IMPORTANT NOTICE

**NOT FOR DISTRIBUTION
TO U.S. PERSONS**

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE NON-U.S. PERSONS PURCHASING THE SECURITIES DESCRIBED IN THE OFFERING MEMORANDUM FOLLOWING THIS NOTICE (THE "OFFERING MEMORANDUM") OUTSIDE OF THE UNITED STATES IN OFFSHORE TRANSACTIONS IN RELIANCE ON REGULATION S ("REGULATION S") UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") (AND, IF INVESTORS ARE RESIDENT IN A MEMBER STATE OF THE EUROPEAN ECONOMIC AREA ("EEA") OR IN THE UNITED KINGDOM, INVESTORS WHO ARE NOT RETAIL INVESTORS (EACH AS DEFINED BELOW)).

IMPORTANT: You must read the following before continuing. The following applies to the attached offering memorandum (the "Offering Memorandum"), whether received by e-mail or otherwise received as a result of electronic communication. You are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access. The Offering Memorandum has been prepared in connection with the proposed offering and sale of the securities described therein. The Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR A SOLICITATION OF AN OFFER TO BUY SECURITIES IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING OFFERING MEMORANDUM WILL BE ACCESSIBLE IN ELECTRONIC FORMAT AND YOU ACKNOWLEDGE THAT YOU HAVE RECEIVED THE OFFERING MEMORANDUM IN A FORM THAT MAY NOT BE FORWARDED OR DISTRIBUTED, IN WHOLE OR IN PART, DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS OFFERING MEMORANDUM, IN WHOLE OR IN PART, IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. IF YOU HAVE GAINED ACCESS TO THE OFFERING MEMORANDUM CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED, AND WILL NOT BE ABLE, TO PURCHASE ANY OF THE SECURITIES.

Confirmation of your representation. In order to be eligible to view the attached Offering Memorandum or make an investment decision with respect to the securities, either you or the customers you represent must be a person who is not a U.S. person purchasing the securities outside of the United States as a non U.S. person in an offshore transaction in reliance on Regulation S provided that an investor in a Member State of the EEA must not be a retail investor (as defined below) and an investor in the United Kingdom must not be a retail investor (as defined below). The Offering Memorandum is being sent at your request and, by accepting the e-mail and accessing the Offering Memorandum, you shall be deemed to have represented to the Initial Purchasers (as defined in the Offering Memorandum) that you or any customers you represent are not U.S. Persons, are outside the United States, its territories and possessions, any state of the United States or the District of Columbia ("possessions" include Puerto Rico, the United States Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Memorandum to any other person. You may not transmit the attached Offering Memorandum (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person, except with the consent of the Initial Purchasers. If you receive this document by e-mail, you should not reply by e-mail to this announcement. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected. If you receive this document by e-mail, your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Initial Purchasers or any affiliate of the Initial Purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Initial Purchasers or such affiliate on behalf of the Issuer (as defined in the Offering Memorandum) in such jurisdiction. Under no circumstances shall the Offering Memorandum constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

Prohibition of Sales to EEA Retail Investors: The securities described in the Offering Memorandum are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area. For the purposes of this provision, (a) a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; and (b) the expression "offer" includes the communication in any form and by any means of sufficient information and the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the European Economic Area has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the European Economic Area may be unlawful under the PRIIPs Regulation.

In the European Economic Area, the Offering Memorandum and the offer of the securities have been prepared on the basis that any offer of securities in any Member State of the European Economic Area will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of securities. Accordingly, any person making or intending to make an offer in the European Economic Area of securities which are the subject of the offering contemplated in this Offering Memorandum may only do so to legal entities which are qualified investors as defined in Article 2 of the Prospectus Regulation, provided that no such offer of securities shall require the Issuer or the Initial Purchasers to publish a prospectus pursuant to Article 3 of the Prospectus Regulation in relation to such offer. Neither the Issuer nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of securities through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the securities contemplated in the Offering Memorandum. The expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (as amended or superseded).

Each person in a Member State of the European Economic Area who receives any communication in respect of, or who acquires any securities under, the offers contemplated in Offering Memorandum, or to whom the securities are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with the Initial Purchasers and the Issuer that it and any person on whose behalf it acquires securities is: (1) a "qualified investor" as defined in the Prospectus Regulation; and (2) not a "retail investor" (as defined above). For the purposes of this representation, an "offer to the public" in relation to any securities in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities.

Prohibition of Sales to UK Retail Investors: The securities described in the Offering Memorandum are not intended to be sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom. For these purposes, (a) a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of article 2 of Regulation (EU) 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Market Act ("FSMA") and any other rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) 600/2014 as it forms part of domestic law by virtue of the EUWA; and (b) the expression "offer" includes the communication in any form and by any means of sufficient information and the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities. Consequently, no key information document required by the PRIIPs Regulation as it forms part of UK law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the United Kingdom has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

In the United Kingdom, the Offering Memorandum has been prepared on the basis that any offer of securities in the United Kingdom will be made pursuant to an exemption under the UK Prospectus Regulation and Section 85 of the FSMA from the requirement to publish a prospectus for offers of securities. Accordingly, any person making or intending to make an offer in the United Kingdom of securities which are the subject of the offering contemplated in the Offering Memorandum may only do so to legal entities which are "qualified investors" as defined in Article 2 of the UK Prospectus Regulation, provided that no such offer of securities shall require the Initial Purchasers to publish a prospectus pursuant to Article 3 of the UK Prospectus Regulation of Section 85 of the FSMA in relation to such offer. Neither the Issuer, nor the Initial Purchasers have authorized, nor do they authorize, the making of any offer of securities through any financial intermediary, other than offers made by the Initial Purchasers, which constitute the final placement of the securities contemplated in the Offering Memorandum. The expression "UK Prospectus Regulation" means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the EUWA.

Each person in the United Kingdom who receives any communication in respect of, or who acquires any securities under, the offers contemplated in the Offering Memorandum, or to whom the securities are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to the Initial Purchasers and the Issuer that it and any person on whose behalf it acquires notes is: (1) a "qualified investor" within the meaning of Article 2(e) of the UK Prospectus Regulation; and (2) not a "retail investor" (as defined above).

The Offering Memorandum has not been approved by an authorized person in the United Kingdom and is for distribution only to persons (i) who have professional experience in matters relating to investments (being investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order")), (ii) falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations, etc.") of the Financial Promotion Order, (iii) who are outside the United Kingdom or (iv) to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). The Offering Memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which the Offering Memorandum relates is available only to relevant persons and will be engaged in only with relevant persons. No part of the Offering Memorandum should be published, reproduced, distributed or otherwise made available in whole or in part to any other person.

No person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000) received by it in connection with the issue or sale of the securities other than in circumstances in which Section 21(1) of the Financial Services and Markets Act 2000 does not apply to us.

The Offering Memorandum has been sent to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Initial Purchasers, any person who controls an Initial Purchaser, the Issuer, any of their respective directors, officers, employees or agents or affiliates of any of the foregoing entities or persons, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic form and any version that will be provided to you at a later date on request from the Initial Purchasers.

IMPORTANT NOTICE

To whom this may concern:

Proposed offering of U.S.$ 175,000,000 10.875% Tier Two Capital Subordinated Notes due August 13, 2034 (the "Notes") issued by Banco de Occidente S.A. (the "Issuer")

The Issuer is proposing to undertake an offering (the "Offer") of the Notes on the terms set out in this offering memorandum dated May 7, 2024 (the "Offering Memorandum") which includes this letter. This letter contains important information relating to restrictions with respect to the offer and sale of the Notes.

Restrictions on marketing and sales of the Notes to retail investors

1. The Notes discussed in the Offering Memorandum are complex financial instruments. They are not a suitable or appropriate investment for all investors, especially retail investors. In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Notes. Potential investors in the Notes should inform themselves of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Notes (or any beneficial interests therein).

2. In the United Kingdom ("UK"), the Financial Conduct Authority ("FCA") Conduct of Business Sourcebook ("COBS") requires, in summary, that the Notes should not be offered or sold to retail clients (as defined in COBS 3.4 and each a "retail client") in the UK.

   The initial purchasers are required to comply with COBS.
   By purchasing, or making or accepting an offer to purchase, any Notes (or a beneficial interest in such Notes) from the Issuer and/or the initial purchasers you represent, warrant, agree with and undertake to the Issuer and each of the initial purchasers and/or their respective affiliates that:

   (i) you are not a retail client in the UK; and

   (ii) you will not sell or offer the Notes (or any beneficial interest therein) to retail clients in the UK or communicate (including the distribution of the Offering Memorandum) or approve an invitation or inducement to participate in, acquire or underwrite the Notes (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail client in the UK.

   In selling or offering the Notes or making or approving communications relating to the Notes you may not rely on the limited exemptions set out in COBS.

3. The obligations in paragraph 2 above are in addition to the need to comply at all times with all other applicable laws, regulations and regulatory guidance (whether inside or outside the European Economic Area ("EEA") or the UK) relating to the promotion, offering, distribution and/or sale of the Notes (or any beneficial interests therein), whether or not specifically mentioned in this Offering Memorandum, including (without limitation) any requirements under the Markets in Financial Instruments Directive 2014/65/EU (as amended) (MiFID II) or the UK FCA Handbook as to determining the appropriateness and/or suitability of an investment in the Notes (or any beneficial interests therein) for investors in any relevant jurisdiction.

   Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Notes (or any beneficial interests therein) from the Issuer and/or any of the initial purchasers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.

You acknowledge that each of the Issuer and the initial purchasers will rely upon the truth and accuracy of the representations, warranties, agreements and undertakings set forth herein and are entitled to rely upon this letter and are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Capitalized but undefined terms used in this letter shall have the meaning given to them in the Offering Memorandum. This document is not an offer to sell or an invitation to buy any Notes.

Your offer or agreement to buy any Notes will constitute your acceptance of the terms of this letter and your confirmation that the representations and warranties made by you pursuant to this letter are accurate.

THIS LETTER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO THE CONFLICTS OF LAW PROVISIONS THEREOF (OTHER THAN SECTION 5-1401 OF THE NEW YORK GENERAL

OBLIGATIONS LAW).

The courts of the United States District Court for the Southern District of New York or of any New York State court (in either case sitting in Manhattan, New York City) shall have exclusive jurisdiction to settle any dispute arising out of or in connection with this letter. Notwithstanding the foregoing, the Initial Purchasers may take proceedings relating to a dispute ("Proceedings") in any other jurisdiction. To the extent allowed by law, the initial purchasers may take concurrent Proceedings in any number of jurisdictions.

EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT TO A TRIAL BY JURY IN ANY ACTION OR PROCEEDING TO ENFORCE OR DEFEND ANY RIGHTS UNDER THIS LETTER AND AGREES THAT ANY SUCH ACTION OR PROCEEDING SHALL BE TRIED BEFORE A COURT AND NOT A JURY.

Should you require any further information, please do contact us.

Yours faithfully

Banco de Occidente S.A.

BBVA Securities Inc. (initial purchaser)

Merrill Lynch International (initial purchaser)

OFFERING MEMORANDUM

STRICTLY CONFIDENTIAL
NOT FOR DISTRIBUTION TO U.S. PERSONS

U.S.$ 175,000,000

Banco de Occidente

Banco de Occidente S.A.

(Incorporated in the Republic of Colombia)

10.875% Subordinated Notes due 2034

We are offering U.S.$ 175,000,000 aggregate principal amount of our 10.875% subordinated notes due 2034 (the "notes"). The notes will mature on August 13, 2034. The notes will bear interest on their principal amount from, and including, the date of original issuance to, but excluding, August 13, 2029 (the "Reset Date") at an initial rate of 10.875% per year. During the period from, and including, the Reset Date to, but excluding, the date of maturity or earlier redemption date of the notes, the notes will bear interest on their principal amount at a rate per year that will be equal to the sum of (i) the Treasury Rate (as defined in "Description of the Notes—Certain Definitions") on the Reset Date and (ii) 640.8 basis points. The Treasury Rate will not be defined based on Banco de Occidente S.A.'s credit solvency. Interest on the notes will be payable semi-annually in arrears on August 13 and February 13 of each year, commencing on August 13, 2024.

Upon the occurrence of a Write-Down Event (as defined in "Description of the Notes—Loss Absorption") the outstanding principal amount of the notes, interest and additional amounts, if any, may be permanently reduced to the extent required to restore our capital ratios. No interest will accrue on any principal amount of the notes that is so reduced. If a Write-Down Event occurs, you may lose all or part of your investment.

The notes will be our unsecured subordinated obligations and will rank junior to all of our existing senior debt and will rank at least *pari passu* in right of payment with all our other unsecured and subordinated Tier Two Capital Indebtedness (as defined in "Description of the Notes—Certain Definitions") for purposes of Colombian banking laws, if any. The notes will not be guaranteed by our subsidiaries and will not be entitled to any sinking fund.

During the Optional Redemption Period (as defined in "Description of the Notes—Optional Redemption Period"), subject to the prior approval of the Superintendency of Finance and/or any other then applicable Colombian governmental authority, if required, and subject to certain other requirements set forth herein, we may at our option redeem the notes, in whole or in part, at a redemption price equal to 100% of the outstanding principal amount of the notes being redeemed plus any accrued and unpaid interest thereon to, but excluding, the date of such redemption, plus additional amounts, if any. In addition, subject to the prior approval of the Superintendency of Finance or any other then-applicable Colombian governmental authority, if required, we may redeem the notes, in whole but not in part, in the event of certain changes in (i) Colombian laws as a result of which we will no longer be entitled to treat the then current principal amount of the notes as Tier Two Capital (as defined in "Description of the Notes—Certain Definitions") pursuant to applicable Colombian banking laws and (ii) tax laws. See "Description of the Notes—Optional Redemption—Regulatory Event" and "Description of the Notes—Optional Redemption—Tax Event."

Application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF market. Currently, there is no market for the notes.

Investing in the notes involves risks. See "Risk Factors" beginning on page 15 for a discussion of certain risks that you should consider in connection with an investment in the notes.

Issue price: 100% plus accrued interest, if any, from May 13, 2024.

The notes have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the laws of any other jurisdiction. The notes are only being offered outside the United States to non-U.S. persons in offshore transactions by the Initial Purchasers (as defined herein) in reliance on Regulation S under the Securities Act ("Regulation S"), and may not be offered, sold or delivered within the United States or to U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. See "*Transfer Restrictions*" for additional information about eligible offerees and transfer restrictions.

The notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or the UK. For these purposes, a "retail investor" means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "EU MiFID II"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "IDD"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the notes or otherwise making them available to retail investors in the EEA or the UK has been prepared and therefore offering or selling the notes or otherwise making them available to any retail investor in the EEA or the UK may be unlawful under the PRIIPs Regulation. References to Regulations or Directives include, in relation to the UK, those Regulations or Directives as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in UK domestic law, as appropriate.

The notes have not been and will not be registered in the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) maintained by the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*) (the "Superintendency of Finance") and may not be offered or sold publicly or otherwise be subject to brokerage activities in Colombia, except as permitted by Colombian law, and in compliance with Part 4 of Decree 2555 of 2010. The information submitted to the Superintendency of Finance and the potential classification of the notes as Tier Two Capital will not constitute an opinion of the Superintendency of Finance with respect to approval of the quality of the notes or our solvency. The notes may not be publicly offered or sold in the Republic of Colombia ("Colombia").

The offer and sale of the notes have not been and will not be registered with the Brazilian Securities Commission (*comissão de valores mobiliários*, or "CVM") and, therefore, will not be carried out by any means that would constitute a public offering in Brazil under CVM Resolution No. 160, dated 13 July 2022, as amended ("*CVM Resolution 160*") or unauthorized distribution under Brazilian laws and regulations. The notes will be authorized for trading on organized non-Brazilian securities markets and may only be offered to Brazilian professional investors (as defined by applicable CVM regulation), who may only acquire the notes through a non-Brazilian account, with settlement outside Brazil in non-Brazilian currency. The trading of these notes on regulated securities markets in Brazil is prohibited.

In Canada, the notes may be sold only to purchasers in Ontario, British Columbia or Alberta who are purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

The delivery of the notes is expected to be made to investors in book-entry form only through the facilities of Clearstream Banking S.A. ("Clearstream") and Euroclear Bank SA/NV ("Euroclear"), on or about May 13, 2024.

Global Coordinator

BBVA

Joint Book-Running Managers

BBVA **BofA Securities**

The date of this offering memorandum is May 7, 2024.

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We have not, and BBVA Securities Inc. and Merrill Lynch International (collectively, the "initial purchasers") have not, authorized any other person to provide you with information other than that contained in this offering memorandum. Neither Banco de Occidente (as defined below) nor the initial purchasers are making an offer to sell or soliciting an offer to buy the notes in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this offering memorandum is accurate as of the date on the front cover of this offering memorandum only. Our business, properties, results of operations or financial condition may have changed since that date. Neither the delivery of this offering memorandum nor any sale made hereunder will under any circumstances imply that the information herein is correct as of any date subsequent to the date on the cover of this offering memorandum.

This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the notes described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or the public generally to subscribe for or otherwise acquire notes.

Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing.

By its acceptance hereof, each recipient agrees that neither it nor its agents, representatives, directors or employees will copy, reproduce or distribute to others this offering memorandum, in whole or in part, at any time without the prior written consent of Banco de Occidente, and that it will keep permanently confidential all information contained herein or otherwise obtained from Banco de Occidente, and will use this offering memorandum for the sole purpose of evaluating a possible acquisition of the notes and no other purpose.

THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO U.S. PERSONS UNLESS THE NOTES ARE REGISTERED UNDER THE SECURITIES ACT, OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT IS AVAILABLE. SEE "*PLAN OF DISTRIBUTION*" AND "*TRANSFER RESTRICTIONS.*" INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME.

None of the U.S. Securities and Exchange Commission, or the "SEC," any U.S. state securities commission or any other regulatory authority has approved or disapproved the notes or passed upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum. Any representation to the contrary is a criminal offense in the United States.

The notes are subject to restrictions on transfer and resale and may not be transferred or resold except as permitted under the Securities Act and applicable state securities laws pursuant to registration or exemption therefrom. As a prospective purchaser, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. See "Transfer Restrictions."

Prospective investors are not to construe the contents of this offering memorandum, or any prior or subsequent communications from Banco de Occidente or other professionals associated with the offering, as legal, tax or business advice. Each prospective investor should consult its own attorney and business advisor as to the legal, business, tax and related matters concerning this investment. Neither Banco de Occidente nor the initial purchasers are acting as your advisors or agents. Prior to entering into any transaction, you should determine, without reliance upon the initial purchasers or their respective affiliates, the economic risks and merits, as well as the legal, tax and accounting characterizations and consequences of the transaction, and independently determine that you are able to assume these risks. In this regard, by acceptance of these materials, you acknowledge that you have been advised that (1) the initial purchasers are not in the business of providing legal, tax or accounting advice, (2) you understand that there may be legal, tax or accounting risks associated with the transaction, (3) you should receive legal, tax and accounting advice from advisors with appropriate expertise to assess relevant risks, and (4) you should apprise senior management in your organization as to the legal, tax and accounting advice (and, if applicable, risks) associated with this transaction and the initial purchasers' disclaimers as to these matters.

This offering memorandum contains summaries of the notes and of certain documents, agreements and opinions relating to this offering. Reference is hereby made to the actual documents for complete information concerning the rights and obligations of the parties thereto.

Available information

Banco de Occidente is a corporation (*sociedad anónima*) organized under the laws of Colombia. Our principal executive offices are located at Carrera 4 No. 7-61, Cali, Valle del Cauca, Colombia. Our website is https://www.bancodeoccidente.com.co/. Information on our website is not incorporated by reference in this offering memorandum.

Banco de Occidente is a Colombian issuer of securities registered with the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*) and is subject to oversight by the Superintendency of Finance (as defined below). Our common shares are traded on the Colombian Stock Exchange (*Bolsa de Valores de Colombia*), or the "BVC", under the symbol "BOC." Accordingly, we are currently required to file quarterly and annual reports in Spanish and issue notices of material events (*información relevante*) to the Superintendency of Finance and the Colombian Stock Exchange. All such reports and notices are available at http://www.superfinanciera.gov.co and http://www.bvc.com.co. These reports and notices and any information contained in, or accessible through, such websites are not incorporated by reference herein and do not contribute a part of, this offering memorandum.

Our parent, Grupo Aval (as defined below), is subject to the information requirements of the U.S. Securities Exchange Act of 1934, as amended, or the "Exchange Act," applicable to foreign private issuers, and accordingly, files or furnishes reports, including annual reports on Form 20-F, reports on Form 6-K, and other information with the SEC, which may include information pertaining to us. That information is not incorporated by reference herein, and, as such, prospective investors shall not rely upon that information in connection with their evaluation of an investment in the notes.

These reports and notices and any information contained in, or accessible through, our website or any other website referred to in this offering memorandum are not incorporated by reference herein, and do not constitute a part of, this offering memorandum.

Certain definitions

In this offering memorandum, unless otherwise indicated or the context otherwise requires, the terms:

- "Banco de Occidente," "the Issuer," "we," "us," "our" and "our company" mean Banco de Occidente S.A. and its consolidated subsidiaries;
- "Common Equity Tier One Capital" means the "*patrimonio básico ordinario*," as the same is defined in Articles 2.1.1.1.6, 2.1.1.1.7, 2.1.1.1.10 and 2.1.1.1.11 of Decree 2555 of 2010 or any other Colombian law or regulation regulating the "*patrimonio básico ordinario;*"
- "Additional Tier One Capital" means additional tier one capital (*patrimonio básico adicional*) as defined in articles 2.1.1.1.6, 2.1.1.1.8 and 2.1.1.1.12 of Decree 2555 of 2010 or any other Colombian law or regulation regulating the "*Patrimonio Básico Adicional*;"
- "Grupo Aval" means Grupo Aval Acciones y Valores S.A. and its consolidated subsidiaries;
- "Occidental Bank Barbados" means Occidental Bank (Barbados) Ltd.;
- "Banco de Occidente (Panamá)" means Banco de Occidente (Panamá), S.A.;
- "Fiduciaria de Occidente" means Fiduciaria de Occidente, S.A.;
- "Ventas y Servicios" means Ventas y Servicios S.A.;
- "Tier Two Capital Indebtedness" means an "*Instrumento de Deuda*" that is classified by the Superintendency of Finance as tier two capital (*patrimonio adicional*) ("Tier Two Capital") in compliance with the requirements of Decree 2555 of 2010; and
- "Superintendency of Finance" means the Colombian Superintendency of Finance (*Superintendencia Financiera de Colombia*), a supervisory authority ascribed to the Colombian Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*), or the "Ministry of Finance," holding the inspection, supervision and control authority over persons or entities involved in financial activities, securities markets, insurance and any other operations related to the management, use or investment of resources collected from the public.

In this offering memorandum, references to beneficial ownership are calculated pursuant to the SEC's definition of beneficial ownership contained in Form 20-F for foreign private issuers. Form 20-F defines the term "beneficial owner" of securities as any person who, even if not the record owner of the securities, has or shares the underlying benefits of ownership, including the power to direct the voting or the disposition of the securities or to receive the economic benefit of ownership of the securities. A person is also considered to be the "beneficial owner" of securities when such person has the right to acquire within 60 days pursuant to an option or other agreement.

Beneficial owners include persons who hold their securities through one or more trustees, brokers, agents, legal representatives, or other intermediaries, or through companies in which they have a "controlling interest," which means the direct or indirect power to direct the management and policies of the entity.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references herein to "peso," "pesos" or "COP" refer to the lawful currency of Colombia. All references to "U.S. dollars," "dollars" or "U.S.$" are to United States dollars. See "Exchange Rates and Foreign Exchange Controls" for information regarding exchange rates for the Colombian currency. Our financial currency is the Colombian peso.

This offering memorandum translates certain Colombian peso amounts into U.S. dollars at specified rates solely for the convenience of the reader. The conversion of amounts expressed in Colombian pesos as of a specified date at the then-prevailing exchange rate may result in the presentation of U.S. dollar amounts that differ from U.S. dollar amounts that would have been obtained by converting Colombian pesos as of another specified date. Unless otherwise noted in this offering memorandum, all such peso amounts have been translated at the rate of COP 3,822.05 per U.S.$1.00, which was the representative market rate calculated on December 31, 2023. The representative market rate is computed and certified by the Superintendency of Finance on a daily basis and represents the weighted average of the buy/sell foreign exchange rates negotiated on the previous day by certain financial institutions authorized to engage in foreign exchange transactions. Such conversion should not be construed as a representation that the peso amounts presented herein correspond to, or have been or could be converted into, U.S. dollars at that rate or any other rate. On March 31, 2024, the representative market rate was COP 3,842.30 per U.S.$1.00.

Financial statements

Banco de Occidente and its Colombian financial subsidiaries are entities under the direct comprehensive supervision of, and subject to inspection and surveillance as financial institutions by, the Superintendency of Finance. Banco de Occidente is required to comply with capital adequacy regulations, and each of its subsidiaries is separately required to comply with capital adequacy regulations applicable to banks and other financial institutions. In addition, Banco de Occidente is an issuer in Colombia of securities registered with the National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*), and in this capacity, it is subject to oversight by the Superintendency of Finance. Banco de Occidente is required to comply with corporate governance and periodic reporting requirements applicable to all Colombian issuers of securities.

Our consolidated financial statements as of December 31, 2023 and 2022 and for the years then ended and as of December 31, 2022 and 2021 and for the years then ended are included in this offering memorandum and are referred to as our "Audited Consolidated Financial Statements." We are required to prepare our Audited Consolidated Financial Statements in accordance with the Accounting and Financial Reporting Standards accepted in Colombia ("Colombian Banking IFRS"), as adopted by the Superintendency of Finance established in Law No. 1314 of 2009, regulated 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.

