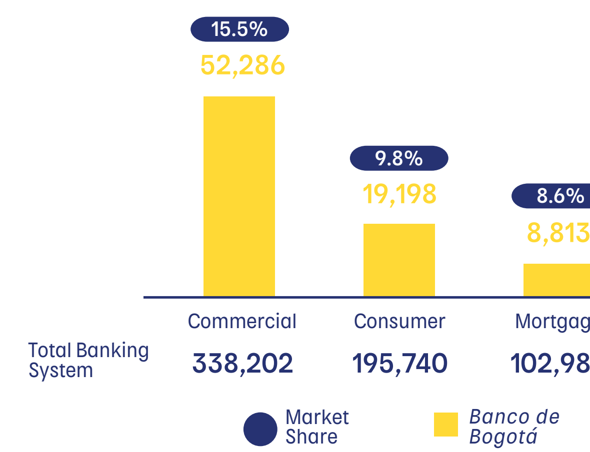
In 2023, we remained one of the most important banks in the Colombian banking system, occupying the first places in the market. Our portfolio presented a growth of 9.7%, representing 68.9% of total assets and 12.3% of the total portfolio of the system. We achieved +87 basis points versus 2022.

Our Local Share



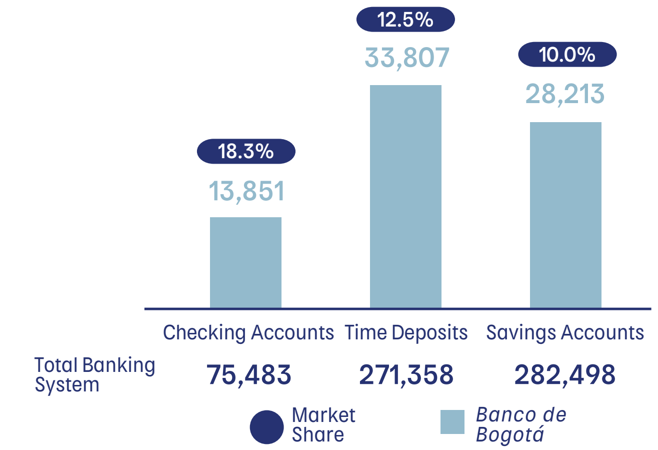
This increase was driven by the good performance of the commercial, consumer and mortgage portfolios, recorded year-end growth of 7.9%, 11.0% and 18.6%, respectively, with a greater market share of +80, +118 and +75 basis points.

Local Share by Loan Type ($ billions)



Deposits[9] increased 9.2% during the year in total currency, with time deposits being the only source that increased during the year, +38.8%, compared to checking accounts which fell -10.8%, and savings accounts -4.2%, compared to the previous year.

Local Share by Deposit type ($ billions)



Panamanian Environment

The Panamanian government is developing a strategy to mitigate the consequences of the termination of the *Cobre Panamá* contract.

As observed in most of the world's economies, in 2023 Panama's economy experienced a deceleration process after the high growth rates of 15.8% and 10.8% observed in 2021 and 2022, respectively. Year-to-date to September 2023, the GDP showed a real growth of 8.9% and pending the publication of fourth quarter data, entities such as the International Monetary Fund (IMF) estimate that the economy grew around 6% in the full year.

Until the third quarter of the year, the construction, transportation, mining, and commerce sectors accounted for the good performance of the Panamanian economy. Construction activity took an important role in economic

9 Includes other deposits.

growth by experiencing a significant 24.5% year-over-year increase, due to higher investment flows from public projects such as the Panama City Metro, modifications to the Panama Canal and the construction of gas and energy stations. Meanwhile, the dynamics of commerce were sustained by the resilience of private consumption, which, despite its slowdown, continued to grow at double-digit rates. In relation to transportation, the greatest contribution was made by the air transportation segment, which was favored by the annual increase of more than 80% of tourists to the country, compensating the lower activity in maritime transportation as a result of the limitations of the maximum draft of the Panama Canal due to the droughts caused by the *El Niño* phenomenon. However, despite the lower movement of containers, the increase in freight rates favored the increase in toll revenues.

In the last quarter of the year, Panama experienced a complex public order situation following the renewal of the copper exploitation contract. Protests and blockades on the country's main roads interrupted supply chains and the activities of several sectors, mainly the provision of services, and adversely impacted economic activity. Ultimately, the Panamanian Supreme Court declared the contract extension unconstitutional and ordered the closure of the copper mine, which will have a gradual impact on the country's productive activity, since *Cobre Panamá*'s production represents about 76% of exports and slightly more than 5% of GDP. Following the decision, the government revised down its economic growth outlook for 2024 from 5% to a level between 1% and 2%.