Other financial performance measures – Non-Colombian Banking IFRS Financial Measures

We have included certain information in this offering memorandum, as set forth below, including certain financial measures which are not measures of financial performance under Colombian Banking IFRS, such as return on average assets, or "ROAA,", return on average equity, or "ROAE," Net interest margin, and Efficiency ratio. We prepare these measures based on our Colombian Banking IFRS figures because we believe they provide investors with important information regarding our operations. Also, some of these measures are also used in this offering memorandum to compare us to our principal competitors. See "Selected Financial and Operating Data."

Return on average of total assets, or "ROAA," is calculated as profit for the year at the end of the twelve-month period, divided by average total assets (the sum of total assets at the end of the twelve-month period and total assets at the end of the previous fiscal year, divided by two).

Return on average shareholders' equity, or "ROAE," is calculated as profit for the year attributable to holders of our ordinary shares at the end of the twelve-month period, divided by average total stockholders' equity attributable to holders of our ordinary shares (total stockholders' equity attributable to holders of our ordinary shares at the end of the twelve-month period plus total stockholders' equity attributable to holders of our ordinary shares at the end of the previous fiscal year, divided by two).

Net interest margin is calculated as net interest and valuation income at the end of the twelve-month period, divided by total average interest-earning assets for the period (interest-earning assets for the period at the end of the twelve-month period plus interest-earning assets for the period at the end of the previous fiscal year, divided by two). Interest-earning assets include financial assets at fair value through profit or loss in investments in debt securities, Financial assets at fair value with changes in OCI in Investments in debt securities, Financial assets in debt securities at amortized cost, Corporate and Corporate leasing, Repos and interbank and other Loans and advances to retail customers and retail leasing and residential lending and residential leasing portfolio.

Efficiency ratio is calculated as personnel expenses plus general administrative expenses, depreciation and amortization expense and other operating expenses, net at the end of the twelve-month period, divided by the sum of net interest and valuation income, net income from commissions and fees, net income (expense) from financial assets or liabilities held for trading and other income, net for the period.

ROAA, ROAE, Net interest margin and Efficiency ratio may be defined and calculated differently by other companies. You should not consider ROAA, ROAE, Net interest margin and Efficiency ratio as alternatives to the financial disclosure presented in this offering memorandum in accordance with Colombian Banking IFRS.

The abovementioned Non-Colombian Banking IFRS measures that are included in this offering memorandum used unconsolidated Colombian Banking IFRS data of Banco de Occidente to compare us to our principal competitors. See "Selected Financial and Operating Data—Non-Colombian Banking IFRS measures."

The tables in this section and elsewhere in this offering memorandum provide the calculation of certain financial performance measures. These financial measures, as determined and measured by us, should not be compared to similarly titled measures reported by other companies. Other companies may calculate and report such measures differently.

Reconciliation of Return on average of total assets

	At December 31,		
	2023	**2022**	**2021**
		(in COP billions)	
Profit for the year	480	456	586
Average total assets [(1)]	64,303	55,834	48,377
ROAA	0.75%	0.82%	1.21%

(1) Average total assets are calculated as the sum of total assets at the end of the twelve-month period and total assets at the end of the previous fiscal year, divided by two.

We believe ROAA provides a more meaningful measure of return on assets than a calculation based on net income attributable to controlling interest over average assets because, although non-controlling interest affects the amount of reported net income, it does not affect the profitability of assets.

Reconciliation of Return on average shareholders' equity

	At December 31,		
	2023	**2022**	**2021**
		(in COP billions)	
Profit for the year attributable to holders of ordinary shares of the bank	474	453	580
Average total stockholders' equity attributable to holders of ordinary shares of the bank [(1)]	5,418	5,170	5,052
ROAE	8.74%	8.75%	11.49%

(1) Average total stockholders' equity attributable to holders of ordinary shares of the banks is calculated as total stockholders' equity attributable to holders of ordinary shares of the banks at the end of the twelve-month period plus total stockholders' equity at the end of the previous fiscal year, divided by two.

We believe ROAE provides a meaningful measure of the return generated for our shareholders.

Reconciliation of Net interest margin

	At December 31,		
	2023	**2022**	**2021**
		(in COP billions)	
Net interest and valuation income	2,237	2,200	1,972
Total average interest-earning assets[(1)]	56,081	48,348	41,548
Net interest margin	3.99%	4.55%	4.75%

(1) Total average interest-earnings assets for the period is calculated as the average interest-earning assets for the period at the end.

We believe Net interest margin is an appropriate criterion for evaluating the effectiveness and stability of the operations, which provides idea about our overall health, profitability and growth.

Reconciliation of Efficiency ratio

	At December 31,		
	2023	**2022**	**2021**
		(in COP billions)	
Personnel expenses	867	811	759
General administrative expenses	955	826	731
Depreciation and amortization expense	186	163	146
Other operating expenses, net	36	33	4
Subtotal	**2,044**	**1,834**	**1,641**
Net interest and valuation income	2,237	2,200	1,972
Net income from commissions and fees	354	345	332
Net income (expense) from financial assets or liabilities held for trading	629	19	(68)
Other income, net	471	591	790
Subtotal	**3,691**	**3,155**	**3,026**
Efficiency ratio	**55.36%**	**58.12%**	**54.19%**

We believe that the Efficiency ratio provides investors with important information regarding our operational efficiency.

Market share and other information

We obtained the market and competitive position data, including market forecasts, presented throughout this offering memorandum from market research, publicly available information and industry publications. We have presented this data on the basis of information from third-party sources that we believe are reliable, including, among others, the International Monetary Fund, or "IMF," the Superintendency of Finance, the Colombian Stock Exchange, the Colombian National Bureau of Statistics (*Departamento Administrativo Nacional de Estadística*), or "DANE," and the World Bank Development Indicators. Industry and government publications, including those referenced herein, generally state that the information presented has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Unless otherwise indicated, gross domestic product, or "GDP," figures with respect to Colombia in this offering memorandum are based on the 2015 base year data series published by DANE. Although we have no reason to believe that any of this information or these reports is inaccurate in any material respect, we have not independently verified the competitive position, market share, market size, market growth or other data provided by third parties or by industry or other publications. Neither we nor the initial purchasers make any representation or warranty as to the accuracy of such information.

Banks, financing companies and finance corporations are deemed credit institutions by the Superintendency of Finance and are the principal institutions authorized to accept deposits and make loans in Colombia. Banks undertake traditional deposit-taking and lending activities. Financing companies place funds in circulation by means of active credit operations, with the purpose of fostering the sale of goods and services, including the development of leasing operations. Finance corporations invest directly in the economy and thus are the only credit institutions that may invest in non-financial sectors. Banks are permitted to invest in finance corporations. We are a bank and own a 4.18% equity interest in Corporación Financiera Colombiana S.A., or "Corficolombiana," Grupo Aval's merchant bank subsidiary. Our market share is determined by comparing Banco de Occidente to other banks that report their results to the Superintendency of Finance. However, if financing companies and finance corporations are included in the calculation of market share data, our market shares would generally be lower than in a bank-only comparison, and the gaps between our market shares and those of our competitors would be smaller, but our market leadership in most market categories would be unaffected.

We consider our principal competitors in Colombia to be Bancolombia S.A. ("Bancolombia"), Banco Davivienda S.A. ("Davivienda"), and Banco Bilbao Vizcaya Argentaria Colombia S.A. ("BBVA Colombia"), which are the three leading banking groups in Colombia after Grupo Aval.

We also compete, to a lesser extent, with Grupo Aval's other bank subsidiaries: Banco de Bogotá S.A. ("Banco de Bogotá"), Banco Popular S.A. ("Banco Popular"), and Banco Comercial AV Villas S.A. ("Banco AV Villas").

We include certain ratios in this offering memorandum which we believe provide investors with important information regarding our operations, such as ROAE or ROAA, Net interest margin and Efficiency ratio. Some of these ratios are also used in this offering memorandum to compare us to our principal competitors.

Other conventions

Certain figures included in this offering memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic summation of the figures that precede them.

References to "billions" in this offering memorandum are to 1,000,000,000s and to "trillions" are to 1,000,000,000,000s.

"Non-controlling interest" refers to the participation of minority shareholders in Banco de Occidente S.A. and its subsidiaries, as applicable.

FORWARD-LOOKING STATEMENTS

This offering memorandum contains estimates and forward-looking statements, principally in "Risk Factors," "Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations." Some of the matters discussed concerning our operations and financial performance include estimates and forward-looking statements within the meaning of the Securities Act and the Exchange Act.

Our estimates and forward-looking statements are mainly based on our current expectations and estimates on projections of future events and trends, which affect or may affect our businesses and results of operations. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to several risks and uncertainties and are made in light of information currently available to us. Our estimates and forward-looking statements may be influenced by the following factors, among others:

- decisions of the Superintendency of Finance and other Colombian governmental agencies affecting the treatment of the notes as Tier Two Capital;
- changes in Colombian, regional and international business and economic, political or other conditions;
- developments affecting Colombian and international capital and financial markets;
- government regulation and tax matters and developments affecting our company and industry;
- declines in the oil and affiliated services sector in the Colombian and global economies;
- increases in defaults by our customers;
- increases in goodwill impairment losses, or other impairment;
- decreases in deposits, customer loss or revenue loss;
- increases in provisions for contingent liabilities;
- our ability to sustain or improve our financial performance;
- increases in inflation rates, particularly in Colombia;
- the level of penetration of financial products and credit in Colombia;
- changes in interest rates which may, among other effects, adversely affect margins and the valuation of our treasury portfolio;
- decreases in the spread between investment yields and implied interest rates in annuities;
- movements in exchange rates;

- competition in the banking and financial services, credit card services, insurance, asset management, pension fund administration and related industries;
- adequacy of risk management procedures and credit, market and other risks of lending and investment activities;
- decreases in our level of capitalization;
- changes in market values of Colombian securities, particularly Colombian government securities;
- adverse legal or regulatory disputes or proceedings;
- successful integration and future performance of acquired businesses or assets;
- natural disasters and internal security issues affecting countries where we operate;
- loss of any key member of our senior management or the senior management of Grupo Aval; and
- other risk factors as set forth under "Risk Factors."

The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect" and similar words are intended to identify estimates and forward-looking statements. Estimates and forward-looking statements speak only at the date they were made, and we undertake no obligation to update or to review any estimate and/or forward- looking statement because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. Our future results may differ materially from those expressed in these estimates and forward-looking statements. In light of the risks and uncertainties described above, the estimates and forward-looking statements discussed in this offering memorandum might not occur and our future results and our performance may differ materially from those expressed in these forward-looking statements due to the factors mentioned above, among others. Because of these uncertainties, you should not make any investment decision based on these estimates and forward-looking statements.

These cautionary statements should be considered in connection with any written or oral forward-looking statements that we may issue in the future.

ENFORCEMENT OF JUDGMENTS

Banco de Occidente is incorporated under the laws of Colombia. All of our directors and officers reside in Colombia. Substantially all of our assets are located in Colombia. As a result, it may not be possible, or it may be difficult, for you to effect service of process upon us or these other persons outside Colombia or to obtain recognition and enforcement of judgments obtained in non-Colombian courts against us or them, including those predicated upon the civil liability provisions of the securities laws of any countries other than Colombia or otherwise.

The Colombian Supreme Court will determine whether to recognize a foreign judgment predicated on securities laws of any country other than Colombia through a proceeding known under Colombian law as "exequatur." Enforcement of foreign judgments requires a separate court procedure in Colombia. After the exequatur has been granted, if the judicial decision imposes an obligation to pay a sum of money or to comply with certain obligations, an executive judicial proceeding (*proceso ejecutivo*) before a local court is available. Such a proceeding would follow the same rules applicable for the enforcement of local judicial decisions.

The Colombian Supreme Court will recognize a foreign judgment, without reconsideration of the merits, only if the judgment satisfies the requirements of Articles 605, 606 and 607 of Law No. 1564 of 2012 (*Código General del Proceso*), provided that the parties affected by the judgment were summoned in the exequatur proceedings in accordance with applicable rules. Law No. 1564 of 2012 provides that the foreign judgment will be recognized if:

- a treaty or convention exists between Colombia and the country where the judgment was granted relating to the recognition and enforcement of foreign judgments or, in the absence of such treaty or convention, there is reciprocity in the recognition of foreign judgments between the courts of the relevant jurisdiction and the courts of Colombia;

- the foreign judgment does not refer to "in rem" rights vested in assets that were located within Colombian territory at the time of the commencement of the proceedings in the foreign court which issued the judgment;
- the foreign judgment does not contravene or conflict with Colombian public order laws other than those governing judicial procedures;
- the foreign judgment is final and not subject to appeal in accordance with the laws of the country in which it was obtained. The copy of the judgment provided to the Colombian Supreme Court must be authenticated and legalized by a Colombian Consul and translated into Spanish by an authorized translator, duly registered at the Ministry of Foreign Affairs;
- the foreign judgment does not refer to any matter upon which Colombian courts have exclusive jurisdiction;
- no proceedings are pending in Colombia with respect to the same cause of action, and no final judgment has been awarded in any proceeding in Colombia on the same subject matter and between the same parties;
- in the proceedings commenced in the foreign court that issued the judgment, the defendant was served properly in accordance with the applicable laws in such jurisdiction, and was given a reasonable opportunity to defend itself against the action; and
- the Colombian Supreme Court has granted *exequatur* upon the foreign judgment.

The United States and Colombia do not have a bilateral treaty providing for automatic reciprocal recognition and enforcement of judgments in civil and commercial matters. The Colombian Supreme Court, which is the only Colombian court that can recognize foreign judgments, has generally accepted that reciprocity exists when it has been proven that either a foreign court has recognized a Colombian judgment or that a foreign court would recognize a foreign judgment, including a judgment issued by a Colombian court. However, the Colombian legal system is not based on precedents and *exequatur* decisions are made on a case-by-case basis.

Notwithstanding the foregoing, we cannot assure you that a Colombian court would recognize or enforce a judgment issued by a state or federal court in the United States with respect to the notes based on the securities laws of any country other than Colombia. We have been advised by our Colombian counsel that there is no legal basis for a Colombian court to exert jurisdiction over original actions to be brought against us or our directors and executive officers predicated solely upon the provisions of the securities laws of those countries. In addition, certain remedies available under securities laws of other foreign countries may not be admitted or enforced by Colombian courts.

SUMMARY

This summary highlights selected information about us and the notes that we are offering. It may not contain all of the information that may be important to you. Before investing in our notes, you should read this entire offering memorandum carefully for a more complete understanding of our business and this offering, including our Audited Consolidated Financial Statements and the related notes thereto and the information under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum.

Our company

Banco de Occidente is the fifth largest bank in Colombia measured by gross loans, with a market share of 6.93% and 6.43% at December 31, 2023 and 2022, respectively, based on information available on the website of the Superintendency of Finance. Banco de Occidente focuses on mid-size and small and medium sized (SME) corporate customers, state-owned entities and high net-worth customers and has a diversified revenue stream. Banco de Occidente had market shares of 9.09% and 8.45% of corporate loans and 6.18% and 5.44% of retail loans at December 31, 2023 and 2022, respectively. Banco de Occidente had a market share of Colombia's checking accounts of 8.66% and 8.21% at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022 Banco de Occidente had total consolidated assets of COP 68,602 billion and COP 60,004.4 billion and profit attributable to holders of ordinary shares of the bank of COP 473.5 billion and COP 452.5 billion for the years ended December 31, 2023 and 2022, respectively.

On a consolidated basis, Banco de Occidente's ROAE for the years ended December 31, 2023 and 2022 was 8.74% and 8.75%, and its ROAA was 0.75% and 0.82%, respectively.

During 2023, Banco de Occidente continued implementing different strategies focused on improving commercial effectiveness, optimizing distribution channels and its organizational structure, and working on integration with its subsidiaries, digitalization, and consolidating several ESG and talent management initiatives. During 2023, Banco de Occidente also started segmenting its corporate and personal banking customers in terms of service channels, commercial coverage and product offerings, which increased sales force productivity, as well as continued the commercial integration with its trust and portfolio management services offered by Fiduciaria de Occidente and off-shore products offered to Colombian and international clients through Banco de Occidente Panama and Occidental Bank Barbados. On the digitalization front, during 2023 Banco de Occidente increased its digital products offering, with the launch of new preapproved digital loans for small companies, Supply Factor (a new factoring platform), consolidation of Gou Payment Gateway, and evolution of the different digital products, as well as continued focusing on digital ecosystems, such as Carroya.com and metrocuadrado.com. Further, Banco de Occidente added new digital products, such as saving accounts and personal banking and Occicuenta for small and medium enterprises (SME), and it also added new shared services offerings to its subsidiaries in areas that included technology. Regarding its talent management strategy, in 2023 Banco de Occidente ranked first in the Great Place to Work ranking, as the best workplace in Colombia amongst companies with more than 1,500 employees.

In June 2023, Mr. Gerardo Silva succeeded Mr. Cesar Prado as President of Banco de Occidente. Mr. Silva had been acting as Vice-President of Corporate Banking of Banco de Occidente.

Banco de Occidente, with more than 59 years of operating history, provides a broad range of commercial and retail banking services to individual and corporate customers through our presence in Colombia, Panama and Barbados. As of December 31, 2023, we were the fifth largest bank in Colombia with a market share of 6.98% in terms of deposits and the fifth largest bank with a market share of 6.93% in terms of loans. Banco de Occidente has an Efficiency ratio of 55.36% and 58.12% as of December 31, 2023 and 2022, respectively.

On a consolidated basis, our ROAE for the year ended December 31, 2023 and 2022 was 8.74% and 8.75%, respectively, and our ROAA was 0.75% and 0.82%, respectively. We achieved a net interest margin of 3.99% and 4.55% on a consolidated basis as of December 31, 2023 and 2022, respectively.

Banco de Occidente is a subsidiary of Grupo Aval, which is Colombia's second-largest banking group based on total assets as of December 31, 2023. Grupo Aval employs a multi-brand strategy, allowing each of its four banks, Banco de Bogotá, Banco Popular, Banco AV Villas and us, to focus on particular types of customers, geographic regions and products. Grupo Aval's banks are encouraged to compete among themselves and with other market participants, while operating within central strategic guidelines established by Grupo Aval.

Banco de Occidente is a full-service bank with nationwide coverage and a comprehensive portfolio of services and products, distributed through a network of 175 branches and 267 automated teller machines, or "ATMs," in Colombia as of December 31, 2023. While Banco de Occidente serves all market segments, it has a leading presence in corporate loans historically, with a particular focus on large corporations and a market share of 9.09% and 8.45% of corporate loans at December 31, 2023 and 2022, respectively. Banco de Occidente expanded its retail banking business and has achieved a market share of 6.18% and 5.44% of retail loans in Colombia at December 31, 2023 and 2022, respectively. In 2012, Banco de Occidente entered the mortgage business and has achieved a market share in that business of 2.48% and 2.56% at December 31, 2023 and 2022, respectively. Banco de Occidente's ROAE for the years ended December 31, 2023 and 2022 were 8.74% and 8.75%, respectively.

The following table shows market share and other metrics of Banco de Occidente and its key competitors as of the dates indicated, presented on a consolidated basis under Colombian Banking IFRS.

	As of and for the year ended December 31, 2023						
	Grupo Aval entities (unconsolidated)						
	Banco de Occidente (Consolidated)	Banco de Bogotá	Banco Popular	Banco AV Villas	Bancolombia	Davivienda	BBVA Colombia
Key financial ratios:				(in percentages)			
ROAA(1)	0.75%	0.90%	(1.12)%	(0.61)%	2.40%	0.08%	0.19%
ROAE(2)	8.74%	6.80%	(12.65)%	(7.24)%	15.77%	0.77%	3.22%
Net interest margin(3)	3.99%	3.47%	0.47%	2.76%	6.29%	3.97%	2.48%
Efficiency ratio(4)	55.36%	59.62%	121.45%	96.65%	41.77%	45.02%	49.98%
Market share in Colombia:							
Net income	5.29%	12.60%	(4.27)%	(1.44)%	73.51%	1.30%	2.39%
Deposits from customers	6.98%	11.81%	3.52%	2.31%	26.26%	14.73%	11.92%
Loan portfolio	6.93%	12.30%	3.26%	2.14%	27.08%	15.74%	11.26%
Total assets	6.67%	12.19%	3.08%	1.96%	26.37%	14.45%	10.98%
Branches	175	412	201	252	668	547	479
ATMs(5)	267	1,553	614	427	5,158	2,286	1,469

Sources: Calculations for ROAA, ROAE, Net interest margin and Efficiency ratio are based on each entity's respective unconsolidated financial statements that are publicly available on the website of the Superintendency of Finance, except for Banco de Occidente, which has its calculations based on audited consolidated financial statements. Colombian market share information is based on unconsolidated data under Colombian Banking IFRS filed with the Superintendency of Finance.

(1) For methodology used to calculate ROAA, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(2) For methodology used to calculate ROAE, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(3) For methodology used to calculate Net interest margin, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(4) For methodology used to calculate Efficiency ratio, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(5) Reflects ATMs of Banco de Occidente and other Colombian banking entities as of December 31, 2023.

Our market

Colombia

Substantially all of our operations are located in Colombia, representing 84.4% and 94.6% of our net income and gross loan portfolio, respectively, with the remainder located in Panamá and Barbados, representing 15.6% and 5.4% of our net income and gross loan portfolio, respectively, in each case as of and for the year ended December 31, 2023.

Over the last several years the Colombian financial system has remained stable despite a difficult macroeconomic scenario.

Furthermore, GDP grew by 0.6% in 2023. With the deceleration in the economy, the financial system: (i) adjusted and decelerated loan growth; and (ii) saw some deterioration in credit quality metrics.

Banking penetration still remains low in Colombia, with domestic credit to the private sector representing 41.65% of nominal GDP as of December 31, 2023, based on data published by the World Bank Development Indicators, compared to other countries in the region, such as Brazil and Chile where domestic credit to the private sector was 71.80% and 112.80% of nominal GDP, respectively, as of December 31, 2022, based on data from the World Bank Development Indicators. The comparatively low banking penetration in Colombia suggests there is growth opportunity for the sector, especially as per capita income continues to improve.

According to data from the IMF, at December 31, 2023, Colombia's population and economy were the fourth and fifth largest in Latin America, respectively. According to DANE, in 2023 Colombia's population was approximately 52.2 million and its nominal GDP was COP 1,572.7 trillion (U.S.$364 billion, using the average exchange rate for 2023). Colombia's nominal GDP per capita increased from COP 28.4 million in 2022 (U.S.$6,600 using the average exchange rate for that year) to COP 30.1 million in 2023 (U.S.$6,963 using the average exchange rate for that year). This increase in nominal GDP per capita has allowed banks to grow at a faster pace than the economy without experiencing severe credit cycles, suggesting that there is further room for continued growth.

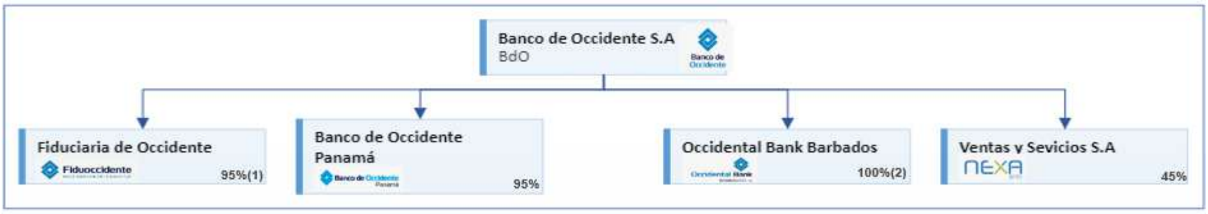
Our history

The most notable events in the history of Banco de Occidente are described below.

- In 1965 Banco de Occidente was founded in the city of Cali.
- In 1973 Mr. Sarmiento Angulo acquired a majority stake in Banco de Occidente.
- In 1976 Banco de Occidente launched its credit card system.
- In 1977 Ventas y Servicios was founded as a subsidiary.
- In 1981 Leasing de Occidente S.A. was founded as a subsidiary.
- In 1982 Banco de Occidente (Panamá), S.A. was founded, and Banco de Occidente changed its corporate visual image.
- In 1991 Fiduciaria de Occidente, S.A.was founded.
- In 1998 Banco de Occidente became part of Grupo AVAL.
- In 2004 Banco Aliadas, which focused on vehicle credits, was acquired by Banco de Occidente.
- In 2006 Banco Unión Colombiano was acquired by Banco de Occidente. Banco Unión Colombiano was geared to provide banking services to embassy, consulate and international organization officials (such as remittance exchange, account opening services, international transfers, and other banking services and products, mainly credit cards and personal loans).
- In 2010 Leasing de Occidente S.A. was integrated into Banco de Occidente's operations through a merger.
- In 2017 Banco de Occidente started its digital transformation towards ADL (AVAL Digital Labs).

Our Corporate Structure

We conduct our banking operations directly and through our subsidiaries Fiduciaria de Occidente, S.A., Ventas y Servicios S.A., Banco de Occidente (Panamá), S.A. and Occidental Bank Barbados Ltd. Our shares are publicly traded on the Colombian Stock Exchange. As of December 31, 2023, we had 155,899,719 shares issued and outstanding, with total market capitalization of COP 1,870.8 billion (U.S.$489.47 million). The following chart presents our corporate structure.



(1) Fiduciaria de Occidente owns 35.0% of Ventas y Sevicios S.A.
(2) Occidental Bank Barbados owns 1.0% of Fiduciaria de Occidente.

Our principal subsidiaries

Fiduciaria de Occidente S.A. is engaged in the corporate trust and fiduciary business. Its main purpose is to acquire, dispose of, encumber, and manage movable and immovable property, and to intervene as debtor or creditor in a fiduciary capacity in all kinds of credit operations. As of December 31, 2023, Fiduciaria de Occidente S.A. had a total of 454 employees, through 10 agencies located in the cities of Bogotá, Medellín, Cali, Barranquilla, Manizales, Bucaramanga, Cartagena, Pereira, Santa Marta, and Montería.

Ventas y Servicios S.A. is engaged in the provision of technical or administrative services referred to in Article 5 of Law No. 45 of 1990, such as: computer programming, marketing, creation and organization of files for consultation and statistical calculations and reports in general. The company Ventas y Servicios S.A. – NEXA BPO is consolidated by virtue of the dominant administrative influence exercised by Banco de Occidente.

Banco de Occidente (Panamá), S.A. is an entity incorporated under the laws of the Republic of Panamá that began banking operations in that country on June 30, 1982, under the international license granted by the National Banking Commission of the Republic of Panamá. As of December 31, 2023, Banco de Occidente (Panamá), S.A. had a total of 57 employees. Of the total number of employees, ten perform special tasks for Occidental Bank Barbados, and thirteen performed services for the two subsidiaries.

Occidental Bank Barbados Ltd. was incorporated under the laws of Barbados on May 16, 1991, with an international license that allows it to provide financial services to individuals and corporations not resident in Barbados. As of December 31, 2023, Occidental Bank Barbados Ltd. had a total of three employees, two of whom work directly in Barbados and one in Colombia.

The following table shows the main items of our statement of financial position and profitability ratios calculated based on our Audited Consolidated Financial Statements and those of our principal subsidiaries:

	As of and for the year ended December 31, 2023			
	Banco de Occidente	Fiduciaria de Occidente S.A.	Banco de Occidente (Panamá), S.A.	Occidental Bank Barbados Ltd
	(Consolidated)	(Unconsolidated)		
	(in COP billions, except percentages)			
Financial assets per loan portfolio at amortized cost, net	47,082.12	-	2,124.78	540.91
Total assets	68,601.78	436.83	3,561.35	1,050.69
Customer deposits	49,175.73	-	3,317.03	895.50
Total Equity	5,688.08	400.48	236.95	151.77
Profit for the year	479.56	74.93	55.12	19,970
ROAA(2)	0.75%	18.11%	1.55%	1.90%
ROAE(3)	8.74%	20.01%	23.26%	13.16%
Solvency ratio(4)	12.32%	73.59%	12.32%	17.23%

(1) Fiduciaria de Occidente S.A., Banco de Occidente (Panamá), S.A., and Occidental Bank Barbados Ltd. are our principal subsidiaries.

(2) For methodology used to calculate ROAA, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(3) For methodology used to calculate ROAE, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(4) Solvency ratio is calculated as technical capital divided by risk-weighted assets. For a definition of technical capital, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital adequacy requirements."

Our business strengths

We believe that we have achieved our leading positions in the Colombian banking industry through the following competitive strengths.

Strong track record of growth and resilient profitability

We believe that our leading position in the Colombian market, cross-bank synergies, economies of scale, low-cost funding and operating efficiencies have helped us achieve stable and growing profits. On a consolidated basis, as of December 31, 2023, Banco de Occidente's ROAE was 8.74% and ROAA was 0.75%, which represent a good ratio in the Colombian banking industry. The resilience of our returns is driven primarily by our diversified loan portfolio, a lower and more stable cost of funding, solid net provisions and improving efficiency ratios. We are an efficient bank in the Colombian banking system on a consolidated basis under Colombian Banking IFRS, with an Efficiency ratio of 58.12% and 55.36% as of December 31, 2022 and December 31, 2023, respectively.

Major participant in most banking sectors in Colombia

We are one of the largest participants in most sectors of the Colombian banking market, with a 9.09% share of the market of corporate loans and 6.18% of retail loans at December 31, 2023. We also have the fifth largest market share of deposits at 6.98% as of the same date, and one of the highest ratios of loans to deposits in Colombia of 101%. We are part of *Red Grupo Aval*, which is the largest ATM and banking network in the country and has been a key element of our competitive positioning in the Colombian market. As of December 31, 2023, our banking network, independent of the *Red Grupo Aval* network, had 3.35% of all branches in Colombia. The *Red Grupo Aval* banking network represented 19.91% of all branches in Colombia, as of the same date. As of December 31, 2023, our ATM network, independent of the *Red Grupo Aval* network, accounted for 2.01% of all ATMs in Colombia and the *Red Grupo Aval* network accounted for 21.54%.

Diversified and competitive sources of funding

We have access to diverse sources of funding, including deposits and debt securities placed in the international capital and credit markets, which results in a competitive cost of funding for our operations. At December 31, 2023, our share of total deposits in Colombia was 6.98%, supported by a 8.66% market share in current accounts and a 8.38% market share in savings accounts as of that same date. We believe that our funding base supports our initiatives to expand our businesses.

Sound risk management

Based on information published by the Superintendency of Finance, we believe our asset quality is superior to that of our principal competitors. Our consolidated ratio of Colombian loans past due more than 30 days over total loans was 4.0% at December 31, 2023. As of such date, Bancolombia's ratio of loans past due more than 30 days was 4.6%, Davivienda's was 6.9% and BBVA Colombia's was 3.8%, in each case, on an unconsolidated basis under Colombian Banking IFRS. Our consolidated ratio of our loans past due more than 90 days to total loans was 2.5% and our hedge ratio was 127.8% at December 31, 2023. By contrast, Bancolombia had a ratio of loans past due more than 90 days to total loans of 3.3% and a hedge ratio of 150.8% at December 31, 2023, and Davivienda had a ratio of loans past due more than 90 days to total loans of 4.7% and a hedge ratio of 97.2%, respectively, at December 31, 2023. BBVA had a ratio of loans past due more than 90 days to total loans of 2.7% and a hedge ratio of 131.2%, respectively, at December 31, 2023. This ratio is constructed considering loans that are past due more than 30 days in corporate and retail lending and more than 120 days in residential lending.

We have maintained our consolidated asset quality, as demonstrated by our consolidated ratio of loans past due more than 90 days to total loans of 3.48% for the year ended December 31, 2021 and 2.78% for the year ended December 31, 2022 and 3.51% for the year ended December 31, 2023, respectively, and our ratio of write-offs to average outstanding loans (annualized) of 2.25% for the year ended December 31, 2022 and 2.33% for the year ended December 31, 2023.

We have a comprehensive risk management system, which we view as fundamental to our long-term stability and viability, which enables us to identify risks and resolve potential problems on a timely basis. In addition, we have established upward loan reporting processes, and our risk management staff meets on a weekly basis to discuss the loan portfolio, risks, opportunities and developments in the industry.

Advantages of being part of Grupo Aval's multi-brand business model

We are part of Grupo Aval, which is one of Colombia's largest banking groups based on total assets and is a publicly-traded company with a market capitalization of COP 11,191.5 billion (U.S.$2,928.2 million) at December 31, 2023. We benefit from applying best practices developed in Grupo Aval's operating subsidiaries to our business. Grupo Aval operates its financial subsidiaries through a multi-brand business model, building on the individual strengths of its subsidiaries and the market-wide recognition of its brands. Grupo Aval's financial subsidiaries in Colombia operate as four independent banks that are encouraged to compete among themselves and with other market participants, while operating within central guidelines established by Grupo Aval in the areas of internal controls, credit risk management, brand management, strategic planning, general procurement and information technology. These guidelines, together with group support services, are designed to allow each bank to achieve economies of scale and benefit from cross-bank synergies and group-wide best practices and corporate policies and procedures without inhibiting individual competition and the decision-making abilities of each bank's management. These practices are designed to encourage a consistent approach with respect to effective risk management, efficient use of capital, cost control, brand management, general procurement and integration of information technology. We believe that these practices have helped us achieve economies of scale and synergies that have helped reduce operating and administrative costs.

Experienced management teams

We believe that the strength of management at all levels has enabled us to become Colombia's fifth largest bank by deposit and fifth largest bank by gross loans. Our management team and each of our operating subsidiaries' management teams are dedicated to formulating and executing business strategies through a culture of excellence, innovation and cooperation, which has served as our guiding vision throughout the various acquisitions and initiatives we have undertaken. Our approach in our acquisitions has been to retain a majority of senior management and talent.

Our strategy

Our strategy for the period 2024-2026 is built on four strategic levers. These levers reflect our ongoing commitment to profitable growth, financial stability and sustainability, the development of advanced processes and technologies, and the creation of memorable experiences for our customers, employees, and suppliers. We intend to pursue a strategy with the following key objectives:

1. **Become Leaders:** To grow profitably in core segments leading our customers' wallet share through the enhancement of our value proposition (e.g., in payments and deposits, and in retail), and being leaders in the Small Medium Enterprises (SME) segments, among other initiatives.

2. Become Sustainable: To ensure business profitability and shareholder returns while generating a positive social and environmental impact with different initiatives such as our sustainable banking strategy, improving our decision-making process by enhancing the use of data and analytical models, and improving our cost of risk in retail banking. This focus distinguishes us as a reliable and ethical partner committed to sustainable development and the well-being of future generations.

3. Become Digital: To develop advanced processes and technologies, optimizing internal operations and customer service, with a focus on end-to-end digitization of our products and services. This ensures security and confidence, aiming to have 80% of monetary transactions on digital channels.

4. Continue to be our customers' top choice: To continue positioning the bank as the first choice in the minds of our customers and suppliers. Maintaining the top position in the Great Place to Work ranking and achieving a Bank Net Promoter Score above 70%.

Further penetrate the Colombian market

Despite the recent slowdown in the growth of the economy driven by the drastic decline in oil prices, we believe that with the necessary fiscal adjustments currently being implemented, the Colombian economy has strong fundamentals and, because of them, it has the ability to return to a path of higher growth rates. In such a scenario we can benefit from an increase in GDP per capita and thus in banking penetration. As one of Colombia's leading banks, we believe that we are very well positioned to adjust to the current conditions and take advantage of potential economy growth in the future.

Continue capitalizing on synergies and improving efficiencies

We are pursuing opportunities to create further synergies among Grupo Aval affiliates and to leverage their combined strength and economies of scale. We intend to work with Grupo Aval on group-wide projects, mainly on digital banking and process digitalization, information technology, and procurement of goods and services. We believe that these efforts have contributed and will continue to contribute to improving our efficiency.

Expand our service and product offerings and diversify our sources of income in Colombia

We believe we offer one of the most comprehensive range of banking services and products in Colombia, and we continually seek to expand these offerings to meet evolving customer needs to enhance our profitability. We believe we can continue to capture additional revenue by (i) improving our market share in profitable segments and products where we have potential to grow organically given our existing market position (such as retail and residential loans, where we have a market share of 6.18% and 2.48% as of December 31, 2023, respectively); (ii) launching new products (such as digital accounts) to serve new segments (such as the underbanked population); and (iii) improving our product and service offerings through their digitalization.

In addition, we are expanding our cross-selling efforts to our over 1,019 million banking clients in Colombia as of December 31, 2023.

Furthermore, we continue to implement initiatives to increase our non-interest income, which consists primarily of net fees and other services income. For the year ended December 31, 2023, net income from commissions and fees accounted for 15.82% of our net interest and valuation income for this period. We believe we can increase non-interest income in future periods by, for example, expanding our offering of bancassurance products (*i.e.*, bank-offered third-party insurance products) through our distribution networks and credit card fee income by increasing credit card loan volume across all of our banks.

We also continue to evaluate initiatives to extend our banking services to under-penetrated segments of the Colombian population that currently have low or no use of banking services by developing low cost products, cost-effective service channels (such as *Corresponsales Bancarios* and online/mobile banking) and risk management tools.

Pursue other selected acquisitions

We have a proven track record of identifying, acquiring and integrating interests in companies we believe have strategic value to us. We are continually evaluating opportunistic measures to expand our businesses in Colombia and into other regions. We will continue to seek opportunities to further grow in our existing markets and expand into new geographies and will evaluate potential acquisition targets that would enable us to grow and consolidate our franchise through the services and products we offer and the markets we can access. We will analyze business opportunities in the markets in which we operate and if they generate value, complement our strategic goals, are accretive and do not hinder our regulatory capital position, we may pursue them.

Risk factors

We face risks and uncertainties that may affect our future financial and operating performance, including, among others, the following: economic and political conditions in Colombia and other countries in which we operate; internal security issues affecting the countries in which we operate; governmental and regulatory actions and developments affecting our operating subsidiaries and our industry; natural disasters; declines in the quality of our loan portfolio and other assets; adequacy of risk management procedures and systems; counterparty risks; exposures in derivatives transactions; increases in funding costs; changes in interest and exchange rates and other market risks; impact of fluctuations in the rate of exchange between the peso and the U.S. dollar; losses from trading operations; completion and integration of acquisitions; failures of information technology and other systems; competition; loss of key members of senior management; and litigation and other legal proceedings. One or more of these matters could negatively affect our business or financial performance as well as our ability to successfully implement our strategy. See "Risk Factors" for a discussion of certain risk factors you should consider before investing in the notes.

Recent Developments Relating to Our 2024 First Quarter Results

As of the date of this offering memorandum, we do not have final consolidated quarterly financial statements for the three months ended March 31, 2024. Based on available preliminary unaudited financial information and estimates for the three-month period ended March 31, 2024 (consisting of preliminary unaudited financial information for the months of January, February and March 2024 and estimates for the quarter), we expect the results of operations to be in line with the results of operations for the quarter ended December 31, 2023. Based on such preliminary unaudited financial information, we also expect a material reduction in our net income for the quarter ended March 31, 2024, compared to the quarter ended March 31, 2023 primarily as a result of an increase in loan loss provisioning, mainly in the retail portfolio, that we understand is consistent with general trends in the Colombian banking system.

This preliminary financial information for the three-month period ended March 31, 2024 has not been subject to a limited review by our auditors, is subject to normal recurring and other period-end adjustments and does not rise to the level of finality of quarterly unaudited consolidated financial statements. Therefore, this preliminary financial information may be subject to changes and our actual 2024 first quarter results may differ from the information presented herein once consolidated financial statements for the three-month period ended March 31, 2024 become available. This preliminary financial information is derived from calculations or figures that have been prepared internally by our management and should not be viewed as a substitute for full consolidated financial statements prepared in accordance with Colombian Banking IFRS.

The offering

The following summary highlights selected information regarding the terms of the notes and is not intended to be complete. It does not contain all the information that is important to you. For a more complete understanding of the notes, you should read the entire offering memorandum carefully, including "Description of Notes."

Issuer	Banco de Occidente S.A.
Notes Offered	U.S.$175,000,000 aggregate principal amount of 10.875% subordinated notes due 2034.
Maturity	August 13, 2034.
Issue Price:	100%.
Ranking	The notes will be our unsecured subordinated obligations. Upon liquidation, the payment of all obligations on or relating to the notes will be subordinated in right of payment to the prior payment in full in cash or cash equivalents of all obligations due in respect of our Senior Liabilities, and will be senior only to our Capital Stock and subordinated Tier One Capital Indebtedness. The notes will rank *pari passu* with all of our unsecured and subordinated Tier Two Capital Indebtedness, if any that complies with the requirements set forth in Decree 2555 of 2010. The terms "Senior Liabilities," "Capital Stock," "Tier One Capital," "Tier Two Capital" and "Indebtedness" are defined under "Description of the Notes—Certain Definitions." At December 31, 2023, we had COP 1,458,982 million of outstanding Senior Liabilities and COP 712,362 million of outstanding subordinated indebtedness.
Reset Date	August 13, 2029.
Principal	The notes will be redeemed at 100% of their face value at maturity.
Interest	The notes will bear interest on their principal amount from and including the Issue Date, to but excluding the Reset Date, at the rate of 10.875% per year. During the period from and including the Reset Date to, but excluding, the date of maturity or earlier redemption date of the notes, the notes will bear interest on their principal amount at a rate per year that will be equal to the sum of (i) the Treasury Rate (as defined in "Description of the Notes—Certain Definitions") on the Reset Date and (ii) 640.8 basis points. Interest on the notes will be payable semi-annually on August 13 and February 13 of each year, commencing on August 13, 2024.
Additional Amounts	All payments in respect of the notes will be made without any withholding or deduction for taxes of a Relevant Taxing Jurisdiction (as defined in

	“Description of the Notes—Additional Amounts”) unless such withholding or deduction is required by law. In that event, we will pay Additional Amounts (as defined in “Description of the Notes—Additional Amounts”) as will result in receipt by the holders of the notes of such amounts as would have been received by them had no such withholding or deduction for such taxes been required, subject to certain exceptions set forth under “Description of Notes—Additional Amounts.” For further discussion, see “Tax Considerations— Certain U.S. federal income tax considerations.”
Optional Redemption	At any time or from time to time during the period (the “Optional Redemption Period”) from, and including, the fifth anniversary from the issue date (i.e., the date that is three months prior to the Reset Date) until the Reset Date, subject to the applicable Colombian laws and regulations then in effect and the prior approval of the Superintendency of Finance and/or any other applicable authority, if required, Banco de Occidente may at its option redeem the notes in whole or in part, upon giving not less than 10 nor more than 60 days’ notice to the holders of the notes, at a redemption price equal to 100.0% of the principal amount of the notes being redeemed plus any accrued and unpaid interest on the principal amount of the notes being redeemed up to, but excluding, the date of such redemption, plus Additional Amounts (as defined in “Description of the Notes—Additional Amounts”), if any (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date).
Covenants	The indenture governing the notes contains covenants that will, among other things, require us to maintain our corporate existence, furnish certain periodic reports and maintain ratings from at least one international rating agency, and limit our ability to merge or consolidate with another entity or sell, lease or transfer substantially all of our properties or assets to another entity. These covenants are subject to a number of important limitations and exceptions. See “Description of the Notes—Certain Covenants.”
No Acceleration	There is no right of acceleration in the case of a default in any payment on the notes (whether when due or otherwise) or the performance of any of our other obligations under the notes or the indenture. Notwithstanding the immediately preceding sentence, holders shall have the right to accelerate the payments due under the notes during the occurrence of an event of default only if there has been a change, amendment or

	modification to Colombian banking laws that would permit such right without disqualifying the notes from Tier Two Capital (as defined under "Description of the Notes—Certain Definitions") status and holders exercise such right in accordance with applicable Colombian banking law. Subject to the subordination provisions of the notes, if any event of default occurs and is continuing, the trustee may pursue any available remedy (excluding acceleration, except as provided herein) to collect the payment of principal and interest on the notes or to enforce the performance of any provision under the indenture. See "Description of the Notes—Events of Default" and "Banking Regulation—Colombia."
Book-Entry System; Delivery and Form and Denomination of the Notes	The notes will be issued only in fully registered form, without interest coupons, in the form of beneficial interests in respect of one or more global securities in denominations of U.S.$ 50,000 and integral multiples of U.S.$1,000 thereof. Each book-entry note will be represented by one or more notes deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"). Beneficial interests in the Notes will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants. The notes will not be issued in definitive form except under certain limited circumstances.
Use of Proceeds	We intend to use the net proceeds from this offering to support Banco de Occidente's growth strategy in its core segments and refinance and replace certain subordinated Tier Two Capital Indebtedness instruments that are gradually maturing. See "Use of Proceeds."
Governing Law	The notes and the indenture will be governed by the laws of the State of New York.
Listing and Trading	Application will be made to list the notes on the official list of the Luxembourg Stock Exchange and to trade on the Euro MTF Market of the Luxembourg Stock Exchange. However, we cannot assure you that the listing application will be approved.
Trustee, Security Registrar and Transfer Agent	The Bank of New York Mellon.
Paying Agent	The Bank of New York Mellon acting through its London Branch.
Luxembourg Listing and Paying Agent	Matheson LLP

Transfer Restrictions	The notes have not been registered under the Securities Act and are subject to restrictions on transfer and resale. See "Transfer Restrictions" and "Plan of Distribution."
Risk Factors	Investing in the notes involves substantial risks and uncertainties. See "Risk Factors" and other information included in this listing prospectus for a discussion of factors you should carefully consider before deciding to invest in the notes.

Summary Consolidated Financial and Other Information

Presented below are summary historical Audited Consolidated Financial Statements as of and for the years ended December 31, 2023, 2022 and 2021, which have been derived from our Audited Consolidated Financial Statements. Our Audited Consolidated Financial Statements have been prepared in accordance with Colombian Banking IFRS.

This information should be read in conjunction with, and is qualified in its entirety by reference to, our Audited Consolidated Financial Statements and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this offering memorandum.

Consolidated statement of income data

	For the year ended December 31,		
	2023	**2022**	**2021**
	(in COP billions)		
Interest and valuation income	7,732.8	4,691.3	2,742.0
Interest and valuation expenses	(5,495.4)	(2,491.4)	(769.6)
Net interest and valuation income	**2,237.4**	**2,199.9**	**1,972.3**
Impairment for loan portfolio and interest receivable	1,384.4	943.3	882.5
Recovery for investments in debt securities	0.4	(2.2)	(0.5)
Recovery of write-offs	(189.3)	(195.7)	(158.4)
Impairment loss on financial assets	**(1,195.5)**	**(745.2)**	**(723.6)**
Income, net of interest after impairment	**1,041.9**	**1,454.7**	**1,248.8**
Net income from commissions and fees	353.9	345.5	331.8
Net income (expenses)from financial assets or liabilities held for trading	629.5	19.3	(67.8)
Other income, net	470.8	591.6	789.5
Other expenses, net	(2,043.8)	(1,837.3)	(1,641.4)
Income before income taxes	452.3	573.8	660.8
Income tax	(27.3)	117.5	74.9
Profit for the year	**479.6**	**456.3**	**585.9**
Net income for the year attributable to:			
Holders of ordinary shares of the banks	473.5	452.5	580.2
Non-controlling interest	6.0	3.8	5.7

Consolidated statement of financial position data

	At December 31,		
	2023	**2022**	**2021**
	(in COP billions)		
Assets:			
Cash and cash equivalents	4,968.9	3,878.2	5,110.0
Financial assets at fair value through profit or loss	5,445.8	2,635.4	1,655.7
Financial assets at fair value with changes in OCI	4,597.8	4,022.1	5,443.8
Financial assets in debt securities at amortized cost	2,034.6	1,802.7	883.2
Loan portfolio at amortized cost	49,499.0	45,701.7	37,065.1
Impairment of loan portfolio at amortized cost	(2,416.9)	(2,033.2)	(1,967.8)
Other accounts receivable, net	547.3	436.7	320.9
Non-current assets held for sale	3.0	-	5.4
Investment in associate and joint ventures	1,800.8	1,647.6	1,665.0
Tangible assets, net	654.1	712.9	699.9
Intangible assets, net	600.4	540.2	455.0
Income tax assets	853.5	637.4	306.4
Other assets	13.6	22.8	20.9
Total assets	**68,601.8**	**60,004.4**	**51,663.5**
Liabilities:			
Derivative trading instruments	1,055.9	930.8	517.3
Derivative hedging instruments	2.5	-	-
Deposits from customers	49,175.7	43,095.9	36,340.3
Interbank and overnight funds	4,403.1	2,202.0	1,999.6
Loans from banks and others	3,186.0	3,929.0	2,767.4
Bonds and investment securities	2,171.3	2,322.4	2,777.6
Obligations with rediscount entities	1,088.2	967.4	951.8
Provisions	64.2	57.2	46.6
Income tax liabilities	1.0	0.6	8.1
Employee benefits	88.8	92.0	90.2
Other liabilities	1,677.0	1,190.9	976.0
Total liabilities	**62,913.7**	**54,788.3**	**46,474.9**

	At December 31,		
	2023	2022	2021
	(in COP billions)		
Equity:			
Share Capital	4.7	4.7	4.7
Share Premium	720.4	720.4	720.4
Retained earnings	4,996.2	4,770.3	4,467.4
Other comprehensive income	(70.3)	(311.5)	(37.4)
Total Stockholders' Equity	**5,651.1**	**5,183.9**	**5,155.2**
Non-controlling interest	37.0	32.1	33.4
Total equity	**5,688.1**	**5,216.1**	**5,188.6**
Total liabilities and equity	**68,601.8**	**60,004.4**	**51,663.5**

At December 31, 2023, goodwill and intangible assets attributable to our shareholders was COP 22.7 billion and COP 577.6 billion, respectively, and our attributable tangible equity (calculated as total equity attributable to controlling interest minus goodwill and intangible assets attributable to Banco de Occidente) was COP 5,051 billion.

Other financial and operating data

	As of and for the year ended December 31,		
	2023	2022	2021
	(in percentages, unless otherwise indicated)		
Profitability ratios:			
Net interest margin(1)	3.99%	4.55%	4.75%
ROAA(2)	0.75%	0.82%	1.21%
ROAE(3)	8.74%	8.75%	11.49%
Efficiency ratio:			
Efficiency ratio(4)	55.36%	58.12%	54.19%
Capital ratios:			
Period-end total equity as a percentage of period-end total assets	8.29%	8.69%	10.04%
Period-end total equity as a percentage of period-end total assets less investments in associate companies and joint ventures	8.51%	8.94%	10.38%
Credit quality data:			
Net loan write-offs as a percentage of total gross loans	2.33%	2.25%	2.69%
Past due ratio past due more than 30 days	5.09%	3.85%	4.39%
"C," "D" and "E" loans as a percentage of total loans(5)	7.27%	6.31%	7.54%
Past due ratio past due more than 90 days	3.51%	2.78%	3.48%
Allowance for loans as a percentage of past due loans more than 30 days	95.84%	115.53%	120.81%
Allowance for loans as a percentage of "C," "D" and "E" loans	67.15%	70.51%	70.44%
Allowance for loans as a percentage of past due loans more than 90 days	139.00%	160.18%	152.67%
Allowance for loans as a percentage of total loans	4.88%	4.45%	5.31%
Operational data (in units):			
Number of customers(6)	1,019,117	1,027,954	985,390
Number of employees(7)	6,984	7,113	7,151
Number of branches(8)	175	176	183
Number of ATMs(9)	267	266	274

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(1) For methodology used to calculate Net interest margin, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(2) For methodology used to calculate ROAA, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(3) For methodology used to calculate ROAE, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(4) For methodology used to calculate Efficiency ratio, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(5) Reflects risk categories as established by the Superintendency of Finance. See "Selected Statistical Data—Loan portfolio—Risk categories."