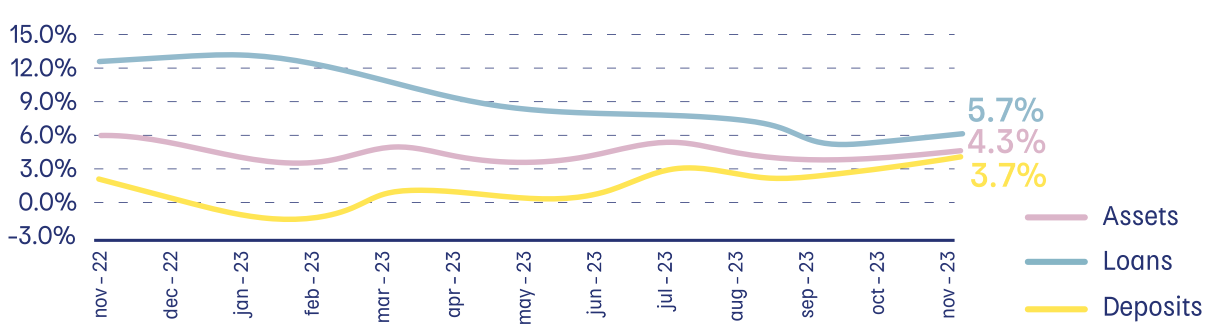
In view of the above, Moody's downgraded the country's credit rating from Baa2 to Baa3, at the investment grade limit. At the same time, the other two rating agencies, S&P and Fitch, downgraded the country's risk rating from stable to negative, from BBB and BBB-, respectively. During 2024 Panama's investment grade will be threatened, and the government has been working on a strategy to mitigate the negative impacts of the mine's closure and also to reinforce the country's legal security.

Turning to prices, Panama saw a rapid disinflationary process that was justified by the government's freeze on fuel and food prices. After peaking at 5.2% in June 2022, in line with the global trend and influenced by local policies, inflation in the country showed a significant reduction in 2023, with a brief deflation in the middle of the year (-0.6% annualized in June), a level from which it started an upward trend to consolidate close to 2% in the last months of the year. This rebound occurred once some subsidies on the price of utilities, fuels and certain foodstuffs were left behind. Once all the measures have been dismantled and the effects of the blockades on prices start to become evident, the IMF projects a closing inflation rate of 2.2% for 2023 and 2024.

Panamanian Banking System

During 2023, the Panamanian banking sector maintained a positive performance, confirming its resilience in an environment of adverse domestic events accompanied by a challenging and volatile international environment. Showing average monthly year-on-year deltas of close to 4.0%, reaching an increase in assets of 4.3% as of November.

Panama Banking System - Interannual Growth Rates



Nov – 23	Assets		Net Loans		Deposits	
Millions of Dollars	US$	Annual Variation	US$	Annual Variation	US$	Annual Variation
Total	146,099	4.3%	88,480	5.7%	102,478	3.7%

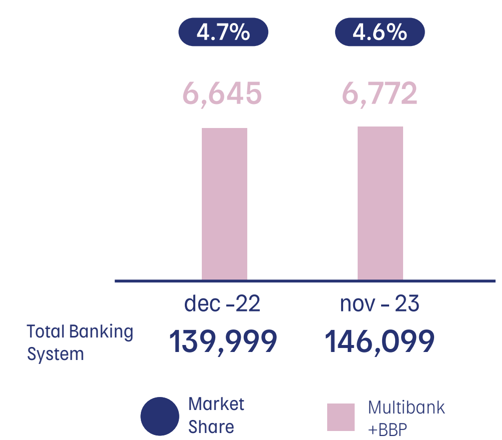
Source: Superintendence of Panama, only considering general license banks, figures as of November 2023.

The loan portfolio represented the main item with a share of 60.6% of total assets and an increase of 5.7% compared to the same month of 2022. Deposits, on the other hand, showed a mixed behavior, with a first half of the year characterized by a contraction in the growth rate (average of -0.5%), recovering in the second half of the year to close at 3.7%.

Our Share in the Panamanian Banking System

As of November 2023, our banking operation in Panama (Multibank + *Banco de Bogotá Panamá*) reached an asset level of US$6,772 million, representing an increase of 2.1% compared to that obtained in 2022 and a market share of 4.6%, mainly supported by the growth of the investment portfolio, which increased 64.5% at the *Banco de Bogotá Panamá* level.

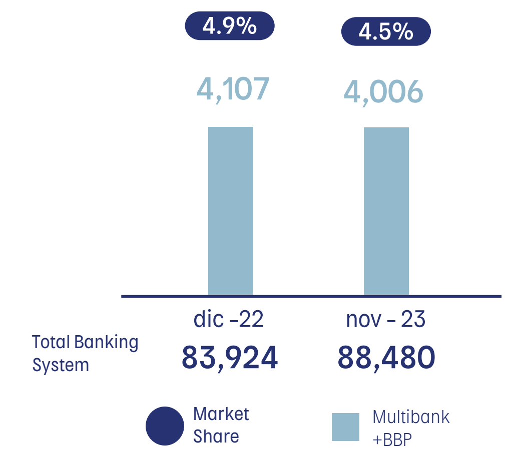
Total Assets



Multibank Branch

The net portfolio represented 59.2% of total assets in 2023, maintaining a market share of 4.5%, where the consumer portfolio contributed a growth of 3.8%.

Net Loans



Concerning deposits, our operation expanded its market share to 4.8%, supported by Multibank's 7.6% increase, especially in time deposits, given the attractive rates seen in the market.

Deposits