(6) Reflects customers of Banco de Occidente as of December 31, 2023, 2022 and 2021.

(7) Reflects employees of Banco de Occidente as of December 31, 2023, 2022 and 2021.

(8) Reflects number of branches of Banco de Occidente as of December 31, 2023, 2022 and 2021.

(9) Reflects number of ATMs of Banco de Occidente as of December 31, 2023, 2022 and 2021.

Capitalization ratios

	2023		2022	
	Ratio	Amount	Ratio	Amount
	%	(in COP billions)	%	(in COP billions)
Primary capital (Tier I)	10.92%	5,065	10.24%	4,419
Secondary capital (Tier II)	1.40%	649	1.94%	835
Primary and secondary capital (Tiers I and II)	12.32%	5,714	12.18%	5,254
Risk-weighted assets including regulatory value at risk(1)		46,375		43,145

(1) Regulatory value at risk is calculated in accordance with the Superintendency of Finance guidelines. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital adequacy requirements."

RISK FACTORS

You should carefully consider the following risk factors, as well as the other information presented in this offering memorandum, before buying the notes. Our business, financial condition and results of operations could be materially and adversely affected if any of the risks described below occur. In such an event, the market price of the notes could decline, and you could lose all or part of your investment. We may face additional risks and uncertainties that are not presently known to us, or that we currently deem immaterial, which may also impair our business.

Risks relating to the notes.

Qualification of the notes as Tier Two Capital will depend on the prior approval of the Superintendency of Finance. The requirements established by Colombian regulation for instruments to be considered as Tier Two Capital may change from time to time.

Under Decree 2555 of 2010 and pursuant to the General External Circular 100 of 1995 issued by the Superintendency of Finance, the notes will qualify as Tier Two Capital (as defined in "Description of the Notes—Certain Definitions") only upon authorization by the Superintendency of Finance, which will be requested after the issuance of the notes. We cannot assure you that the Superintendency of Finance will approve the qualification of the notes as Tier Two Capital. Even if the notes qualify as Tier Two Capital upon issuance, the Colombian regulations that define the criteria for instruments to qualify as Tier Two Capital may change from time to time and, thus, in the future, the Superintendency of Finance may determine that the notes are no longer eligible as Tier Two Capital. Furthermore, we note that Additional Notes (as defined in "Description of the Notes—Principal, Maturity and Interest") may not qualify as Tier Two Capital upon issuance, considering that such Additional Notes will be classified by the Superintendency of Finance once they are issued and paid and, depending on the date of their issuance, the Additional Notes may not comply with the Tier Two Capital requirement of having a maturity equal to or greater than five (5) years.

If a Write-Down Event occurs, you may not recover the principal amount, interest and other amounts due on your notes.

The notes provide that, if our Basic Individual Solvency Ratio or our Basic Consolidated Solvency Ratio falls below 4.5%, or if the Superintendency of Finance otherwise determines, the outstanding principal amount, interest and any amount due on the notes may be permanently reduced, pro rata with the principal amount, interest and any amount due of any other Tier Two Capital subordinated indebtedness we may have outstanding that also includes similar loss absorption features, to the extent permitted by the Superintendency of Finance regulations then in effect and to the extent necessary to restore our capital ratios to 6.0%. Any such reduction may result in the principal amount, interest and any other amounts due on the notes being permanently reduced to zero, without any possibility of reinstatement. Furthermore, any such a reduction would not constitute an Event of Default under the notes.

Our other indebtedness, even our subordinated indebtedness that ranks pari passu with the notes but does not have a loss absorption feature, if any, may remain outstanding after a reduction in principal amount of the notes as a result of a Write-Down Event (as defined in "Description of the Notes—Loss Absorption"). Holders of notes will not have any rights against us or the Trustee with respect to repayment of the Permanent Reduction Amount (as defined in "Description of the Notes—Loss Absorption"), irrespective of whether such amounts have become due and payable prior to the date on which the Write-Down Event occurred.

The circumstances surrounding or triggering a Write-Down Event are unpredictable and may be caused by factors not fully within our control.

The occurrence of a Write-Down Event (as defined in "Description of the Notes—Loss Absorption") is inherently unpredictable and may depend on a number of factors, any of which may be outside of our control. The determination as to whether a Write-Down Event has occurred will partially depend on the calculation of our capital ratios. Fluctuations in our capital ratios may be caused by changes to applicable regulatory requirements and applicable accounting rules, among other external factors. Additionally, under Colombian regulations, the Superintendency of Finance has the discretionary right to instruct a Write-Down (as defined in "Description of the Notes—Loss Absorption") on the notes, if deemed necessary. Few debt securities with the loss absorption feature included in the notes have been issued previously in Colombia, so the manner in which the Superintendency of Finance will exercise its discretion is unknown.

In addition, even if a Write-Down Event has not occurred, any disclosure that our capital ratios are moving towards the level which would cause the occurrence of a Write-Down Event may have an adverse effect on the market price and liquidity of the notes.

The interest rate on the notes will be reset on the Reset Date, which may affect the market value of the notes.

From, and including, the date of original issuance to, but excluding, the Reset Date, interest will accrue on the outstanding principal amount of the notes at an initial rate equal to 10.875% per year. From, and including, the Reset Date, to, but excluding, the date of maturity or earlier redemption date of the notes, interest will accrue on the outstanding principal amount at a rate per year equal to the sum of (i) the Treasury Rate on the Reset Date and (ii) 640.8 basis points. This reset rate could be less than the initial interest rate, which could affect the amount of any interest payments under the notes and, by extension, could affect the market value of the notes.

The obligations under the notes will be subordinated to statutory preferences and to our Senior Liabilities.

Under Colombian law, the obligations under the notes are subordinated, among others, to specified statutory priorities, including, for example, wages, social security and taxes. In addition, the notes are subordinated to our Senior Liabilities (as defined in "Description of the Notes—Certain Definitions"). In the event of our liquidation, these obligations will have priority over any other claims, including claims by any holder in respect of the notes and, as a result, holders of notes may be unable to recover amounts due under the notes, in whole or in part.

By virtue of such subordination, payments to a holder of notes will, in the events described above, only be made after all our obligations resulting from higher ranking claims have been satisfied. A holder of notes may, therefore, recover significantly less than the holders of our unsubordinated indebtedness. An investor in subordinated securities such as the notes may lose all or some of its investment if we become subject to insolvency or liquidation proceedings.

There are no restrictive covenants in the Indenture governing the notes that limit our ability to incur future indebtedness or complete certain transactions.

The Indenture governing the notes does not limit our ability to incur additional indebtedness (including additional notes with the same terms and conditions of this offering, external indebtedness (*pasivo externo*) that is senior to the notes and *pari passu* obligations), to grant liens on our assets and other properties, to make payment of dividends, to make investments or to enter into transactions with our affiliates or require us to create or maintain any reserves. In addition, the Indenture does not include any provisions that afford the holders of the notes protection in the event of a highly leveraged transaction or a change of control. We therefore may incur additional indebtedness, including senior indebtedness, and engage in other transactions that may not be in the interests of the note holders.

We have the option to redeem the notes during the Optional Redemption Period or upon the occurrence of certain tax or regulatory events.

Subject to certain regulatory conditions as described under "Description of the Notes—Optional Redemption—Optional Redemption Period" being satisfied on the relevant redemption date, including obtaining prior approval of the Superintendency of Finance, during the Optional Redemption Period, we may opt to redeem the notes, in whole or in part, at a redemption price equal to 100% of the outstanding principal amount of the notes being redeemed plus any accrued and unpaid interest thereon to, but excluding, the date of redemption, plus Additional Amounts, if any. In addition, we may redeem the notes, in whole but not in part, in the event of certain changes in Colombian (i) laws as a result of which we will no longer be entitled to treat the then current principal amount of the notes as Tier Two Capital pursuant to applicable Colombian banking laws and (ii) tax laws.

Our optional redemption may limit the market value of the notes to the redemption price during the period shortly before the Reset Date. Moreover, if we redeem the notes in any of the circumstances mentioned above, you may not be able to reinvest the redemption proceeds in securities offering a comparable yield.

The notes are complex financial instruments and may not be a suitable investment for all investors.

The notes are complex financial instruments that involve risks which are not present in other types of indebtedness, such as senior indebtedness or subordinated indebtedness that does not include loss absorption features. You should carefully consider whether the notes are suitable investment in light of your own circumstances.

In particular, you should (i) have sufficient knowledge and experience to make a meaningful evaluation of the notes and the merits and risks of investing in them; (ii) have access to, and knowledge of, appropriate analytical tools to evaluate the effect of an investment in the notes in the context of your particular financial situation and investment portfolio; (iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the notes; (iv) understand the terms of the notes, including the subordination and loss absorption features, (including the uncertainty as to the circumstances under which the Superintendency of Finance may determine to order a Write-Down Event (as defined in "Description of the Notes—Loss Absorption")); and (v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect your investment in the notes and ability to bear the applicable risks.

Our interests and those of the regulatory authorities may not be aligned with those of the holders of the notes.

Our interests and the regulatory authorities' interests may not be aligned with those of the holders of the notes. Our Tier Two Capital will depend in part on decisions made by relating to our business and operations, as well as the management of our capital position. We will have no obligation to consider the interest of holders of the notes in connection with our strategic decisions, including in respect of capital management. We may decide not to raise capital at a time when it is feasible to do so, even if that would result in the occurrence of a Write-Down (as defined in "Description of the Notes—Loss Absorption").

Moreover, in order to avoid the use of public resources, regulatory authorities may decide that we should allow a write-off to occur at a time when it is feasible to avoid this. Holders of the notes will not have any claim against us relating to decisions that affect our capital position, regardless of whether they result in the occurrence of a Write-Down. Such decisions could cause holders of the notes to lose the amount of their investment in the notes.

It may be difficult to enforce your rights if we enter into a bankruptcy, liquidation or similar proceeding in Colombia.

The insolvency laws of Colombia applicable to a financial entity, particularly as they relate to the priority of creditors (secured or unsecured), the ability to obtain post-petition interest and the duration of insolvency proceedings, may be less favorable to your interests than the bankruptcy laws of the United States. Your ability to recover payments due on the notes may be more limited than would be the case under U.S. bankruptcy laws. The following is a brief description of certain aspects of insolvency laws in Colombia.

Your ability to enforce your rights under the notes may be limited if we become subject to the proceedings set forth in the Decree 663 of 1993 (the "Financial Statute"), as amended from time to time, and the Decree 2555 of 2010, which proceedings establish the events under which the Superintendency of Finance may initiate an intervention measure/administrative takeover (*toma de posesión)* proceeding either to administer our bank or to liquidate it.

Under Colombian banking laws, financial institutions are subject to a special administrative takeover (*toma de posesión)* by the Superintendency of Finance in the event that the financial institution becomes insolvent. The Superintendency of Finance can take control of financial institutions under certain circumstances. The following grounds for takeover are considered to be automatic in the sense that, if the Superintendency of Finance discovers their existence the Superintendency of Finance is obligated to intervene and takeover the administration of the financial institution if:

- the financial institution's technical capital falls below 40.0% of the legal minimum; or
- the term set forth by applicable regulation to present any recovery plan before the Superintendency of Finance expires, or the goals set forth in such plans are not fulfilled.

Additionally, the Superintendency of Finance comprehensively supervises and periodically visits financial institutions and, as a consequence based on its legal powers, the Superintendency of Finance may impose additional capital or solvency obligations without taking control of the financial institution.

Subject to the approval of its advisory council, the Superintendency of Finance may, at its discretion, intervene and take over the administration of the applicable financial institution under the following circumstances:

- suspension of payments;
- failure to pay deposits;
- refusal to submit files, accounts and supporting documentation to the Superintendency of Finance for inspection;

- refusal to be questioned under oath, in relation to the financial institution's business;
- repeated failure to comply with the Superintendency of Finance's orders and instructions;
- repeated violations of applicable laws and regulations or of the bank's bylaws;
- unauthorized or unsafe management of the bank's business;
- reduction of the bank's net capital below 50.0% of its share capital;
- failure to comply with the minimum capital requirements set forth in the Financial Statute;
- failure to comply with recovery plans that were adopted by the financial institution;
- failure to comply with the order of exclusion of certain assets and liabilities as instructed by the Superintendency of Finance to another institution designated by the Superintendency of Finance;
- failure to comply with the order of progressive unwinding (*desmonte progresivo*) of the operations of the bank applicable to financial institutions; and
- submission of information to the Superintendency of Finance which contains serious inconsistencies that prevent the Superintendency of Finance from adequately assessing the actual situation of the financial institution.

An intervention measure could consist of: (a) a special monitoring plan; (b) an order of recapitalization; (c) the appointment of another entity to manage the financial institution; (d) the total or partial assignment or assets or liabilities to other institutes; or a merger into another institution. The Superintendency of Finance takeovers may have one of two different purposes: (i) to manage the financial institution, in which case the financial institution will be allowed to continue its activities subject to the administration of the Superintendency of Finance; or (ii) to liquidate the financial institution. The Superintendency of Finance must decide if it will either manage or liquidate the financial institution within two months following a takeover in the event of a bankruptcy, liquidation or similar proceeding.

Judgments of Colombian courts with respect to the notes may only be satisfied in pesos, which may expose you to exchange rate volatility.

If proceedings are brought in the courts of Colombia seeking to enforce our obligations or the rights of holders of the notes, we could be required to discharge our obligations in pesos at the representative market rate in effect on the date of payment. Any judgment obtained against us in Colombia may be expressed in U.S. dollars and discharged in pesos equivalent to the U.S. dollars at the representative market rate as of the date of payment. The payment in pesos when converted into foreign currency at the applicable exchange rate may not afford investors with full compensation for any claim arising out of or related to our obligations under the notes. As a result, investors may be exposed to exchange rate risks.

Changes in law may adversely affect your rights under the notes or may adversely affect our business, financial performance and capital plans.

Changes in law after the date hereof may affect your rights as a holder of notes as well as the market value of the notes. Regulators may, from time to time, propose or consider amendments to laws or legislation and rule-making which may affect our business, your rights as a holder of the notes and the market value of the notes. Such changes in law may include changes in statutory, tax and regulatory regimes during the life of the notes, or changes that could have a significant impact on the future legal entity structure, management, and use of capital and requirements for loss-absorbing capacity, which may have an adverse effect on an investment in the notes. In the event of certain changes in tax or regulatory treatment of the notes, we may be able to redeem the notes at par.

Trading prices for the notes may be highly volatile.

The prices at which the notes may trade will depend on many factors, including, among others, prevailing interest rates, general economic conditions, our performance and financial results and markets for similar securities. Historically, the markets for debt such as the notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the notes may be subject to similar disruptions, which may have an adverse effect on the holders of the notes.

Developments in the international capital markets may adversely affect the trading price of the notes.

The trading price of the notes may be adversely affected by declines in the international financial markets and world economic and political conditions, including terrorism and war, such as the ongoing conflict in Ukraine and the conflict between Hamas and Israel in the Gaza Strip, as well as the negative effects attributed to hijackings and assaults by Yemeni rebels on ships crossing the Red Sea. Although economic and political conditions are different in each country, investors' reaction to developments in one country can affect the securities markets and the securities of issuers in other countries, including Colombia, the United States and European countries.

Colombia is generally considered by investors to be an emerging market country, and securities markets in emerging market countries are, to varying degrees, influenced by economic, political and market conditions in other countries. Any adverse economic, political or other developments in other markets may adversely affect investor confidence in securities issued by Colombian companies, causing their trading price and liquidity to suffer. We cannot assure you that the market for Colombian securities will not continue to be adversely affected by events elsewhere that are unrelated to our financial performance, or that such developments will not have an adverse impact on the trading price of the notes.

The notes are a new issue of securities and we cannot assure you that an active trading market will develop for the notes.

Prior to this offering, there was no market for the notes. Although we have applied to list the notes on the Luxembourg Stock Exchange and for trading on the Euro MTF market, we cannot assure you that a trading market for the notes will develop, or if a trading market does develop, that it will be maintained. Even if a trading market for the notes develops, it may not provide significant liquidity and we expect transaction costs would be high.

The initial purchasers have informed us that they intend to make a market in the notes after this offering is completed. However, the initial purchasers have no obligation to do so and may cease any market-making at any time without notice in its sole discretion. The price at which the notes may trade will depend on many factors, including, but not limited to, prevailing interest rates, general economic conditions, our performance and financial results and markets for similar securities. Historically, the markets for debt such as the notes have been subject to disruptions that have caused substantial volatility in their prices. The market, if any, for the notes may be subject to similar disruptions, which may have an adverse effect on the holders of the notes.

The notes are subject to transfer restrictions.

The notes have not been registered under the Securities Act, any state securities laws or the laws of any other jurisdiction. As a result, the notes may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Such exemption includes offers and sales that occur outside the United States in compliance with Regulation S in accordance with any applicable securities laws of any other jurisdiction. Due to these transfer restrictions, you may be required to bear the risk of your investment for an indefinite period of time. For a discussion of certain restrictions on resale and transfer, see "Transfer Restrictions" in this offering memorandum.

The ratings of the notes may be lowered or withdrawn depending on various factors, including the rating agency's assessments of our financial strength and Colombian sovereign risk.

One or more independent credit rating agencies may assign credit ratings to the notes. The ratings address the timely payment of interest on each payment date. The ratings of the notes are not a recommendation to purchase, hold or sell the notes, and the ratings do not comment on market price or suitability for a particular investor. The ratings of the notes are subject to change and may be lowered or withdrawn. A downgrade in or withdrawal of the ratings of the notes will not be an event of default under the Indenture. The assigned ratings may be raised or lowered depending, among other things, on the rating agency's assessment of our financial strength, as well as its assessment of Colombian sovereign risk generally.

We cannot assure you that a judgment of a court for liabilities under the securities laws of any country other than Colombia would be enforceable in Colombia, or that an original action can be brought in Colombia against us for liabilities under the securities laws of any other country.

We are a corporation organized under the laws of Colombia. All of our directors and officers reside in Colombia and substantially all of our assets are located in Colombia. As a result, it may not be possible for you to effect service of process to such persons outside Colombia or to enforce against them or against us in courts outside Colombia judgments predicated upon the civil liability provisions of the securities laws of any country other than Colombia. There is doubt as to the enforceability in Colombia, either in original actions or in actions for enforcement of judgments of non-Colombian courts, of civil liabilities predicated upon the securities laws of any countries other than Colombia. For more information, see "Enforcement of Judgments."

Risks relating to the business and industry

A deterioration in asset quality, including our loan portfolios, may have an adverse effect on our results of operations and financial condition.

Changes in our financial condition or credit profiles of our customers and increases in inflation or interest rates and foreign exchange volatility may have a negative effect on the quality of our loan portfolios, potentially requiring them to increase impairment losses on loans and accounts receivable or resulting in reduced profitability. In particular, the percentage of past due or impaired loans may increase in the future as a result of factors beyond our control, such as economic conditions and political events affecting Colombia generally or specific sectors of the economy. These effects could be compounded by higher interest rates, which have recently led to and could lead to further declines in our net interest margins and profitability, as we have sometimes been and may in the future be unable to immediately or fully pass through our higher interest costs to our customers, whether as a result of competitive pressures or regulatory considerations.

A substantial number of our customers are individuals and small and medium sized enterprises (SME), and these customers are potentially more susceptible to downturns in the economy than large corporations and high-income individuals. In addition, some corporate clients could suffer the effects of economic downturns. Consequently, we may experience higher levels of past due or impaired loans, which could result in increased impairment losses on loans and other accounts receivable due to defaults by, or deterioration in the credit profiles of, individual borrowers. Past due or impaired loans and resulting impairment losses may increase materially in the future and adversely affect our results of operations and financial condition.

Existing loan loss allowances may not be adequate to cover any increases in past due or impaired loans or a deterioration in the credit quality of loan portfolios. As a result, we may be required to increase impairment losses on loans and accounts receivables, which may adversely affect our results of operations and financial condition. Our exposure is concentrated in certain economic sectors and large corporations that could also increase our impairment losses.

Our loan portfolios have grown substantially in recent years. Default rates generally increase with the age of loans, the level of past due or impaired loans may lag behind the rate of growth in loans but, may increase when growth slows, or the loan portfolios become more mature. As a result, historic loan loss experience may not necessarily be indicative of future loan loss experience.

Our provisions for impairment losses may not be adequate to cover the future actual losses to our loan portfolio.

We record provisions for impairment losses on loans and other assets. The amount of provisions we record is based on our current assessment of and expectations concerning various factors affecting the quality of our loan portfolio and follows the guidelines of the Superintendency of Finance. These factors include, among other things, our borrowers' financial condition, repayment abilities and repayment intentions, the realizable value of any collateral, the prospects for support from any guarantor, economic health of the countries where we operate, government macroeconomic policies, interest rates and the legal and regulatory environment. Many of these factors are beyond our control. In addition, as these factors evolve or become less predictive as a result of significant and unexpected changes in the assumptions and scenarios used such as those caused by the outbreak of COVID-19 or other similar diseases, the models we use to determine the appropriate level of provision for impairment losses on loans and other assets require recalibration, which can lead to increased provision expense. See "—Global or regional health pandemics or epidemics, such as COVID-19, could negatively impact our business, financial position and results of operations."

If our assessment of and expectations concerning the above-mentioned factors differ from actual developments, or if the quality of our loan portfolio deteriorates or the future actual losses exceed our estimates, our provision for impairment losses may not be adequate to cover actual losses and we may need to make additional provisions for impairment losses, which may materially and adversely affect our results of operations and financial condition.

We may be unable to realize on collateral or guarantees of secured loans, which may adversely affect our results of operations and financial condition.

We originate loans that are secured by collateral, including real estate and other assets that are generally located in Colombia and other countries where we operate. The value of collateral may significantly fluctuate or decline due to factors beyond our control, including, for example, prevailing economic and political conditions in the relevant jurisdiction. On December 31, 2023, 46.16% of our total loans past due loans (including our foreign operations) for more than 30 days were secured. An economic slowdown may lead to a downturn in the Colombian real estate markets, which may, in turn, result in declines in the value of real estate securing loans to levels below the principal balances of these loans. Any decline in the value of the collateral securing these loans or any other collateral securing these loans may result in reduced recoveries from collateral realization and have an adverse effect on our results of operations and financial condition. We may also not have sufficiently recent information on the value of collateral, which may result in an inaccurate assessment for loss allowance of our loans secured by such collateral. If this were to occur, we may need to incur additional impairments to cover actual losses of our loans, which may materially and adversely affect our results of operations and financial condition.

We also make loans on the basis of guarantees from relatives, affiliates or associated persons of principal borrowers. To the extent that guarantors encounter financial difficulties due to economic conditions, personal or business circumstances, or otherwise, our ability to enforce such guarantees may be impaired.

In addition, we may face difficulties in enforcing their rights as secured creditors against borrowers, collateral or guarantees. In particular, timing delays, documentary and procedural problems in realizing against collateral, as well as debtor protective or other judicial interpretations of the law, may make it difficult to foreclose on collateral, realize against guarantees or enforce judgments in our favor, which could materially and adversely affect our results of operations and financial condition.

Colombian insolvency laws or laws of the countries in which our customers are incorporated, or the loans are extended, may limit our ability to collect on monetary obligations and enforce rights against collateral or under guarantees.

Insolvency laws in Colombia and other countries in which some of our clients are incorporated provide that creditors of an insolvent debtor are prohibited from initiating collection proceedings outside the bankruptcy or reorganization process of such debtor. In addition, all collection proceedings outstanding at the beginning of the bankruptcy or reorganization process must be suspended and such creditors are prevented from enforcing their rights against the collateral and other assets of the insolvent debtor during the insolvency process.

In Colombia, once a non-merchant individual has ceased paying his or her debts, such individual can initiate a voluntary insolvency proceeding before a notary public or mediator to reach an out-of-court agreement with creditors. The terms of any agreement reached with a group of creditors (two or more) that represent the majority of the total amount of the claims will be mandatorily applicable to all relevant creditors. The insolvency law also provides other protections to debtors. A perception that loans to individuals may be difficult or impossible to recover could cause us to enhance credit requirements and result in decreased lending to individuals by making access to credit more expensive. In addition, increased difficulties in enforcing debt and other monetary obligations due to insolvency laws could have an adverse effect on our results of operations and financial condition.

We engage in transactions with certain related parties that could result in conflicts of interest.

Certain parties related to Banco de Occidente have been involved, directly or indirectly, in credit transactions with Banco de Occidente. Under the banking regulations of Colombia which will enter into force in August 2025, and in compliance with Basel III principles, for exposures (calculated in accordance with applicable rules for risk-weighted assets) to shareholders holding 20.0% or more of a bank's shares, the maximum aggregate amount of the exposure is limited to 20.0% of such bank's Tier One Capital (as defined in "Description of the Notes—Certain Definitions"). Until August 2025, current rules cap the unsecured exposure to shareholders holding 20.0% or more of a bank's shares, to the maximum aggregate amount of 10% of such bank's Technical Capital (as defined in "Description of the Notes—Certain Definitions").

Although we intend to continue entering into transactions with related parties on terms similar to those that would be offered by or to an unaffiliated third party, such financial transactions create the potential for, or could result in, conflicts of interest. We believe we are in compliance with all related-party transaction requirements imposed by applicable banking regulations. For further information on our transactions with related parties, see "Related Party Transactions."

Any failure of risk management processes, including credit and market risk, could materially and adversely affect our banking business, results of operations and financial condition.

Credit risk is the principal risk inherent in our banking business. Although Grupo Aval has group-wide risk management guidelines, we are responsible for managing our own risk. Our policies and procedures, which are designed to identify, monitor and manage risk, may prove to be insufficient. Furthermore, we may not be able to upgrade risk management systems on a timely basis. Due to limitations in the availability of information, our assessment of credit risk associated with a particular customer may not be based on complete, accurate or reliable information. Our personnel may fail to detect risks before they occur, or may not effectively implement their risk management systems, which may increase exposure to credit risk. As a result, any failure to effectively implement or consistently follow or refine risk management systems may result in higher risk exposures for us, which could materially and adversely affect our results of operations and financial condition.

Failures in measuring market risk may also lead to erroneous decisions by our treasury and, consequently, result in potential losses for Banco de Occidente.

Declines in the value of our sovereign debt portfolio and other investments could have an adverse effect on our results of operations.

Our securities portfolio primarily consists of debt securities issued or guaranteed by the Colombian central government. We are exposed to significant credit, market and liquidity risks associated with debt securities. On December 31, 2023, total debt securities represented 14.52% of Banco de Occidente's consolidated total assets and 69.61% of these securities were issued or backed by the Colombian central government. A significant decline in the value of these government securities or other investments could materially and adversely affect our debt securities or broader financial asset portfolios and, consequently, our financial condition and results of operations. See "Banking Regulation—Mandatory investments."

Our banking business is subject to market risk.

We are directly and indirectly affected by changes in market conditions. Market risk, or the risk that the value of assets and liabilities or revenues will be adversely affected by variation in market conditions, is inherent in the products and instruments associated with our operations, including loans, deposits, securities, bonds, long-term debt, short-term borrowings, proprietary trading in assets and liabilities and derivatives. Changes in market conditions that may affect our financial condition and results of operations include fluctuations in interest and currency exchange rates, securities prices, changes in the implied volatility of interest rates and foreign exchange rates, among others.

Our banking business is subject to counterparty risk.

Our banking business is exposed to counterparty risks in addition to credit risks associated with lending activities. Counterparty risk may arise from, for example, investing in securities of third parties, entering into derivative contracts under which counterparties have obligations to make payments to us, or executing securities, futures, currency or commodity trades from proprietary trading activities that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. These risks could materially and adversely affect our results of operations and financial condition.

Our banking business is subject to market and operational risks associated with derivative transactions.

Our banking business enters into derivatives transactions primarily for hedging purposes and, on a limited basis, on behalf of customers. We are subject to market and operational risks, including basis risk (the risk of loss associated with variations in the spread between the asset yield and the funding and/or hedge cost) and counterparty or default risk (the risk of insolvency or other inability of a counterparty to perform its obligations to us).

Market practices and documentation for derivative transactions in Colombia and the countries where we operate may differ from those in other countries. In addition, the execution and performance of these transactions depend on our ability to develop adequate control and administration systems, and to hire and retain qualified personnel. These factors may further increase risks associated with derivative transactions and could materially and adversely affect our results of operations and financial condition.

We are subject to liquidity risk, which may result in increases to funding costs.

Our principal sources of funding for our banking business are savings accounts, term deposits and current accounts, which together represented 78.16% of Banco de Occidente's consolidated total liabilities on

December 31, 2023. Because we rely primarily on deposits for funding, a sudden or unexpected shortage of funds in the banking systems in which we operate or overnight money markets may prevent us from meeting their obligations or obtaining necessary funding without incurring higher costs or selling certain assets at prices below prevailing market values. This, in turn, could materially and adversely affect our results of operations and financial condition. Our liquidity could also be impacted by reputational events affecting our entities as well as systemic events.

Our liquidity could also be adversely affected by any inability to access the capital markets, illiquidity or volatility in the capital markets, the decrease in value of eligible collateral or increased collateral requirements, changes to our relationships with our funding providers based on real or perceived changes in our risk profile, governmental or regulatory decisions restricting public entity deposits in privately held banks, or changes in regulations that impact our funding.

We have a significant concentration of deposits among a relatively limited number of institutional clients.

At December 31, 2023, our top 20 depositors accounted for 22.97% of all our deposits distributed as follows: 14.82% for savings account deposits, 7.34% for term deposits and 0.81% for current account deposits. This concentration mainly results from the funding agreements (*convenios*) we enter into with governmental entities and pension funds. Under these agreements, these entities agree to deposit their funds with us, and we manage their collections and payments, among other things. Although these funding agreements have historically been stable and long-standing, we cannot assure you that this will continue. If several of these depositors elect to terminate their relationship with us or withdraw a substantial amount of their deposits, we may be unable to meet our obligations or obtain necessary funding without incurring higher costs or selling certain assets at prices below prevailing market values in our banking business, which could materially and adversely affect our results of operations and financial condition. See "Business—Our company."

Default by one or more of our largest borrowers could adversely affect our results of operations and financial condition.

The aggregate outstanding loans to our ten-largest borrowers represented 4.27% of Banco de Occidente's consolidated total loan portfolio at December 31, 2023. Our exposure is concentrated in certain economic sectors and large corporations that could increase our impairment losses. Default on loans by one or more of these borrowers may materially and adversely affect our results of operations and financial condition.

Downgrades in our credit ratings would increase funding costs or impair access to funding, potentially impacting our ability to maintain regulatory capital ratios.

Our credit ratings are an important component of our ability to obtain funding. Rating agencies regularly evaluate us, and their ratings of our debt are based on numerous dynamic, complex and inter-related factors and assumptions, including our financial strength, conditions affecting the overall financial services industry and the sovereign credit rating of Colombia and the jurisdictions we operate in.

We may be required to raise additional capital or funding in the future to maintain regulatory capital ratios and provide liquidity to meet commitments and business needs, particularly if asset quality or earnings were to deteriorate.

Adverse changes in credit ratings or outlooks could increase the cost of funding in the capital markets or borrowings or reduce the feasibility of refinancing existing debt or issuing new debt required to finance our future projects. In addition, lenders and counterparties in derivatives transactions are sensitive to the risk of a ratings or outlook downgrade. Our ability to raise deposits may also be impacted by a change in credit ratings or outlooks, which could make us less successful when competing for deposits or preclude us or our subsidiaries from receiving funds from institutional investors, governments, governmental entities, or other providers of deposits and other funding.

Any occurrence that may limit our access to funding, such as a downgrade in credit ratings or outlook, or a decline in the confidence of debt purchasers, depositors, or counterparties in the capital markets may adversely affect capital costs, ability to raise capital or funding, and liquidity. Moreover, we may need to raise capital when many other financial institutions are also seeking to raise capital, which, in turn, would require us to compete with numerous other institutions for investors. An inability to raise additional capital on acceptable terms, when needed, or a downgrade in our credit ratings or outlook could have a materially adverse effect on our financial conditions and results of operations.

Our loan portfolio is subject to risk of prepayment, which may result in reinvestment of assets on less profitable terms.

Our loan portfolio is subject to prepayment risk, which results from the ability of a borrower to pay a loan prior to maturity. Generally, in a declining interest rate environment, prepayment activity increases with the effect of reducing weighted average lives of interest-earning assets and adversely affecting results. Prepayment risk also has an adverse effect on credit card and collateralized mortgage obligations, since prepayments could shorten the weighted average life of these portfolios, which may result in a mismatch in funding or in reinvestment at lower yields.

Guidelines for loan classification and provisions in Colombia are different and may not be comparable to those in other countries.

Colombian banking regulations require us to classify each loan or type of loan according to a risk assessment that is based on specified criteria, to establish corresponding reserves and, in the case of some non-performing assets, to certain charge-off loans. The criteria to establish reserves include both qualitative and quantitative factors. These banking regulations relating to loan classification and determination of loan loss reserves are generally different than those applicable to banks in other countries, including the United States. If the rules applicable in the United States were applicable in Colombia today, the level of our loan loss reserves may be different than our current reserve levels. We also may deem it necessary to increase our loan loss reserves in the future, or future regulations may require such additional reserves. Increasing loan loss reserves could materially and adversely affect our results of operations and financial position and our ability to service the notes.

The credit card industry is highly competitive and entails significant risks, including the possibility of over indebtedness of customers, which could have a material adverse effect on us.

The credit card business is subject to a number of risks and uncertainties, including the possibility of over indebtedness of our customers, despite our focus on low-risk customers in the middle- and high-income brackets.

The credit card industry is characterized by higher consumer default than other segments of the credit markets, and defaults are highly related to macroeconomic indicators that are beyond our control. According to predictions of certain analysts, Colombian economic growth rate prospects are slowing, and some forecasts predict negative growth. If this scenario manifests or continues, we may fail to effectively analyze the creditworthiness of our customers (including the targeting of certain sectors) in a timely manner, and we may be faced with unexpected losses that could have a material adverse effect on our results of operations and financial condition.

We may face legal and other challenges to maximizing revenue from credit card fees and other fees from customers.

As part of our credit card business, we face pressures related to the fees and commissions charged to merchants (merchant discounts) and the pricing of bank interchange fees charged by issuer banks to acquiring banks. Banks and card processors in Colombia have been subject to administrative investigations regarding the fees and commissions that are charged to the merchants by the acquiring banks and in respect to the banking interchange fees.

Similar investigations may be carried out by the relevant authorities in the future, which may result in penalties, lower fees charged to merchants and bank interchange fees, or lead to changes in commercial strategies that may adversely affect our results of operations and financial condition. In addition, fees charged for other banking services may continue to be reduced in the future as a result of regulatory measures and/or pressure from retailers and interest groups.

We are subject to extensive supervision and regulation, and changes in banking laws and regulations in the countries where we operate, which could adversely affect Banco de Occidente's consolidated results.

We are subject to extensive regulation by the Colombian Ministry of Finance, including the Unit of Financial Regulation (*Unidad Administrativa Especial*, *Unidad de Proyección Normativa y Estudios de Regulación Financiera*), and to extensive supervision and complementary regulation by the Superintendency of Finance and the Colombian Central Bank, which regulates our Colombian operations and also supervises our operations in other jurisdictions in a consolidated and comprehensive basis. Banking regulations in Colombia grant the regulating entity the authority to oversee and supervise banks, insurance companies and other financial institutions. Under these laws, all banking operations require licensing, and the regulatory entities have general administrative responsibilities over banks and other financial institutions like us, including authority to set loan loss provisions, regulatory capital requirements and other minimum capital adequacy and reserve requirements. In addition, banks are required to provide to their relevant banking regulatory authorities, on a periodic basis, with all information that is necessary to allow for its evaluation of their financial performance.

Banking and financial services laws and regulations are subject to ongoing review and revision, including changes in response to global regulatory trends. Governments have been actively considering new banking laws and regulations, reviewing and revising existing laws and regulations, particularly in relation to capital adequacy and accounting standards that may change the perceived strength of our credit ratings or our ability to grow or pay dividends, including Basel III. In August 2022, the Ministry of Finance amended applicable regulations regarding bank exposures and lending limits applicable to financial institutions and other entities surveilled by the Superintendency of Finance by means of Decree 1533 of 2022, which will come into force in August 2025. Furthermore, the Superintendency of Finance published additional instructions regarding legal lending limits on February 1, 2024, by means of External Circular 003 of 2024. These rules will enter into force in August 2025. See "Banking Regulation."

The adoption of new laws or regulations, or changes in the interpretations or enforcement of existing laws or regulations, whether to comply with the guidelines of the Basel Committee or otherwise, may have an adverse effect on our results of operations and financial condition.

In addition, various international developments, will continue to impact us in the coming years. Decree 2555 of 2010 was amended in 2012, 2015, 2018 and 2019, modifying certain capital adequacy requirements for Colombian credit institutions (such Decree, as amended, the "Decree 2555 of 2010)."

On September 21, 2017, the Colombian Congress passed Law No. 1870 to strengthen the regulation and supervision of financial conglomerates, also known as the Law of Financial Conglomerates (*Ley de Conglomerados Financieros*). This law sets out the principles for supervising and regulating financial conglomerates. This law and its regulatory decrees (i) established criteria for identifying members of the financial conglomerates, as well as their controlling financial holding companies; (ii) provided the Colombian government and Superintendency of Finance with tools to regulate and supervise financial conglomerates with respect to capital adequacy, corporate governance standards, risk management, internal control and criteria for identifying, administering, monitoring and revealing conflicts of interest; and (iii) established obligations and responsibilities applicable to the financial holding companies regarding the application and promotion of guidelines and rules across the financial conglomerates. Grupo Aval is a financial conglomerate under these regulations and may be exposed to sanctions and fines derived from the breach of this law and its regulatory decrees by any member of the financial conglomerate. However, no fines have been imposed since the issuance of this law. We are a part of Grupo Aval conglomerate for these purposes, and accordingly, we are indirectly subject to these rules. We cannot assure that such law and its regulatory decrees will not have a material adverse impact on us.

Regulatory actions may result in fines, penalties and restrictions that could materially and adversely affect our businesses and financial performance.

We and our subsidiaries are subject to regulation and supervision by financial authorities. These regulatory authorities have broad powers to adopt regulations and other requirements affecting or restricting virtually all aspects of our subsidiaries' organization and operations, including, the imposition of anti-money laundering measures, liquidity or capital requirements and the authority to regulate the terms and conditions of credit transactions. Failure to comply with applicable regulations could subject us to fines or sanctions or even revocation of licenses or permits to operate. In the event that we encounter significant financial problems, are in danger of insolvency or become insolvent, or are otherwise deemed as non-viable, the financial authorities would have broad powers to intervene in our management and operations, including suspending or removing management and, in extreme circumstances, putting us or our subsidiaries into conservatorship or receivership or taking control of us or them.

Our operations require the maintenance of our banking and other licenses and any noncompliance with our license and reporting obligations could have an adverse effect on our business, financial condition and results of operations.

All banking operations in Colombia and the other countries we operate in require licensing by the applicable regulatory entities. We currently have the necessary licenses to conduct all of our banking and other operations in such countries. Although we believe we are currently in compliance with our existing material license and reporting obligations, we cannot assure you that we will be able to maintain the necessary licenses in the future. The loss of a license, a breach of the terms of any of our licenses or a failure to obtain any further required licenses in the future could have a material adverse effect on our business, financial condition and results of operations.

Failure to protect personal information could adversely affect our reputation and our business.

We manage and hold confidential personal information of customers in the normal course of their banking operations. Although have procedures and controls to safeguard personal information in our possession, unauthorized access to privileged information, fraud or events that interfere with regular banking and other services could subject us to legal actions, administrative sanctions and damages.

Although we work to develop secure data and information processing, storage and transmission capabilities to enhance information security, we face risks related to security breaches in connection with debit and credit card transactions that typically involve the transmission of personal information of our customers through various third parties, including retailers and payment processors. We and some of these parties have in the past been the target of security breaches and because the transactions involve third parties and environments, where we do not control the processing, storage or transmission of such information or the security protocols enacted by such third parties or in such environments, security breaches affecting any of these third parties could affect us, and in some cases we may have exposure and suffer losses for breaches relating to them, including costs to replace compromised debit and credit cards and address fraudulent transactions.

Although we employ a variety of physical, procedural and technological safeguards to protect personal information from mishandling, misuse or loss, these safeguards do not provide absolute assurance that mishandling, misuse or loss of the information will not occur, and that if mishandling, misuse or loss of information does occur, those events will be promptly detected and addressed. It is not always possible to deter or prevent employee misconduct, and the precautions we take to detect and prevent this activity may not always be effective. Similarly, when personal information is collected, compiled, processed, transmitted or stored by third parties on our behalf, our policies and procedures require that the third party agrees to maintain the confidentiality of the information, establish and maintain policies and procedures designed to preserve the confidentiality of the information, and permit us to confirm the third party's compliance with the terms of the agreement. Any failure to protect personal information could result in reputational damage and have a material adverse effect on our results of operations and financial condition.

We are subject to cyber security risks.

We rely on information systems to operate websites, process transactions, respond to customer inquiries on a timely basis and maintain cost-efficient operations. We may experience operational problems with our information systems as a result of system failures, viruses, ransomwares, computer "hackers" or other causes. Cyber security risks for financial institutions have significantly increased because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, hacktivists, terrorists and other external parties. As we seek to further develop digital channels, the implementation of technological changes and upgrades to maintain existing systems and integrate new systems could increase our risk of cyber security attacks. Our business is highly dependent on our technology infrastructure and that of our service providers, and we are not immune to attacks against our or their network or systems.

There can be no assurance that we will not be the target of cyber-attacks in the future. Any material disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or to be delivered to our customers with delays or errors, which could reduce demand for their services and products and could materially and adversely affect our results of operations and financial condition. In addition, any failure to anticipate, identify or offset such threats of potential cyberattacks or breaches of our security in a timely manner could have a material adverse effect on our business, financial condition and results of operations.

We are subject to fluctuations in interest rates and other market risks, which may materially and adversely affect our results of operations and financial condition.

Market risk refers to the probability of variations in income or in the market value of assets and liabilities due to changes in markets, including variations in market rates of interest and foreign currency exchange rates. Changes in interest rates affect the following areas, among others, of our businesses: interest income and valuation; the volume of loans originated; market value of securities holdings; asset quality; and gains from sales of loans and securities.

Changes in short-term interest rates may affect interest margins quickly and, therefore, interest income and valuation, which comprises the majority of our revenue. Increases in interest rates may reduce the volume of loans we originate. Sustained high interest rates may discourage customers from borrowing and may result in increased delinquencies in outstanding loans and deterioration in the quality of assets. Increases in interest rates may reduce the value of our assets, including our financial assets and the investments we make. We hold a substantial portfolio of loans and debt securities that have both fixed and floating interest rates. In addition, we may incur costs (which, in turn, will affect our results of operations) if we implement strategies to reduce future interest rate exposure. Increases in interest rates may reduce gains or require us to record losses on sales of our loans or securities.

High interest rates have historically been common in many countries in Latin America. To the extent there are significant increases of such rates in any of the countries where we operate, our operating margins may be adversely affected and our results of operations may experience significant adverse consequences.

We are subject to legal limitations on interest rates, and future additional restrictions on interest rates or banking fees could negatively affect our profitability.

The Colombian Commercial Code limits the amount of interest that may be charged in commercial transactions, including transactions of Colombian banking operations. In the future, regulations in Colombia could impose increased limitations regarding interest rates or fees. Law No. 1430 of December 2010 authorizes the Colombian central government to impose or place limits on tariffs and fees charged by banks and other financial institutions where the government has determined that there is insufficient competition in a relevant market. Additionally, the law requires the Superintendency of Finance to implement a monitoring scheme of the tariffs and fees charged by the financial institutions in their relevant markets and to report the results of this evaluation semi-annually to the Colombian central government. A significant portion of our revenues and operating cash flow is generated by credit services and any such increased limitations would materially and adversely affect our results of operations and financial condition.

On December 20, 2011, the Colombian government used the authority granted by Law No. 1430 of 2010 and Decree 4809 of 2011 to establish caps to fees banks can charge for withdrawals from ATMs outside their own networks and own respective online services. Law No. 1555 of 2012 allows consumers of financial services to prepay obligations denominated in pesos owed to financial institutions, without incurring any penalty for loans in local currency that do not exceed an amount in pesos equivalent to 880 times the minimum monthly salary established by Colombian law. The law also requires that financial institutions to disclose the possibility of such prepayment to borrowers prior to the extension of any loan. In addition, on July 7, 2016, Law No. 1793 was enacted, which restricts financial institutions from requiring clients to maintain minimum account balances and from charging fees to check accounts balances. Through Decree 455 of 2023, the Colombian Government modified Decree 2555 of 2010 in matters related to the determination of interest rates that shall be certified by the Superintendency of Finance.

Further limits or regulations regarding banking fees and uncertainty with respect thereto could have a negative effect on our results of operations and financial condition.

Regulatory authorities may impose requirements on the ability of residents, including us, to obtain loans in foreign currency.

Under Colombian exchange control operations, the Colombian Central Bank may impose certain mandatory deposit requirements in connection with foreign currency-denominated loans obtained by Colombian residents, including us, although no such mandatory deposit requirement is currently in effect. When the peso appreciated against foreign currencies in 2008, such mandatory deposit requirement was set at 40.0% of the amounts to be disbursed under any credit facility denominated in a foreign currency. Currently, the mandatory deposit requirement is set at 0.0%, meaning that a resident in Colombia who wishes to obtain loans in foreign currency may do so without having to deposit a percentage of the principal of the loan, prior to its disbursement. This percentage may be changed by the Colombian Central Bank at any time.

Future exchange control measures or requirements imposed by the banking regulations in Colombia, such as mandatory deposit requirements in connection with foreign currency denominated loans, may adversely affect our and our clients' ability to obtain loans in foreign currency.

We are subject to burdensome requirements and risk regarding consumer protection laws.

We are subject to consumer protection laws in the countries where we operate. These laws provide, among other things, the right of consumers to receive clear, complete and reliable information about the services and products offered by financial institutions, a duty to maintain a financial ombudsman in charge of consumer protection, a duty to create a financial consumer attention center, an obligation to provide services and products under the same conditions offered to the general public, a duty to publish prices of our financial products and services as well as provide financial education about products, the market conditions and mechanisms to defend consumer rights and a prohibition on the inclusion of predatory or abusive clauses in contracts with consumers. Any violation of these laws by us could result in monetary or administrative sanctions or restrictions on our operations.

Banco de Occidente has established a division (Customer Experience) in charge of implementing the obligations and requirements established in the consumer protection regulations. Through our internal audit areas, we monitor compliance with these obligations. Reports on this topic are periodically presented to Banco de Occidente's Board of Directors.

Failure to comply with usury laws could subject us to civil and criminal penalties, and compliance with such usury laws may limit the range of services and products we are able to offer.

Loans made by us are subject to usury laws applicable in the countries where we operate. These laws impose ceilings on interest charges and possible penalties for violation of those ceilings, including restitution of excess interest, forfeiture of any interest accrued and criminal charges.

The maximum rate of interest that we may charge on corporate loans under Colombian law is limited to 1.5 times the current banking rate (*Interés Bancario Corriente*), or "IBC," which is certified by the Superintendency of Finance and calculated as the average of the interest ordinarily charged by banks within a set period of time. The IBC is calculated and certified separately for urban popular productive credit (*crédito popular productivo urbano*), rural popular productive (*crédito popular productivo rural*), urban productive credit (*crédito productivo urbano*), rural productive credit (crédito productivo rural), large-amount credit (*crédito de mayor monto*), ordinary and consumer credit (*crédito de consumo y ordinario*) and small-amount consumer credit (*crédito de consumo de bajo monto*), using data received from regulated banking institutions in Colombia. We do not intend to make loans at or in excess of the maximum rates determined by the Superintendency of Finance. However, uncertainties in determining the legality of interest rates under Colombian usury laws could result in inadvertent violations, in which case we could incur the penalties mentioned above.

Legislative or regulatory changes in existing usury laws or the methodology for calculating the maximum interest rates may lead to a lowering of the maximum rates of interest we may charge or the imposition of other lending restrictions, which could negatively affect our results of operations and financial condition. In addition, our ability to offer an expanded range of products or services to underserved market segments may be limited by our need to comply with Colombian applicable laws, as we may not be able to offer such services profitably and in compliance with such laws.

Non-cooperative or low-tax jurisdictions, and preferential tax regimes (hereinafter "NC.LTJ.PTR") could adversely affect our financial condition and results of operations.

Decree 1966 of 2014, as amended by Decree 2095 of 2014, put into effect Article 260-7 of Colombia's Tax Code, which regulates applicable rules for tax havens. Accordingly, a number of jurisdictions, including countries in which we operate, were either declared tax havens for Colombian tax purposes or temporarily excluded from such list subject to the completion of tax information exchange treaties within a short timeframe.

Article 260-7 of the Colombian Tax Code was reformed by Law No. 1819 of 2016, establishing a new legal framework pursuant to which certain jurisdictions may be classified as non-cooperative jurisdictions with low or no taxation or as jurisdictions with preferential tax regimes. This legal framework established a higher tax-withholding rate on Colombian source payments to those jurisdictions and entities considered part of such a jurisdiction.

Colombian NC.LTJ.PTR regulations, as modified pursuant to Law No. 1819 of 2016, designate 37 jurisdictions as NC.LTJ.PTR for Colombian tax purposes, although none of Panama, United Arab Emirates, Cayman Islands, British Virgin Islands or Barbados were included on this list. As a result of the NC.LTJ.PTR regulations, our clients who are residents in such jurisdictions could be subject to:

- higher withholding tax rates including a higher withholding rate on interest and dividends derived from investments in the Colombian securities market;
- the transfer pricing regime and its reporting duties;
- enhanced ability on the part of Colombian authorities to qualify conduct as abusive under tax regulations;

- non-deductibility of payments made to such residents or entities located in NC.LTJ.PTR, unless the required tax amount has been withheld; and

- additional information disclosure requirements.

As a result, some of our clients with financial products in such jurisdictions may experience, among other effects, an increase in their withholding tax rates, transfer pricing regulation, an increased likelihood of being found in violation of tax regulations by the Colombian authorities and elevated information disclosure requirements which could have a material adverse effect on our business, financial condition and results of operations.

Colombia and Panama signed a memorandum of understanding which establishes that both countries will negotiate a treaty for the avoidance of double taxation and the exchange of information and have advanced negotiations. However, as of the date of this offering memorandum, the treaty had not entered into force. If the Colombian government designates Panama or any other jurisdictions in which we operate as a NC.LTJ.PTR, such designation could have a negative impact on our customer base and on our business, financial condition and results of operations.

Our businesses may face constitutional actions, class actions and other legal actions involving claims for significant monetary awards against financial institutions, which may affect our businesses.

Under the Colombian constitution, individuals may initiate constitutional actions, or class actions to protect their collective or class rights, respectively. Financial institutions, including us and our subsidiaries, have been, and continue to be, subject to these actions with regard to fees, financial services, residential lending and interest rates, the outcomes of which are uncertain. In addition, the number of such actions could increase in the future and could significantly affect our businesses.

We may not be able to manage our growth successfully.

As we continue to grow, we must improve our operational, technical and managerial knowledge and compliance systems in order to effectively manage our operations across the expanded group. Failure to integrate, monitor and manage expanded operations could have a material and adverse effect on our reputation and financial results. Our future growth will also depend on our access to internal and external financing sources. We may be unable to access such financing on commercially acceptable terms or at all.

We may need additional capital in the future, and may not be able to obtain such capital on acceptable terms, or at all.

In order for us to grow, remain competitive, participate in new businesses, or meet regulatory capital adequacy requirements in the countries where we operate, we may require new capital in the future. Moreover, we may need to raise additional capital in the event of large losses in our total loan portfolio that result in a reduction of our shareholders' equity. Our ability to obtain additional capital in the future is subject to a variety of uncertainties, including: our future financial condition, results of operations and cash flows; any necessary corporate or government regulatory approvals; any changes on applicable regulation; general market conditions for capital raising activities by commercial banks and other financial institutions; and economic, political and other conditions in Colombia and elsewhere. We may not be able to obtain additional capital in a timely manner or on acceptable terms or at all.

We are susceptible to fraud by employees or outsiders, unauthorized transactions by employees and other operational errors, and the failure of our system of internal controls to discover and rectify such matters could have a material adverse effect on our business, financial condition and results of operations.

As with other financial institutions, we are susceptible to, among other things, fraud by employees or outsiders, unauthorized transactions by employees, failure to properly document transactions, failure to comply with regulatory requirements, breaches of conduct of business rules, equipment failures, natural disasters, failure of external systems and other operational errors (including clerical or record-keeping errors and errors resulting from faulty computer or telecommunications systems). Given the high volume of transactions that may occur at a financial institution, errors could be repeated or compounded before they are discovered and rectified. In addition, a number of our banking transactions are not fully automated, which may further increase the risk that human error or employee tampering will result in losses that may be difficult to detect quickly or at all.

While we believe that we maintain a system of internal controls designed to monitor and control operational risk, we cannot assure you that our system of internal controls will be effective. Losses from the failure of our system of internal controls to discover and rectify such matters could have a material adverse effect on our business, financial condition and results of operations. Our business depends on our ability to process large numbers of transactions efficiently and accurately. Our and our parent's currently adopted procedures may not be effective in controlling each of the operational risks we face.

Failure of our information systems could materially and adversely affect the effectiveness of our risk management and internal control processes as well as our results of operations and financial condition.

We rely heavily on the ability to collect and process, on a timely basis, large amounts of financial and other information, as well as services and products, at a time when transaction processes have become more complex with volumes growing.

Our ability to remain competitive in the marketplace will depend in part on our ability to upgrade technology infrastructure in a timely and cost-effective manner. We must continually make significant investments and improvements in our information technology infrastructure to remain competitive and to ensure the proper functioning of financial control, accounting and other data collection and processing systems. As we open new branches or release new products or services to customers, we need to improve our information technology infrastructure, including maintaining and upgrading our software and hardware systems, as well as our back-office operations.

A partial or complete failure of any of the systems could materially and adversely affect our decision-making process, risk management and internal control systems, as well as our ability to respond timely to changing market conditions and could harm our reputation or materially and adversely affect our results of operations and financial condition. We may experience operational problems with our information systems as a result of system failures, viruses, computer "hackers" or other causes. A major disruption or slowdown of our systems could cause information, including data related to customer requests, to be lost or delivered to our customers with delays or errors, which could reduce demand for our services and products and could materially and adversely affect our results of operations and financial condition.

We rely on information systems to operate our websites, provide online banking and mobile banking services, process transactions, respond to customer inquiries in a timely manner and maintain profitable operations.

Our policies and procedures may not be able to detect money laundering and other illegal or improper activities fully or on a timely basis, which could expose us to fines and other liabilities.

We are required to comply with applicable anti-money laundering, anti-terrorism financing laws and other regulations. These laws and regulations require us, among other things, to adopt and enforce "know your customer" policies and procedures and to report suspicious or large transactions to the applicable regulatory authorities. While we have adopted policies and procedures aimed at detecting and preventing the use of our banking networks for money laundering activities and by terrorists and terrorist-related organizations and individuals generally, such policies and procedures have in some cases only been recently adopted and may not completely eliminate instances where they may be used by other parties to engage in money laundering and other illegal or improper activities.

To the extent that we fail to fully comply with applicable laws and regulations, the relevant government authorities to which we report have the power and authority to impose fines and other penalties. Furthermore, such measures, procedures and compliance may not be completely effective in preventing third parties from using us as a conduit for money laundering or terrorist financing without our knowledge. If we were to be associated with money laundering (including illegal cash operations) or terrorist financing, our reputation could suffer and/or we could become subject to fines, sanctions or legal enforcement (including being added to any "blacklists" that would prohibit certain parties from engaging in transactions with us), which could have a material adverse effect on our business, financial condition and results of operations.

Banking regulations, accounting standards and corporate disclosure applicable to us differ from those in the United States and other countries.

Colombian banking regulations can differ in a number of material respects from regulations applicable to banks in other countries, including those in the United States. See "Banking Regulation." Accounting principles in Colombia and the United States also differ. Banco de Occidente prepares its consolidated financial statements in accordance with Colombian Banking IFRS, which differs in significant respects from U.S. GAAP and from IFRS. Thus, Colombian financial statements and reported earnings may differ from those of companies in other countries.

In addition, there may be less publicly available information about us than is regularly published by or about U.S. issuers or issuers in other countries.

Our financial results may be negatively affected by changes to accounting standards.

We report our results and financial position in accordance with Colombian Banking IFRS. Changes to Colombian Banking IFRS or interpretations thereof may cause our future reported results and financial position to differ from current expectations, or historical results to differ from those previously reported due to the adoption of accounting standards on a retrospective basis. Such changes may also affect our regulatory capital and ratios. We monitor potential accounting changes and when possible, we determine their potential impact and disclose significant future changes in our audited consolidated financial statements that we expect as a result of those changes.

Competition and consolidation in the banking and financial markets where we operate could adversely affect our market position.

We operate in a competitive market. Since the 1990s, when the Colombian financial system was deregulated, there has been an ongoing process of consolidation that has included foreign bank participants entering the market. We expect that consolidation to lead to the creation of larger local financial institutions, including additional foreign banks, presenting the risk that we could lose a portion of our market share in the industry, affecting our results of operations.

Our ability to maintain our competitive position depends mainly on our ability to anticipate and fulfill the needs of new and current customers through the development of innovative services and products, and our ability to offer adequate services and strengthen our customer base through cross-selling. Our businesses will be adversely affected if we are unable to retain current customers and attract new ones. In addition, our efforts to offer new services and products may not succeed if product or market opportunities develop more slowly than expected or if the profitability of these opportunities is undermined by competitive pressures.

Instability in global or local banking and financial systems could have a material adverse effect on our business, financial condition and results of operations.

Recent developments that indicate stress in international banking and financial systems, such as the recent receivership of Silicon Valley Bank and Signature Bank in the United States and the rescue and acquisition of Credit Suisse by UBS and Swiss regulators in Europe, could adversely affect confidence in banking systems, including in Colombia, which could cause our customers to withdraw or limit their deposits and increase our cost of capital. Additionally, actions by central banks in other countries could adversely impact our operations to the extent that we are unable to benefit from them. For example, the recent announcement by several central banks, including the Bank of Canada, the Bank of England, the Bank of Japan, the European Central Bank, the Federal Reserve, and the Swiss National Bank of coordinated action to enhance the provision of liquidity via the standing U.S. dollar liquidity swap line arrangements, intended to mitigate liquidity concerns in the jurisdictions that benefit from them, could lead international investors to limit or withdraw capital from banks in other jurisdictions that do not benefit from similar protections, which could impede our access to or increase the cost of foreign capital. Any such developments, particularly in Colombia, could materially adversely impact our business, financial condition and results of operations.

We may be required to raise additional capital or funding in the future to maintain regulatory capital ratios and provide liquidity to meet commitments and business needs, particularly if asset quality or earnings were to deteriorate.

Adverse changes in global or local financial systems could increase the cost of funding in the capital markets or borrowings or reduce the feasibility of refinancing existing debt or issuing new equity or debt required to finance our future projects. Our ability to raise deposits may also be impacted by a change in global or local financial systems, which could make us less successful when competing for deposits or preclude us or our subsidiaries from receiving funds from institutional investors, governments, governmental entities, or other providers of deposits and other funding.

Any occurrence that may limit our access to capital and funding, such as instability in global or local financial systems, or a decline in the confidence of debt purchasers, depositors, or counterparties in the capital markets may adversely affect our capital costs, ability to raise capital or funding, and liquidity. Moreover, we may need to raise capital when many other financial institutions are also seeking to raise capital, which, in turn, would require us to compete with numerous other institutions for investors. An inability to raise additional capital on acceptable terms, when needed, could have a materially adverse effect on our financial conditions and results of operations.

We face risks related to regulatory asymmetries.

Regulation of financial institutions varies across the different jurisdictions in which we plan to operate.

These differences are particularly pronounced in the assessment of credit risk and investments. These asymmetries may affect the expected results of operations in each jurisdiction, and as a consequence could adversely affect Banco de Occidente's consolidated results of operations.

We depend on our president and our senior management and Grupo Aval's senior management and Board of Directors, and the loss of their services could have an adverse effect on our business.

We are highly dependent on our CEO, Mr. Gerardo Silva (67 years old), and our senior managers. Our senior managers are responsible for implementing strategies and for the day-to-day management of our operations. Although we do not have a mandatory retirement age, members of our senior management are not obliged to remain employed with us.

In addition, we are highly dependent on Grupo Aval's senior management teams and Board of Directors, all of whom possess considerable experience and expertise and have strong relationships with customers and participants in the Colombian banking industry and on our business.

The loss of the services of our president or any of the members of our senior management, or of Grupo Aval's senior management and the members of its Board of Directors, could have an adverse effect on our business.

Accordingly, our success is dependent on appropriately managing the risks related to executing a succession plan for our president and senior management and for Grupo Aval's senior management and the members of its Board of Directors on a timely basis.

We are subject to reputational risk, and our reputation is also closely tied to that of Grupo Aval's controlling shareholder, senior management and the members of its Board of Directors.

Damage to our reputation may limit our ability to attract customers, employees and investors. Harm to our reputation can arise from employee misconduct, legal and regulatory non-compliance, ethical issues, allegations of money laundering, and failing to deliver minimum standards of service and quality, among others. In particular, our success has been attributable, in part, to the high esteem in which Grupo Aval's shareholder Mr. Sarmiento Angulo, president Mr. Sarmiento Gutiérrez, senior management and members of its Board of Directors are held in Colombia. Reputation plays an integral role in our business operations, which are based on customer confidence and trust. If the public image or reputation of any of the foregoing, Grupo Aval or any of our subsidiaries is damaged as a result of negative publicity or otherwise, business relationships with customers of the entire group may deteriorate, which would adversely affect our results of operations and financial condition. Any perceived or real difficulties experienced by any one of our subsidiaries, or Grupo Aval's subsidiaries, could harm our reputation and the reputation of Grupo Aval as a whole, which could have an adverse effect on our results of operations and financial condition.

We are controlled by Grupo Aval, which is controlled by Mr. Sarmiento Angulo, and their interests could differ from the interests of holders of the notes.

As of April 8, 2024, Mr. Sarmiento Angulo beneficially owned 97.8% of the common shares outstanding and 45.4% of the preferred shares outstanding of Grupo Aval, our parent, which, in turn, owned 72.27% of our shares.

See "Principal Shareholders." As of April 8, 2024, Mr. Sarmiento Angulo also beneficially owned 13.3% of our common shares in addition to his interest in Grupo Aval. Accordingly, Grupo Aval and Mr. Sarmiento Angulo control us.

Circumstances may occur in which our controlling shareholder or Mr. Sarmiento Angulo have an interest in pursuing transactions that, in their judgment, enhance the value of their several investments in the banking sector. These transactions may not necessarily be in Banco de Occidente's interest or that of our noteholders. Due to their control, Grupo Aval and Mr. Sarmiento Angulo have, and will continue to have, the power to:

- elect a majority of our directors and appoint our executive officers, set our management policies and exercise overall control over our company and subsidiaries;
- agree to sell or otherwise transfer their controlling stakes in our company; and

- determine the outcome of substantially all actions requiring shareholder approval, including transactions with related parties, corporate reorganizations, acquisitions and dispositions of assets, and dividends.

We plan to engage in additional transactions with our controlling shareholder in the future, including repaying debt due to our controlling shareholder.

We engage in business and financial transactions with our controlling shareholder and other shareholders that may create conflicts of interest between our company and these shareholders. While we believe that these transactions will be carried out on an arm's-length basis, commercial and financial transactions between us and our controlling shareholder or Mr. Sarmiento Angulo could create the potential for, or could result in, conflicts of interests between us, our controlling shareholder or Mr. Sarmiento Angulo. To the extent that the price we may pay for any assets acquired from our controlling shareholder or Mr. Sarmiento Angulo exceeds the market value of such assets or is not as productive a use of our cash as other uses, our results of operations and financial condition could be adversely affected.

Global or regional health pandemics or epidemics, such as COVID-19, could negatively impact our business, financial position and results of operations.

In March 2020, the World Health Organization (WHO) declared the COVID-19 outbreak a pandemic. This unprecedented event forced governments around the world to take important measures to mitigate contagion, such as the closure of international borders, severe mobilization restrictions and lockdowns. As a result, global gross domestic product (GDP) contracted sharply in the second quarter of 2020 (the largest decline since the Great Depression of 1929).

Major disruptions for exchange rates and global capital flows were triggered by the pandemic. The value of emerging markets currencies against the U.S. dollar, including those from Latin America, dropped substantially. The Brazilian real (BRL), Mexican Peso (MXN), Colombian Peso (COP) and Chilean Peso (CLP) all reached historic lows against the U.S. dollar at the beginning of the pandemic. The last two, COP and CLP, have recently depreciated to historical new lows.] To mitigate the negative economic effects of the pandemic, governments around the globe made ample use of drastic fiscal measures that consisted of additional spending or forwent revenue, including direct transfers and tax relief measures, and provided liquidity support, through loans and government guarantees. In addition, central banks delivered massive monetary stimulus by reducing policy rates to or close to zero or negative rates in most developed and emerging economies and announcing quantitative easing programs to purchase sovereign and corporate bonds.

These measures, however, came with a cost. Lower economic growth and higher spending weakened debt metrics significantly and caused credit rating agencies (CRAs) to issue many sovereign downgrades.

The emergence, severity, magnitude and duration of global or regional pandemics, epidemics or other health crises are uncertain and difficult to predict. A pandemic, such as COVID-19, or other epidemic or contagious disease outbreak could impact our business operations, demand for our products and services, costs of doing business, access to inventory, the extent and duration of measures to try to contain the spread of a virus or other disease (such as travel bans and restrictions, quarantines, shelter-in-place orders, limitations on large gatherings, business and government shutdowns and other restrictions on retailers), our ability to predict future performance, exposure to litigation and our financial performance, among other things. Other factors and uncertainties may include, but are not limited to: the severity and duration of pandemics, epidemics or other health crises, including disease outbreaks in areas in which we and our suppliers operate; increased operational costs; evolving macroeconomic factors, including general economic uncertainty, unemployment rates and recessionary pressures; unknown consequences on our business performance and initiatives stemming from the substantial investment of time, capital and other resources to a pandemic or other health crisis response; the effectiveness and extent of administration of vaccinations and medical treatments; the pace of recovery when any such pandemic or other health crisis subsides; and the long-term impact of a pandemic or other health crisis on our business, including consumer behaviors. These risks and their impacts are difficult to predict and could otherwise disrupt and adversely affect our financial condition, results of operations, cash flows, prospects and/or our ability to repay the notes.

To the extent that a future pandemic or epidemic occurs, such events may also heighten other risks described in this section, including but not limited to those related to consumer behavior and expectations, competition, our reputation, implementation of strategic initiatives, cybersecurity threats, payment-related risks, technology systems disruption, supply chain disruptions, labor availability and cost, litigation and regulatory requirements.

Risks relating to Colombia

Adverse economic, political and social conditions in Colombia, including variations in exchange rates or downgrades in credit ratings of sovereign debt securities, may have an adverse effect on our results of operations and financial condition.

The majority of our operations, assets and customers are located in Colombia. As of and for the year ended December 31, 2023, our Colombian operations accounted for 93.29% of Banco de Occidente's consolidated assets and 96.65% of our income from interest and valuations before accounting for eliminations for consolidation. Consequently, our results of operations and financial condition are materially affected by economic, political and social conditions in Colombia.

Colombia is subject to economic, political and other uncertainties, including changes in monetary, exchange control and trade policies that could affect the overall business environment in Colombia, which would, in turn, affect our results of operations and financial condition. The current monetary policy implemented by the Colombian Central Bank resulted in sharp subsequent increases of the benchmark interest rates. Net interest margins for our retail portfolios have contracted as a result of the above, as we have been unable to immediately or fully pass through higher interest rates to our customers, and cost of interest-bearing liabilities has increased more than the interest income we earn on retail loans. In addition, higher rates have pressured asset quality, as they affect our borrowers' payment capacity under a macroeconomic context of lower economic activity and high inflation. Exchange rate volatility could also negatively affect the foreign currency positions of our borrowers, or our subsidiaries' solvency, liquidity or profitability. Due to the fact that a large percentage of the costs and expenses of our subsidiaries is fixed, and that the speed at which changes in interest rates charged to our customers can be adjusted may differ from that at which our cost of funds may vary, we may not be able to reduce costs and expenses or transfer an increase in our costs to our customers while the occurrences of any of these events adversely affect the Colombian economy, in which case our profitability could be further adversely affected.

Furthermore, the implementation of certain public policies may result in social unrest reflected in protests, vandalism or strikes against such policies. Similarly, amidst these protests, participants may attack and cause damages to some of our bank branches, block access to some of the offices of our entities, or cause disruptions to the mobility of our employees, preventing us from developing our business during those periods and cause temporary economic disruptions in our business.

Colombia's fiscal deficit and growing public debt could also adversely affect the Colombian economy. The Colombian fiscal deficit (measured as the government revenues less non-interest expenditures as a percentage of nominal GDP) was approximately 4.25% in 2023 and 5.28% in 2022. As of December 31, 2023, the public debt was approximately U.S.$226.4 billion, representing 55.00% of GDP. According to the 2023 Fiscal Framework Medium Term (*Marco Fiscal de Mediano Plazo 2023*) published by the Colombian Ministry of Finance, the fiscal deficit target for 2024 is 4.50%.

The Colombian parliamentary elections were held on March 13, 2022, the results of which suggested a fragmented Congress despite leftwing parties increasing their overall representation. On August 7, 2022, Gustavo Petro was sworn in as the new President of Colombia. During his presidential campaign, President Petro indicated support for certain changes to Colombian oil exploitation policies to make Colombia less dependent on the oil industry and to accelerate the transition to cleaner energy sources, as well as support for pension and tax reforms.

On October 29, 2023, Colombian regional elections were held, and candidates from diverse political backgrounds and parties that have traditionally been in power emerged victorious in the primary mayoral and gubernatorial races. Carlos Fernando Galan secured the election for Mayor of the District Capital of Bogotá with over 48% of the votes. This shift in the political landscape may have significant implications in the implementation of public policies and the relationship with other governmental authorities. Although throughout recent history elected governments (and the Colombian Congress as well) have pursued free market economic policies with almost no economic interventions, we cannot predict which policies, if any, will be adopted by the new government and/or congress and whether those policies would have a negative impact on the Colombian economy or our business and financial performance.

Law No. 2155 of 2021 modified the income tax rate for legal entities to 35% starting in 2022. Similarly, a new tax reform bill was sanctioned by President Petro as Law No. 2277 of 2022 on December 13, 2022. The law is expected to increase tax collection to approximately COP 20 trillion by the end of 2023 (approximately 3% of the country's GDP). The tax reform includes, among others:

- a new permanent equity tax applicable to Colombian individuals and non-residents, at rates ranging from 0.5% to 1.5% based on the level of net equity on January 1st every year;

- an increase in the dividend tax rate for local and foreign shareholders (0% to 39% progressive marginal rates for Colombian individuals, and 20% flat withholding for non-resident shareholders);

- an increase in the long-term capital gains tax rate (increasing from 10% to 15%);

- the elimination of specific tax benefits and exemptions;

- a minimum corporate income tax based on effective tax rate (effective rate calculated on book profit should be at least 15%, considering certain adjustments to accounting profits and certain exempted companies);

- the application of taxes based on significant economic presence (primarily for non-resident persons and entities that provide digital services, but including other services and commercial activities);

- the elimination of the ability to claim the Industry and Trade Tax as an income tax credit;

- until 2027, a five-point income tax surtax for financial institutions, insurance and reinsurance entities and several other companies in the financial market that made more than approximately U.S.$1,351,059 in a given fiscal year; and

- non-deductibility of royalties, but note that the Constitutional Court declared this non-deductibility rule unconstitutional and, consequently, taxpayers are now allowed to deduct said royalties; and

- the modification of Article 221 of Law No. 1819 of 2016, with an adjustment to the taxable event and establishing that the national carbon tax will be levied on the carbon equivalent content (CO2eq) of all fossil fuels, including all petroleum derivatives, fossil gas and solids used for combustion.

Additionally, Law No. 2277 of 2022 introduced changes in the withholding tax rate on dividends and the minimum tax rate. It also introduces the wealth tax (*impuesto al patrimonio*) for individuals and increases the income tax rate to 15%.

Additionally, in March 2023 the Colombian government presented a bill for a pension reform (which restructures the pension system into a “pillar system” that manages and assigns funds in accordance with age, the condition of the affiliates, among others, as well as changes to pension schemes applicable to women). One of the major modifications that the pension reforms seek to introduce is that the first 2.3 minimum wages earned will be included as part of the public pension system mandatorily, which would severely decrease the funds for private pension funds. The pension reform was recently approved by the Senate of Colombia and will be discussed by the chamber of Representatives in the Congress of Colombia.

The bill for the National Development Plan was approved by the Congress of Colombia on May 5, 2023 (Law No. 2294 of 2023). As of the date hereof, it is unclear how these bills could affect the Colombian economy or our business and our related companies’ business. The National Development Plan, regarding the financial and banking sector, mainly seeks to promote major financial inclusion. This objective will be achieved through the implementation, through public banking, of credit access for women, young people and small companies. On the other hand, the Unit for Financial Regulation has established, among others, the following reforms to be implemented during 2024: (i) implementation of immediate payments to low value payment systems, (ii) implementation of the right for financial mobility for financial consumers, and (iii) open data for financial information.

In August 2023, the Labor Ministry of Colombia presented a bill for a labor reform which privileges the hiring of employees through indefinite term employment agreements, increases the severance payment in cases of unilateral termination of the employment agreement by the employer, modifies the hours after which nighttime surcharges become due, among other relevant provisions. The labor reform is subject to potential supplementation or rejection during the congressional debates. We cannot predict the impact or effect of this new regulation on our or our related companies’ business, financial condition and results of operations. During the last week of September 2023, in the middle of public congregations held in the capital of the country, President Petro addressed the public in a speech where he stated that the government intended to present a bill to reform the applicable regulation to public utilities in Colombia, in particular on the tariffs. As of the date hereof, it is unclear how this reform could affect the Colombian economy or our business and our related companies' business.

We cannot predict what policies will be further adopted by the Petro administration, or whether those policies would have a negative impact on the Colombian economy, our business, or the market value of the notes. It is also possible that political uncertainty may adversely affect Colombia's economic situation. Social and political instability in Colombia or other adverse social or political developments in or affecting Colombia could adversely affect our business, financial condition and result of operations, as well as market conditions and prices for the notes. These and other future developments in the Colombian political or social environment may cause disruptions to our businesses and adversely affect our financial condition or results of operations.

The government of Colombia has historically exercised substantial influence on the local economy, and governmental policies are likely to continue to have an important effect on Colombian entities (including us), market conditions and the prices of the securities of local issuers, including the notes. For example, the Colombian Central Bank could sharply raise or lower interest rates, which could negatively affect our net interest income and valuation and our asset quality, and also restrict our growth. The president of Colombia has considerable power to determine governmental policies and actions relating to the economy, and may adopt policies that may negatively affect us. Our business and results of operations or financial condition may be adversely affected by changes in government or fiscal policies, and other political, diplomatic, social and economic developments that may affect Colombia.

As stated above, the political, economic and social environments are affected by many different factors, including significant governmental influence over local economies, substantial fluctuations in economic growth, high levels of inflation, exchange rate movements, exchange controls or restrictions on expatriation of earnings, high domestic interest rates, civil strife, political instability, drug trafficking and other forms of organized crime, wage and price controls, changes in tax policies, imposition of trade barriers, changes in the prices of commodities and unexpected changes in regulation.

Adverse economic, political and social developments, including allegations of corruption against the Colombian government or Colombian corporations, may adversely affect demand for financial services and create uncertainty regarding our operating environment, which could have a material adverse effect on our subsidiaries and, consequently, on our company.

Exchange rate volatility may adversely affect the Colombian economy and our ability to make interest and principal payments on the notes.

Pursuant to Colombian law, the Colombian Central Bank has the power to intervene in the exchange market in order to consolidate or dispose of international reserves, as well as to control any volatility in the exchange rate, acting through a variety of mechanisms, including discretionary ones. In recent years, the Colombian Central Bank has set a floating exchange rate system with periodic interventions. Recently, there have been significant fluctuations in the exchange rate between the peso and the dollar. For example, the peso depreciated approximately 38.8% against the dollar between January 1, 2014 and December 31, 2015. Although the exchange rate between the peso and the dollar remained relatively stable during 2016 and 2017 at an average exchange rate of COP 3,050.71 and 2,951.22, respectively (calculated by using the average of the exchange rates on the last day of each month for each year) to U.S.$1.00, the exchange rate depreciated 8.9% in 2018 and 0.8% in 2019, as the year ended with an exchange rate of COP 3,249.75 and 3,277.14 per U.S.$1.00, respectively. During 2020, due to the COVID-19 crisis, the peso experienced significant volatility which resulted in a depreciation of 12.6% when considering the period between February 29, 2020 and April 30, 2020, as the exchange rate at the end of that period was COP 3,983.29 per U.S.$1.00, respectively. During 2021, 2022 and 2023, the average exchange rate between the peso and the dollar was COP 3,746.29, COP 4,264.86, and COP 4,332.24 per U.S.$1.00, respectively. At March 31, 2024, the exchange rate was COP 3,842.30 per U.S.$1.00. We cannot guarantee the stability of the exchange rate during the term of the notes.

Unforeseen events in international markets (such as the impact on the world economy resulting from the COVID-19 crisis) and the volatility of oil prices, fluctuations in interest rates, changes in capital flows, political developments or inflation rates may cause exchange rate instability that could, in turn, depress the value of the peso against the dollar, which could adversely affect our ability to make principal or interest payments on the notes, as these obligations are denominated in dollars, while our operations are primarily conducted in pesos. Given that a portion of our assets and liabilities are denominated in, or indexed to, foreign currencies, especially the dollar, sharp movements in exchange rates may negatively impact our results. We cannot assure you that the peso will not depreciate or appreciate relative to other currencies in the future.

Any downgrade in the credit rating of Colombia could impact the rating of the notes or adversely affect the market price of the notes.

Colombia's long-term public external indebtedness is rated as investment grade by S&P, Moody's and Fitch. In December 2017, S&P downgraded the rating of its long-term foreign currency sovereign credit ratings on Colombia from "BBB" to "BBB-," on the grounds of Colombia's weakened fiscal and external profiles generating diminished policy flexibility.

In February 2018, Moody's Investors Services affirmed its Baa2 sovereign rating for Colombia but lowered its outlook from stable to negative. According to Moody´s, the uncertainty surrounding the country's upcoming elections, challenges adhering to the so-called fiscal rule, and the risk of economic growth remaining below potential were the key reasons for the negative outlook. Moody's cited the risk that the new government may have a "weak mandate" that prevents it from adopting additional fiscal measures to preserve Colombia's fiscal strength. Moody's has had a positive outlook since May 23, 2019.

In November 2019, Fitch affirmed Colombia's long-term foreign currency issuer default rating at BBB. The negative outlook reflects continued risk to fiscal consolidation and the trajectory of government debt, the weakening of fiscal policy credibility, and increasing external vulnerabilities derived from higher external imbalances and rising indebtedness.

On October 29, 2020, S&P reaffirmed a negative outlook on Colombia's long-term foreign currency issuer default rating. Furthermore, on November 6, 2020, Fitch Ratings maintained Colombia's long-term foreign currency issuer default rating at BBB- with a negative outlook.

On May 19, 2021, S&P downgraded the country's credit rating from BBB- to BB+. Then, on July 1, 2021, Fitch also downgraded the credit rating from BBB- to BB+. Consequently, with two out of the three agencies rating below investment grade, Colombia lost its investment-grade status and moved to speculative grade. These decisions by the two agencies occurred amid a context where the tax reform was withdrawn from Congress, there were social protests, and there was excess spending due to the pandemic, leading the agencies to consider that the country's fiscal adjustment would be more prolonged and gradual than anticipated.

On January 18, 2024, S&P Global Ratings revised the outlook on its long-term ratings on Colombia to negative from a prior stable and affirmed rating at BB+. According to S&P, the outlook is negative because investor confidence is weak, a sentiment that poses risks to GDP growth. In addition, Moody's, Fitch and S&P maintain the rating but explain that Colombia is at the limit of the fiscal rule with potential risks from lower revenues or higher spending.

We cannot assure you that Colombia's credit rating or rating outlook will not be downgraded in the future. If a negative change in the outlook or rating for Colombia occurs, it could have a material adverse effect on the market price of the notes, our business, financial condition and results of operations.

The Colombian economy remains vulnerable to external shocks.

Economies in Latin America are expected to see a contraction in growth, being impacted by climatic factors and by lower export receipts, given the expected contraction in growth and reduced demand for commodities by developed countries. The year 2023 left a scenario of conflict in various regions of the world. This can generate difficulties at the global level on different fronts, international trade, and diplomatic relations between countries, affecting emerging economies, such as Colombia and its Latin American counterparts. On the other hand, global tensions have resulted in increased oil prices with a positive impact on the country's trade balance, improving the inflow of foreign currency to the government and companies in the oil sector.

International monetary policies have also had a significant impact on decisions on local interest rates, increasing the cost of new financial products. The Federal Reserve has kept rates unchanged and has sent a message to the market that the situation will continue to be analyzed in favor of a contractionary monetary policy. These factors pose challenges to the country's economic growth and could directly and materially impact the performance of our entities in terms of growth and financial risk.

Unemployment continues to be high in Colombia compared to other economies in Latin America. We cannot assure you that growth achieved over the past decade by the Colombian economy will continue in future periods. In addition, the effect on consumer confidence of any actual or perceived deterioration in the Colombian economy may have a material adverse effect on our results of operations and financial condition.

The year 2023 saw record high inflation, reaching a maximum of 13.34%. This inflation led the Colombian Central Bank to maintain a contractionary monetary policy for most of the year, only relaxing it before the end of the year. Inflation responded to the contractionary monetary policy, standing at 9.28% as of December 2023, with the monetary policy rate at 13.00%. The year 2024 could be challenging for the Colombian economy if a scenario materializes where an early easing of monetary policy was to combine with weather conditions, such as the current extreme heatwave ("El Niño") and expected heavy rains later during the year ("La Niña"), which in turn could rekindle inflationary pressures. On the other hand, a sustained contractionary monetary policy could negatively affect the economy's growth prospects, which are already below the country's potential GDP growth metrics.

Recently, a wave of protests has taken place in several countries of Latin America, including Colombia, demanding social reforms to pension and retirement regimes, access to health care, access to education, environmental protection, and taking measures against inequality, among others. Such events could have an adverse effect in the economies of the countries where they are taking place or in other countries in which we operate. This could have a material adverse effect on our business, results of operations, financial condition and ability to make payments on the notes.

Colombian government policies could significantly affect the economy and, as a result, our financial condition.

We have no control over the extent and timing of government intervention and policies. The investment and security climate in the country will continue to be tied to how the results and performance of the incumbent administration and the application of its economic, security and social policies are perceived by foreign investors.

Interest rates were raised significantly in 2023 by the Colombian Central Bank to control inflation, rising up to 13.25% in February 2023. The rates have begun to decrease in 2024 and are currently at 12.25%.

Colombia has experienced and continues to experience internal security issues that have had or could have a negative effect on the Colombian economy.

Colombia has experienced internal security issues, primarily due to the activities of paramilitary and guerrilla groups, such as the National Liberation Army (*Ejército de Liberación Nacional*), or "ELN," urban militias, former members of the Revolutionary Armed Forces of Colombia (*Disidencias de las Fuerzas Armadas Revolucionarias de Colombia*), or "FARC," and drug cartels. These groups have exerted influence over the local population and funded their activities by protecting and rendering services to drug traffickers. Any breakdown in peace, renewed or continuing drug-related crime or guerilla and paramilitary activities may have a negative impact on the Colombian economy in the future. Our business or financial condition could be adversely affected by rapidly changing economic or social conditions, including any peace negotiation with guerilla, paramilitary or other groups, which may result in legislation that increases our tax burden, or that of other Colombian companies, which could, in turn, impact the overall economy.

The Colombian government, under the authority granted by the Colombian Congress under the Total Peace Law ("*Ley de Paz Total*"), is proposing to cease hostilities between the Colombian army and various illegal groups and has started negotiating several peace agreements with illegal groups, including various drug trafficking organizations, such as the "*Grupos Armados Organizados*", or "GAOs." The outcome of these negotiations remains uncertain. While some announcements regarding a ceasefire have been made, an unsuccessful conclusion of these agreements could adversely impact the Colombian economy and social stability. Furthermore, rising violence and crime could erode consumer and investor confidence, negatively affecting the business climate and economic growth. Consumer confidence is particularly vulnerable as long as these illegal groups continue to operate.

A failed implementation of the peace agreements with the FARC may affect Colombia's security and our operations.

Although the Colombian government and FARC signed a peace agreement on November 24, 2016, incidents of terrorism may have a negative impact on business, financial condition and results of operations of us, our consolidated subsidiaries and our related companies and our ability to make payments under the notes could be adversely affected.

Nonetheless, the process of implementation entails some risks that may affect our operations in the future, such as the emergence of new criminal structures composed of dissident members of the FARC and the resulting increase in criminal activity, especially in urban areas, new requests for restitution of land stripped during the conflict, areas with high presence of antipersonnel mines, the formation of a new political party composed by former guerrillas, along with the emergence of new political forces throughout regions where we operate, and the strengthening of social pressure groups.

Should any of these risks materialize, it could lead to a scenario of socio-political instability, which may increase demands for social and economic investment to the companies operating in the same sectors such as us.

In addition, the peace agreement reached with the FARC may be modified by current or future governments. Although the Colombian Congress has approved certain regulations implementing the final peace agreement, including laws governing the Special Peace Justice System (*Jurisdicción Especial para la Paz*), laws enacted by the Colombian Congress in this regard may differ from the provisions of the peace agreement. If there are deviations from the peace agreement, there can be no assurance that criminal actions will not escalate in Colombia. The peace agreement signed with the FARC could result in the enactment of new laws and regulations, whose impact on our operations is unpredictable. The implementation of the peace agreement with the FARC will require the enactment of new laws and regulations, which may impact our activity in ways we cannot anticipate. The impact of such new legislation is still unknown, and further regulations may be required for such legislation to be implemented. New laws or regulations enacted in connection with the implementation of the peace agreement may impact our activity and may have a negative effect on our and our related companies' financial condition and results of operations and our ability to repay the notes. Furthermore, the scope of the rulings issued under the Special Peace Justice System (*Jurisdicción Especial para la Paz*) and their potential impact on us are unknown.

New peace agreements with multiple illegal armed groups may result in the enactment of new laws and regulations, the impact of which on our operations is unpredictable.

The implementation of the new peace agreements with multiple illegal armed groups, including the ELN, could require the enactment of new laws and regulations, including constitutional reforms, which may impact our activity in ways we cannot anticipate. New laws or regulations enacted in connection with the implementation of the peace agreements with multiple illegal armed groups may impact our activity and may have an adverse effect on our financial condition and results of operations and our ability to repay the notes. Furthermore, the scope of the rulings issued under new peace agreements and their potential impact on Banco de Occidente are unknown.

We and our affiliates and subsidiaries are subject to anti-corruption laws and other laws in the jurisdictions in which we operate, and violation of these regulations could harm our business.

We and our affiliates and our subsidiaries are subject to numerous, and sometimes conflicting, legal regimes on matters as diverse as anti-corruption, taxation, internal control and disclosure obligations, securities and derivatives regulation, anti-competition regulations, data privacy and labor relations. Compliance with diverse legal requirements is costly, time-consuming and requires significant resources. Violations of one or more of these regulations in the conduct of our business or the business of our subsidiaries could result in significant fines, criminal sanctions against us or our officers, prohibitions on doing business and damage to our reputation. Violations of these laws or regulations in connection with the performance of our obligations to our customers, as well as in connection with the performance of our subsidiaries' obligations, could also result in liability for significant monetary damages, fines or criminal prosecution, unfavorable publicity and other reputational damage, restrictions on our ability to process information and allegations by our customers that we have not performed our contractual obligations. Because of the varying degrees of development of the legal systems in the countries where we operate, local laws might be insufficient to protect our rights due in part to a lack of multiple recourses and/or deficiencies in access to justice.

Our employees, and joint venture partners, or other third parties with whom we associate, could take actions that violate policies or procedures designed to promote legal and regulatory compliance or applicable anti-corruption laws or regulations. Violations of these laws or regulations by us or our subsidiaries, our employees or any of these third parties could subject us to criminal or civil enforcement actions (whether or not we participated or knew about the actions leading to the violations), including fines or penalties, disgorgement of profits and suspension or disqualification from work, including governmental contracting, any of which could materially adversely affect our business, including our results of operations and our reputation.

We and our affiliates and subsidiaries are subject to anti-money laundering laws in Colombia and violation of these regulations could harm our business.

We and our affiliates and subsidiaries are subject to laws against money laundering, the financing of terrorism, and the proliferation of weapons of mass destruction laws. In the case of Colombia, although there are different regulations applicable to different economic sectors, the regulations on the prevention of money laundering and terrorist financing are aligned and based on the FATF 40+9 recommendations. Anti-Money Laundering regulation applicable to banks and financial entities are derived from articles 102 to 107 of the Financial Statute, and further developed in Part 1, Title IV, Chapter IV of the Basic Legal Circular of the Superintendency of Finance. In general terms, the regulation applicable to the financial sector requires banks, brokers, and other financial institutions to implement anti-money laundering and terrorist financing risk management systems, which entails that within the course of their economic activities, financial institutions are to identify, evaluate, control, and monitor these risks. In addition, the aforementioned regulation contains the obligation to submit certain reports (e.g., suspicious activity report, absence of suspicious activity report, cash transactions reports) with the Financial Intelligence and Analysis Unit (*Unidad de Inteligencia y Análisis Financiero*), hereafter, the "UIAF".

In this respect, failure to comply totally or partially with the aforementioned instructions and regulations may result in sanctions against us or our officers, damage to our reputation, and even criminal charges if the events are criminally relevant. Moreover, legal entities and individuals domiciled in Colombia have the duty to cooperate with the competent authorities, by virtue of the Colombian Political Constitution. In 2019, Banco de Occidente was sanctioned by the Superintendency of Finance for a successive fine of COP 500,000,000 (for 2024 USD 128,205.128) derived from the failure to report and submit information to the UIAF and to present failures in the remittance of information required by the Attorney General's Office.

Natural disasters, acts of war or terrorism, rioting or other external events could disrupt our businesses and affect our results of operations and financial condition.

We are exposed to natural disasters, such as earthquakes, volcanic eruptions, tornadoes, tropical storms and hurricanes. Heavy rains or abnormally low rainfall in Colombia and other countries in which we operate, attributable in part to the *La Niña* and *El Niño* weather patterns, have resulted in severe flooding, mudslides and prolonged droughts in the past. These are recurring weather phenomena that may occur on an equal or greater scale in the future. We are continuously monitoring the water reservoir indicators in the country's dams that supply water to hydroelectric plants, in order to predict potential increases in energy costs or production in agribusiness.

In addition to severe weather and natural disasters, acts of war or terrorism, rioting and other adverse external events could have a significant impact on our ability to conduct business and may, among other things, affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral of secured loans, cause significant property damage, cause us to incur additional expenses and/or result in loss of revenue. In the event of such circumstances, our disaster recovery plans may prove to be ineffective, which could have a material adverse effect on our ability to conduct our businesses, particularly if such an occurrence affects computer-based data processing, transmission, storage and retrieval systems or destroys customer or other data. Furthermore, if a significant number of our employees and senior managers were unavailable because of a natural disaster, our ability to conduct our businesses could be compromised. Natural disasters, acts of war or similar events could also result in substantial volatility in our results of operations for any fiscal quarter or year.

Risks related to global climate change and environmental requirements could disrupt our businesses and affect our results of operations and financial condition.

The financial sector faces susceptibility to climate change impacts, stemming from both physical and transition risks. These risks manifest in various forms, such as financial exposure to flooding caused by rising average temperatures, intensified rainfall, and droughts due to cyclic climatic phenomena like *La Niña* and *El Niño*, and the challenges of meeting Colombia's agreed-upon climate change mitigation goals outlined in the Nationally Determined Contributions (NDC). These commitments aim to reduce greenhouse gas emissions by 51 percent by 2030 compared to 2010. Moreover, a sudden and substantial increase in carbon taxation poses risks to financial stability, with sectors like agriculture, manufacturing, electricity, trade, and transport being primary conduits for transmitting these risks to the banking system, materialized through traditional financial risk categories, such as credit, market, liquidity, operational, and other non-financial risks.

The transition towards a low carbon economy and the management of climate risks can result in drastic effects in the allocation of resources to different sectors, subsectors, projects, assets or regions, given the need to finance mitigation and adaptation measures that these demands. This is relevant to our subsidiaries, which hold loans in diverse sectors, generating exposure to different climate risks. Depending on the nature, speed and focus of these changes, including changes in policy and allocation of resources as well as in the physical climate, the changes may entail different levels of or unpredictable risks for Banco de Occidente and our subsidiaries.

In order to achieve adequate management of climate risk disclosures, in December 2021 the Superintendency of Finance required issuers of securities (through Circular 031) to disclose social, environmental, and climate related information. The report follows Sustainability Accounting Standards Board (SASB) standards and the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations associated with governance, strategy, management, and metrics about climate change. Implementing the TCFD recommendations is intended to facilitate an understanding of physical climate risks and transition risks that could affect Banco de Occidente's investments, and loan portfolio, projects developed by Corficolombiana, and the investments of Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir, S.A. ("Porvenir"). We and our subsidiaries presented the Practices, policies, processes, and indicators in relation to social and environmental issues, including climate issues in March 2024.

The SEC has adopted rules to enhance and standardize climate-related disclosures by public companies and in public offerings. For certain reporting companies, these rules require disclosure of, among other items: material climate-related risks; activities to mitigate or adapt to such risks; information about the registrant's board of directors' oversight of climate-related risks and management's role in managing material climate-related risks; and information on any climate-related targets or goals that are material to the registrant's business, results of operations, or financial condition. These rules could have a material impact on our external reporting, controls processes and costs. As at the date of this offering memorandum, the rules have been stayed by the SEC, pending the conclusion of certain legal challenges.

Changes in government policies and actions, as well as judicial decisions, could significantly affect the local Colombian economy and, as a result, our results of operations and financial condition.

Our results of operations and financial condition may be adversely affected by changes in governmental policies and actions, as well as judicial decisions, involving a broad range of matters, including interest rates, fees, exchange rates, exchange controls, inflation rates, taxation, banking, and pension fund regulations and other political or economic developments affecting Colombia.

Colombian governments have historically exercised substantial influence over their economies, and their policies are likely to continue to have a significant effect on companies, including us. Notably, the government has not yet appointed its delegates to some key rate regulating entities, such as the Colombian Energy and Gas Regulatory Commission (CREG). These entities have a direct impact on companies in which we hold a significant stake. This delay may hinder the collection of fees, increase tariffs, or result in cost adjustments for the services these companies provide to our clients. Consequently, the future provision of services and generation of profits could be negatively affected.

Moreover, regulatory uncertainty, public dialogue on reforms in Colombia, or the approval of reforms, may be disruptive to our business or the economy and may result in a material and adverse effect on our financial condition and results of operations.

Furthermore, the Colombian government proposes changes to the framework of laws related to healthcare, private sector participation, and prices in various sectors, including utilities, energy, gas transportation, toll road concessions, pension funds, and labor. These proposed changes, currently under discussion in the Colombian Congress, could result in new compliance obligations, higher costs for our operations, and increased taxation. Such changes could have potentially adverse outcomes for our clients' income, profitability, and growth prospects.

Our assets may be subject to seizure through eminent domain by the Colombian government.

The Colombian government could seize or expropriate our assets under certain circumstances. Pursuant to Article 58 of the Colombian constitution, the Colombian government can exercise its eminent domain powers in respect of our assets in the event such action is deemed by the Colombian government to be required in order to protect public interests. Eminent domain powers may be exercised through an ordinary expropriation proceeding (*expropiación ordinaria*), an administrative expropriation (*expropiación administrativa*) or an expropriation for reasons of war (*expropiación en caso de guerra*). In all cases we would be entitled to a fair compensation (*indemnización previa*) for the expropriated assets. Also, as a general rule (with the exception of expropriations for reasons of war, in which case compensation may be quantified and paid later), compensation must be paid before the asset is effectively expropriated. However, the compensation may be lower than the price for which the expropriated asset could be sold in a free-market sale or the value of the asset as part of an ongoing business.

New or higher taxes resulting from changes in tax regulations or the interpretation thereof in Colombia and other countries in which we operate could adversely affect our results of operations and financial condition or generate burdens to our shareholders or lenders.

It has become usual in Colombia for tax laws to be reformed on a regular basis. Since 2018, several tax reforms have been proposed by the Presidency and enacted by the Colombian Congress. As one of the first actions of the new government, in August 2022, the Ministry of Finance presented to the Colombian Congress a proposed law that was ultimately approved and enacted in December 2022. The main aspects of such law can be summarized as follows:

(i) Between 2023 and 2027 the general rate for the income tax applicable to corporate profits will be 35%. In our case, such rate will be temporarily higher (40%), from 2023 to 2027. The surtax shall be paid in advance considering the taxable income of the preceding year.

(ii) The occasional gains tax rate was raised from 10% to 15%. The occasional gains tax is applied over the profit between the purchase and sale price of certain assets such as real estate, impacting national and foreign corporations.

(iii) The value of nontaxable income, deductions and exempted income was limited to 3% of net income for the tax year.

(iv) Pursuant to certain rules, a minimum rate for taxation was established at 15% for companies. The withholding tax for dividend payments applicable to national and foreign persons and companies was increased. Depending on the amount of such dividends, the applicable tax rate for national residents ranges from 0% to 15%. Foreign nonresidents will be subject to withholding of 20%.

New tax laws and regulations, and uncertainties with respect to future tax policies, pose risks to us. The Colombian government is required by Law No. 1473 of 2011, also known as the Law of Fiscal Rule, to significantly reduce its fiscal deficit and address issues regarding public policy, regulation regarding oil extraction and the transition to clean energies, migrations, public health events or other events that could require further tax reforms over the following years. In addition to an increase in the fiscal deficit, the expected increase in new subsidies for the low-income bracket, and changes in the health care framework, among others, the requirements of Law No. 1473 could lead to higher taxation rates on our business and that of our borrowers. Changes in tax-related laws and regulations, and interpretations thereof, can impact tax burdens by increasing tax rates and fees, creating new taxes or withholdings, limiting tax deductions, and eliminating tax-based incentives and non-taxed income. In addition, tax authorities, local governments or courts may interpret tax regulations differently than we do, or impose new local tax regulations, which could result in increases in our tax payments, tax litigation and associated costs and penalties.

The Colombian government may implement new changes in the tax rules applicable to our securities, which could have a material adverse effect on our results of operations and financial condition, or that may adversely affect our shareholders.

Tensions with Venezuela may affect the Colombian economy and, consequently, our results of operations and financial condition.

Diplomatic relations with Venezuela, one of Colombia's main trading partners, have from time to time been tense and affected by events surrounding the Colombian armed forces combat of the FARC throughout Colombia, particularly on Colombia's border with Venezuela. Any further deterioration in relations with Venezuela may result in the closing of borders, the imposition of trade barriers or a breakdown of diplomatic ties, any of which could have a negative effect on Colombia's trade balance, economy and general security situation, which may adversely affect our results of operations and financial condition.

Political and economic instability in the region and the Middle East may affect the Colombian economy and, consequently, our results of operations and financial condition.

Some of Colombia's neighboring countries, particularly Venezuela, have experienced and continue to experience periods of political and economic instability. A significant number of Venezuelans have emigrated amid food and medicine shortages and profound political divisions in their country and a relevant portion of those migrants have opted to live in Colombia. Providing migrants with access to healthcare, utilities and education may have a negative impact on Colombia's economy.

Moreover, diplomatic relations with neighboring countries, such as Argentina and Venezuela, and in other countries, such as Israel, have from time to time been tense and affected by events surrounding political elections and the ongoing conflict in the Gaza Strip. On October 7, 2023, Hamas launched an attack on Israel, killing hundreds of Israeli civilians. In response, Israel declared war against Hamas, targeting the Gaza Strip. The war is causing a humanitarian crisis and could lead to an escalation of the conflict in the region, a rise in oil and gas prices, inflationary pressures and market volatility, and possible contractual breaches for the maintenance of military and high-tech defense equipment necessary for the national security of Colombia, among others. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

On account of the commercial sanctions imposed by the United States and other countries against Russia, the agricultural sector of the Colombian economy experienced increases in the prices of fertilizers and restrictions on doing business with suppliers established in that part of the world. We are continuously monitoring variations and shocks in the prices of products that are related to our customers and production in the agricultural business, which could be materially adversely affected by these fluctuations.

Political conditions, such as changes in U.S. policies related to immigration and remittances; could affect the countries in which we operate. Economic conditions in the United States and the region, which are being impacted by recent indications of benchmark rate reductions by the Federal Reserve, could have an indirect effect on the Colombian economy.

EXCHANGE RATES AND FOREIGN EXCHANGE CONTROLS

Exchange rates

The Superintendency of Finance calculates the representative market rate (TRM) based on the weighted averages of the buy/sell foreign exchange rates quoted daily by certain financial institutions, including us, for the purchase and sale of U.S. dollars. On March 31, 2024, the representative market rate was COP 3,842.30 per U.S.$1.00. The Federal Reserve Bank of New York does not report a noon buying rate for pesos/U.S. dollars.

The following table presents the average peso/U.S. dollar representative market rate for each of the five most recent years calculated by using the average of the exchange rates on the last day of each month during the period, and the year-end, high and low representative market rates for each of the five most recent years:

Peso/ U.S.$1.00 representative market rate	Average (TRM)	Year-end	Low	High
Period:				
2019	3,281.09	3,277.14	3,072.01	3,522.48
2020	3,693.36	3,432.50	3,259.89	4,153.91
2021	3,743.09	3,981.16	3,420.78	4,023.68
2022	4,252.38	4,810.20	3,706.95	5,061.21
2023	4,325.33	3,822.05	3,822.05	4,989.58

Source: Superintendency of Finance.

The following table presents the average peso/U.S. dollar representative market rate for each month below calculated by using the average of the exchange rates on each day of each month during the period, and the period-end, high and low representative market rate for the months indicated:

Peso/ U.S.$1.00 representative market rate	Average (TRM)	Month-end	Low	High
Month:				
October 2023	4,222.43	4,060.83	4,053.76	4,386.66
November 2023	4,038.80	3,980.67	3,957.77	4,117.71
December 2023	3,948.21	3,822.05	3,822.05	4,045.22
January 2024	3,915.20	3,925.60	3,822.05	3,969.50
February 2024	3,931.44	3,933.56	3,889.05	3,975.74
March 2024	3,899.34	3,842.30	3,842.30	3,948.67

Source: Superintendency of Finance.

Foreign exchange controls

The Colombian foreign exchange system allows the purchase and sale of foreign currency and the international transfer of pesos by any person or legal entity, regardless of the amount, subject to certain regulatory procedures.

In 1990, the Colombian government initiated a policy of gradual currency liberalization. Foreign currency holdings abroad were permitted and, in a series of decrees, control of the exchange rate was shifted from the Colombian Central Bank to the spot foreign exchange market conducted by certain authorized financial institutions.

The general legal principles of Colombia’s foreign exchange and international investments regulations were established by Law No. 9 of 1991, which together with Decree 1068 of 2015, Decree 119 of 2007, External Resolution 1 of 2018 issued by the board of directors of the Colombian Central Bank and External Circular DCIP – 83 issued by the Colombian Central Bank, all of these as amended from time to time, are considered the main legal framework governing Colombia’s FX Regulations (the “Colombian FX Regulations”).

Resolution 1 of 2018 establishes two types of markets for foreign currency exchange: (i) the free market, which consists of all foreign currencies originated in sales of services, donations, remittances and all other inflows or outflows that do not have to be transferred through the FX Market (as defined in (ii) below), or the “Free Market.” The Free Market also includes assets and investments abroad, including its profits, owned by Colombian residents prior to September 1, 1990; and (ii) the controlled market, or the “FX Market,” which consists of: (a) all foreign currencies originated in operations considered to be controlled operations and, therefore, which may only be transacted through foreign exchange intermediaries, or through registered compensation accounts, or (b) foreign currencies originated in operations which although not required to be transacted through the FX Market, are voluntarily transferred through such market. This market is made up of the following foreign exchange operations, which must be transferred through the FX Market: (1) import and export of goods, (2) foreign investments in Colombia, (3) foreign indebtedness agreements entered into by Colombian residents, as well as the financial costs associated with such indebtedness, (4) direct investments abroad by Colombian residents, (5) derivatives transactions, (6) guaranties granted in foreign currency and (7) financial investments in foreign securities or assets abroad and their yield, unless such investments are made in foreign currency originated in operations in the Free Market.

Under Colombian FX regulations, foreign exchange intermediaries, or "FX Intermediaries," are authorized to enter into foreign exchange transactions, or "FX Transactions," to convert pesos into foreign currencies or foreign currencies into pesos. According to Article 7 of Resolution 1 of 2018, the following institutions are considered FX Intermediaries: commercial banks, mortgage banks, financial corporations, commercial finance companies, *Financiera de Desarrollo Nacional S.A. FDN, Banco de Comercio Exterior de Colombia S.A.—Bancoldex*, financial cooperatives, local stock brokerage firms, exchange intermediation and special financial services companies and electronic payments and deposit companies. These institutions are considered authorized intermediaries and, therefore, are allowed to buy and sell foreign currency originated in FX Transactions. Exchange intermediation companies are also considered authorized intermediaries; however, these companies have a limited regime and are not authorized to buy and sell foreign currency for controlled operations.

On the other hand, compensation accounts are accounts opened abroad by Colombian residents (individuals and legal entities), which are registered with the Colombian Central Bank to channel foreign currency originated in controlled operations in the FX Market. Compensation account holders must comply with monthly reports to the Colombian Central Bank and quarterly reports to the National Tax Authority. Colombian law allows the Colombian Central Bank to intervene in the foreign exchange market if the value of the peso is subject to significant volatility. The Colombian Central Bank may also limit the remittance of dividends and/or investments of foreign currency received by Colombian residents whenever the international reserves fall below an amount equal to three months of imports. See "Risk Factors— Risks relating to Colombia—Government policies and actions, and judicial decisions, in Colombia could significantly affect the local economy and, as a result, our business, financial condition, and results of operations."

In addition to its past interventions in the FX Market, the Colombian Central Bank regulations establish a deposit requirement on all foreign loans granted to Colombian residents, as an instrument to control the fluctuation of the peso against the U.S. dollar. To this end, the Colombian Central Bank has on some occasions required that a certain percentage of the debt incurred (depending on the maturity of the debt) to be deposited in pesos or foreign currency with the Colombian Central Bank in a non-interest-bearing account for a fixed period of time (*depósito por operaciones de endeudamiento externo*). A debtor of foreign loans can early prepay or redeem the certificate given by the Colombian Central Bank evidencing the deposit, but said prepayment or early redemption will imply a discount. The discount is reduced as the term for maturity is reduced. Even though the deposit requirement is currently equal to zero of the disbursements made under the loan, which means that there is currently no deposit that has to be made with the Colombian Central Bank by the debtor of foreign loans, the same may be modified by the Colombian Central Bank at any time.

In addition to the deposit requirements, the Colombian Central Bank has allowed Colombian financial institutions to obtain loans in foreign currency, either directly or by issuing securities, and to lend in foreign currency so long as the term of payment of the loans provided by the Colombian financial entity is equal or shorter than the term of the loan received by the Colombian financial entity and hedged with derivative with at least the same term of the loan. The Colombian Central Bank has also set limits on a financial intermediary's net foreign currency position, which is defined as foreign currency denominated assets (including any off-balance sheet items, made or contingent, including those that may be sold in Colombian legal currency) minus foreign currency denominated liabilities.

Fluctuation of the peso against the U.S. dollar and measures adopted by the Colombian government

The Colombian Central Bank and the Colombian Ministry of Finance have, in recent years, adopted a set of measures intended to tighten monetary policy and control the fluctuation of the peso against the U.S. dollar.

On November 5, 2010, the Colombian government issued Decree 4145, pursuant to which, among other things, interest payments on foreign indebtedness by Colombian companies became subject to a 33.0%

withholding tax rate. On December 29, 2010, the Colombian government enacted Law No. 1430 of 2010, which among other things reduced the withholding tax rate on interest payments on foreign indebtedness of Colombian companies having a term of one year or more, to 14.0%. Pursuant to Law No. 1819 issued on December 28, 2016, interest payments on foreign indebtedness by Colombian companies became subject to a withholding tax at: (i) the general tax rate applying to non-Colombian tax residents (34.0% during 2017, or 33.0% during 2018 onwards), when such payments are made to an entity located in a preferential tax regime, non-cooperative jurisdiction or low-tax jurisdiction; (ii) 5.0%, when those interest payments are: (a) derived from credits with a 8-year-term; and (b) destined to infrastructure projects of Law No. 1508 of 2012; or (iii) 15.0% in other cases, unless otherwise provided in a tax treaty between Colombia and another state. There are certain exceptions to this rule, including (i) foreign indebtedness incurred by entities controlled by the Colombian government, and (ii) loans obtained by Colombian banks and financial corporations, in each case provided that the holder of the loan is not a Colombian tax resident, pursuant to Section 25(3), Section 266(3) and Section 266(6) of the Colombian Tax Code (*Estatuto Tributario*).

Currently, the withholding rate applicable to interest payments on foreign indebtedness of Colombian companies with a term of one year or more is 15%, whereas the withholding rate for interest payments on foreign indebtedness with a term less than one year is 20%. Note, however, that the special 5% withholding tax and the exceptions in the preceding paragraph still apply. Therefore, interest payments on foreign loans granted to Colombian financial institutions and banks are sourced as foreign income not subject to income tax or withholdings. The same applies to interest payments on securities issued by Colombian issuers provided the securities are traded abroad.

On May 22, 2015, the Colombian Central Bank issued External Resolution 6 to regulate intervention in the foreign exchange market, by implementing three different mechanisms: (i) purchase and sale of international reserves through daily competitive auctions; (ii) selling put and call options at market rates through daily competitive auctions; and (iii) selling foreign currency in the spot market entering into foreign exchange swap contracts, at rates determined by the Colombian Central Bank through competitive auctions or front-desk requests.

The Colombian government has considerable power to determine governmental policies and actions that relate to the Colombian economy and, consequently, to affect the operations and financial performance of businesses. The Colombian government and the Colombian Central Bank may seek to implement additional measures aimed at controlling further fluctuation of the peso and fostering domestic price stability. A prediction cannot be made on the policies that may be adopted by the Colombian government and whether those policies may negatively affect the Colombian economy or our business or financial performance. Furthermore, we cannot assure you that the peso will not depreciate or appreciate relative to other currencies in the future.

USE OF PROCEEDS

The estimated gross proceeds of the offering of the notes is expected to be approximately U.S.$175,000,000 before deducting the fees, commissions and offering expenses payable by us.

We intend to use the net proceeds from this offering to support Banco de Occidente’s growth strategy in its core segments and refinance and replace certain subordinated Tier Two Capital Indebtedness instruments that are gradually maturing.

CAPITALIZATION

The following table sets forth, as of December 31, 2023, our actual capitalization and our capitalization on an as adjusted basis to reflect the issuance of the notes offered hereby and the application of the net proceeds of this offering as described herein under "Use of Proceeds."

You should read this table in conjunction with the information set forth under "Use of Proceeds," "Selected Financial and Operating Data" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this offering memorandum, and our Audited Consolidated Financial Statements and the related notes thereto, which are included in this offering memorandum. For a summary of our technical capital, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital adequacy requirements."

	At December 31, 2023			
	Actual		As adjusted	
	(in U.S.$ million)(1)	(in COP billions)	(in U.S.$ million) (1)	(in COP billions)
Cash and cash equivalents (2)	1,300.1	4,968.9	1,475.1	5,637.9
Financial Obligations				
Interbank and overnight funds	1,152.0	4,403.1	1,152.0	4,403.1
Loans from banks and others	833.6	3,186.0	833.6	3,186.0
Bonds and investment securities (3)	568.0	2,171.3	743.0	2,839.8
Obligations with rediscount entities	284.7	1,088.2	284.7	1,088.2
Total Financial Obligations	**2,838.3**	**10,848.6**	**3,013.3**	**11,517.1**
Total equity	**1,488.2**	**5,688.1**	**1,488.2**	**5,688.1**

(1) Converted for convenience only using the representative market rate as computed and certified by the Superintendency of Finance of COP 3,822.05 for U.S.$1.00 at December 31, 2023.

(2) Cash balance in the "as adjusted" column does not reflect the application of the net proceeds of the offering.

(3) Bonds and investment securities in the "as adjusted" column do not reflect the application of the net proceeds of the offering to refinance gradually maturing Tier II indebtedness.

SELECTED FINANCIAL AND OPERATING DATA

Presented below are our selected historical Audited Consolidated Financial Statements as of and for the years ended December 31, 2023, 2022 and 2021, which have been derived from our Audited Consolidated Financial Statements. Our Audited Consolidated Financial Statements have been prepared in accordance with Colombian Banking IFRS.

This information should be read in conjunction with, and is qualified in its entirety by reference to, our Audited Consolidated Financial Statements and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," of this offering memorandum.

Consolidated income statement data

	For the year ended December 31,		
	2023	**2022**	**2021**
		(in COP billions)	
Interest and valuation income	7,732.8	4,691.3	2,742.0
Interest and similar expenses	(5,495.4)	(2,491.4)	(769.6)
Net interest and valuation income	**2,237.4**	**2,199.9**	**1,972.3**
Impairment for loan portfolio and interest receivable	1,384.4	943.3	882.5
Recovery for investments in debt securities	0.4	(2.2)	(0.5)
Recovery of write-offs	(189.3)	(195.7)	(158.4)
Impairment loss on financial assets	**(1,195.5)**	**(745.2)**	**(723.6)**
Income, net of interest after impairment	**1,041.9**	**1,454.7**	**1,248.8**
Net income from commissions and fees	353.9	345.5	331.8
Net income (expenses)from financial assets or liabilities held for trading	629.5	19.3	(67.8)
Other income, net	470.8	591.6	789.5
Other expenses, net	(2,043.8)	(1,837.3)	(1,641.4)
Income before income taxes expense	452.3	573.8	660.8
Income tax expense	(27.3)	117.5	74.9
Profit for the year	**479.6**	**456.3**	**585.9**
Profit or loss attributable to:			
Holders of ordinary shares of the banks	473.5	452.5	580.2
Non-controlling interest	6.0	3.8	5.7

Consolidated statement of financial position data

	At December 31,		
	2023	**2022**	**2021**
		(in COP billions)	
Assets:			
Cash and cash equivalents	4,968.9	3,878.2	5,110.0
Financial assets at fair value through profit or loss	5,445.8	2,635.4	1,655.7
Financial assets at fair value with changes in OCI	4,597.8	4,022.1	5,443.8
Financial assets in debt securities at amortized cost	2,034.6	1,802.7	883.2
Loan portfolio at amortized cost	49,499.0	45,701.7	37,065.1
Impairment of loan portfolio at amortized cost	(2,416.9)	(2,033.2)	(1,967.8)
Other accounts receivable, net	547.3	436.7	320.9
Non-current assets held for sale	3.0	-	5.4
Investment in associate and joint ventures	1,800.8	1,647.6	1,665.0
Tangible assets, net	654.1	712.9	699.9
Intangible assets, net	600.4	540.2	455.0
Income tax assets	853.5	637.4	306.4
Other assets	13.6	22.8	20.9
Total assets	**68,601.8**	**60,004.4**	**51,663.5**
Liabilities:			
Derivative trading instruments	1,055.9	930.8	517.3
Derivative hedging instruments	2.5	-	-
Deposits from customers	49,175.7	43,095.9	36,340.3
Interbank and overnight funds	4,403.1	2,202.0	1,999.6
Loans from banks and others	3,186.0	3,929.0	2,767.4
Bonds and investment securities	2,171.3	2,322.4	2,777.6
Obligations with rediscount entities	1,088.2	967.4	951.8
Provisions	64.2	57.2	46.6
Income tax liabilities	1.0	0.6	8.1
Employee benefits	88.8	92.0	90.2

	At December 31,		
	2023	2022	2021
	(in COP billions)		
Other liabilities	1,677.0	1,190.9	976.0
Total liabilities	**62,913.7**	**54,788.3**	**46,474.9**
Equity:			
Share capital	4.7	4.7	4.7
Share premium	720.4	720.4	720.4
Retained earnings	4,996.2	4,770.3	4,467.4
Other comprehensive income	(70.3)	(311.5)	(37.4)
Total Stockholders' Equity	**5,651.1**	**5,183.9**	**5,155.2**
Non-controlling interest	37.0	32.1	33.4
Total equity	**5,688.1**	**5,216.1**	**5,188.6**
Total liabilities and equity	**68,601.8**	**60,004.4**	**51,663.5**

Other financial and operating data

	As of and for the year ended December 31,		
	2023	2022	2021
	(in percentages, unless otherwise indicated)		
Profitability ratios:			
Net interest margin(1)	3.99%	4.55%	4.75%
ROAA(2)	0.75%	0.82%	1.21%
ROAE(3)	8.74%	8.75%	11.49%
Efficiency ratio:			
Efficiency ratio	55.36%	58.12%	54.19%
Capital ratios:			
Period-end total equity as a percentage of period-end total assets	8.29%	8.69%	10.04%
Period-end total equity as a percentage of period-end total assets less investments in associate companies and joint ventures	8.51%	8.94%	10.38%
Credit quality data:			
Net loan write-offs as a percentage of total gross loans	2.33%	2.25%	2.69%
Past due ratio past due more than 30 days	5.09%	3.85%	4.39%
"C," "D" and "E" loans as a percentage of total loans(5)	7.27%	6.31%	7.54%
Past due ratio past due more than 90 days	3.51%	2.78%	3.48%
Allowance for loans as a percentage of past due loans more than 30 days	95.84%	115.53%	120.81%
Allowance for loans as a percentage of "C," "D" and "E" loans	67.15%	70.51%	70.44%
Allowance for loans as a percentage of past due loans more than 90 days	139.00%	160.18%	152.67%
Allowance for loans as a percentage of total loans	4.88%	4.45%	5.31%
Operational data (in units):			
Number of customers(6)	1,019,117	1,027,954	985,390
Number of employees(7)	6,984	7,113	7,151
Number of branches(8)	175	176	183
Number of ATMs(9)	267	266	274

(1) For methodology used to calculate Net interest margin, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(2) For methodology used to calculate ROAA, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(3) For methodology used to calculate ROAE, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(4) For methodology used to calculate Efficiency ratio, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(5) Reflects risk categories as established by the Superintendency of Finance. See "Selected Statistical Data—Loan portfolio—Risk categories."

(6) Reflects customers of Banco de Occidente as of December 31, 2023, 2022 and 2021.

(7) Reflects employees of Banco de Occidente as of December 31, 2023, 2022 and 2021.

(8) Reflects number of branches of Banco de Occidente as of December 31, 2023, 2022 and 2021.

(9) Reflects number of ATMs of Banco de Occidente as of December 31, 2023, 2022 and 2021.

Capitalization ratios

	2023		2022	
	Ratio	Amount	Ratio	Amount
	%	(in COP billions)	%	(in COP billions)
Primary capital (Tier I)	10.92%	5,065	10.24%	4,419
Secondary capital (Tier II)	1.40%	649	1.94%	835
Primary and secondary capital (Tiers I and II)	12.32%	5,714	12.18%	5,254

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(1) Regulatory value at risk is calculated in accordance with the Superintendency of Finance guidelines. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital adequacy requirements."

ROAA and ROAE

The following table sets forth our ROAA and ROAE presented on the basis of our unconsolidated financial statements under Colombian Banking IFRS, using period-end averages, for the years ended December 31, 2023 and 2022, compared to those of our principal competitors.

	As of and for the year ended December 31,	
	2023	2022
	(unconsolidated) (in COP billions, except percentages)	
Banco de Occidente (Consolidated):		
Average total assets(1)	64,303	55,834
Average total stockholders' equity(2)	5,418	5,170
Profit for the year	480	456
Profit or loss attributable to holders of ordinary shares of the banks	474	453
ROAA(1)	0.75%	0.82%
ROAE(2)	8.74%	8.75%
Bancolombia:		
Average total assets(1)	249,448	227,363
Average total equity(3)	37,912	33,403
Profit for the year(3)	5,980	6,933
ROAA(1)	2.40%	3.05%
ROAE(3)	15.77%	20.76%
Davivienda:		
Average total assets(1)	137,946	127,276
Average total equity(3)	13,750	13,638
Profit for the year(3)	106	1,140
ROAA(1)	0.08%	0.90%
ROAE(3)	0.77%	8.36%
BBVA Colombia:		
Average total assets(1)	102,333	89,378
Average total equity(3)	6,051	5,927
Profit for the year(3)	195	934
ROAA(1)	0.19%	1.04%
ROAE(3)	3.22%	15.75%

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(1) For methodology used to calculate ROAA, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(2) For methodology used to calculate ROAE, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(3) Annualized ROAE is calculated as profit for the year for the twelve-month period ended, divided by average total equity (equity at the end of the twelve-month period plus equity at the end of the previous fiscal year, divided by two).

The following tables illustrate our unconsolidated Efficiency ratio under Colombian Banking IFRS at the year ended December 31, 2023 compared to the ratio of our principal competitors.

	For the year ended December 31, 2023 (unconsolidated)				
	Banco de Occidente (consolidate)	**Other Grupo Aval banks**	**Bancolombia**	**Davivienda**	**BBVA Colombia**
	(in COP billions)				
Personnel expenses	867	1,573	3,517	1,560	899
Administrative expenses	1,177	3,581	5,102	2,754	1,691
Total income(1)	3,692	7,005	20,632	9,583	5,181
Efficiency ratio(2)	**55.36%**	**73.57%**	**41.77%**	**45.02%**	**49.98%**

Source: Company calculations based on our principal competitors' unconsolidated financial statements under Colombian Banking IFRS for the period indicated (financial statements of our principal competitors are publicly available on the Superintendency of Finance website).

(1) Total income is the sum of net interest income, total fees and other services income, net and other total income (excluding dividends and other). Calculation for Banco de Occidente are based on total income including consolidated subsidiaries.

(2) For methodology used to calculate Efficiency ratio, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

SELECTED STATISTICAL DATA

The following information is included for analytical purposes and should be read in conjunction with our Audited Consolidated Financial Statements included in this offering memorandum as well as "Management's Discussion and Analysis of Financial Condition and Results of Operations." This information has been presented based on our financial records, which are prepared in accordance with Colombian Banking IFRS. The selected statistical data of Banco de Occidente for the years ended December 31, 2023, 2022 and 2021 have been derived from our Audited Consolidated Financial Statements, each of which have been prepared in accordance with Colombian Banking IFRS and are included in this offering memorandum.

Distribution of assets, liabilities and equity, interest rates and interest differential

- Average statement of financial position has been calculated as follows: first, for each period, the actual balances were established; second, the average balance for each period is the sum of total balance at the end of the relevant period and total balance at December 31 of the previous fiscal year, divided by two.

- Under Colombian Banking IFRS, interest on investment securities includes accrued interest on debt instruments, valuation adjustments and gains (losses) realized on debt and equity securities that are accounted for as "available- for-sale," gains (losses) on repurchase transactions "repos," gains (losses) realized on the sale of debt securities, and mark-to-market gains (losses) on our trading securities portfolio.

Average statement of financial position

For the years ended December 31, 2023, 2022 and 2021 the following table presents:

- average balances calculated using the sum of actual consolidated year-end balances for our assets and liabilities and as of December 31 of the prior year, divided by two. If average assets and liabilities were calculated by using quarterly, monthly or daily averages, the resulting average yield calculations would be more precise and may differ significantly from the ones presented here.

- interest income earned on assets and interest paid on liabilities; and

- average yield and interest rate for our interest-earning assets and interest-bearing liabilities, respectively.

Average statement of financial position and profit or loss from interest-earning assets for the years ended December 31,

	2023			2022			2021		
ASSETS Interest-earning assets	**Average Balance**	**Interest Income Earned**	**Average Yield**	**Average Balance**	**Interest Income Earned**	**Average Yield**	**Average Balance**	**Interest Income Earned**	**Average Yield**
				(in COP millions, except percentages)					
Gross Loans and leases	47,915,485	7,021,289	14.7%	41,638,156	4,316,554	10.4%	34,595,475	2,553,362	7.4%
Investment in debt securities	8,679,960	931,014	10.7%	6,691,602	250,592	3.7%	6,802,041	160,889	2.4%
Interbank loans and overnight	858,348	192,719	22.5%	1,175,514	51,794	4.4%	455,734	7,630	1.7%
Income from deposits	-	35,306	-	-	12,754	-	-	5,575	-
Interest income from other accounts receivable	-	1,211	-	-	2,726	-	-	3,831	-
Total non-interest-bearing assets	8,124,010	-	-	6,767,700	-	-	6,476,152	2,553,362	-
Total assets	**65,577,803**	**-**	**14.2%**	**56,272,970**	**-**	**9.4%**	**48,329,402**		**6.5%**
Interest Income Earned	**-**	**8,181,539**	**-**	**-**	**4,634,420**	**-**	**-**	**2,731,287**	**-**

LIABILITIES AND EQUITY	**Average Balance**	**Interest Expense Paid**	**Average Yield**	**Average Balance**	**Interest Expense Paid**	**Average Yield**	**Average Balance**	**Interest Expense Paid**	**Average Yield**
				(in COP millions, except percentages)					
Current accounts	6,752,042	41,408	0.6%	7,363,958	16,008	0.2%	7,184,251	5,912	0.1%
Savings deposits	22,955,170	2,230,879	9.7%	20,888,986	1,134,737	5.4%	17,994,076	231,553	1.3%
Term certificates of deposit	17,859,625	2,074,357	11.6%	11,648,319	761,569	6.5%	8,565,142	256,686	3.0%
Interbank loans	3,488,457	431,210	12.4%	2,390,246	133,287	5.6%	1,813,648	25,892	1.4%
Loans from banks and others	3,488,543	251,754	7.2%	3,276,769	100,751	3.1%	2,166,352	38,686	1.8%

Bonds and investment securities	2,248,731	335,437	14.9%	2,517,827	286,904	11.4%	2,939,495	184,658	6.3%
Obligations with rediscount entities	1,013,830	130,308	12.9%	897,505	58,159	6.5%	1,114,163	26,233	2.4%
Total non-interest bearing liabilities and equity	7,771,406	-	-	7,289,361	-	-	6,552,277	-	-
Total liabilities and equity	**65,577,803**	**-**	**9.5%**	**56,272,970**	**-**	**5.1%**	**48,329,402**	**-**	**1.8%**
Interest Income Paid	**-**	**5,495,353**	**-**	**-**	**2,491,415**	**-**	**-**	**769,620**	**-**
Net Interest Margin[(1)]	**-**	**2,686,186**	**4.3%**	**-**	**2,143,005**	**4.1%**	**-**	**1,961,667**	**4.6%**

(1) Net interest earned is calculated as interest income less interest paid and includes accrued interest, valuation adjustments and gains (losses) realized on debt securities that are accounted for as "available-for-sale," gains (losses) on repurchase transactions (repos) and gains (losses) realized on the sale of debt securities.

Investment portfolio

We acquire and hold fixed income debt securities for liquidity and other strategic purposes, or when required by law. In recent years, credit institutions, including us, have been required to hold certain debt securities issued by the Colombian government or government-related entities. Colombian Central Bank regulations require credit institutions to make investments in agricultural development bonds (*Títulos de Desarrollo Agropecuario*), or "TDAs," issued by the Agricultural Sector Financing Fund (*Fondo para el Financiamiento del Sector Agropecuario*), or "Finagro." Finagro is a development bank affiliated with the Ministry of Agriculture and finances the production and marketing activities of the agricultural and livestock sector. These securities yield below-market interest rates. The amount of these mandatory investments are calculated as a percentage of short-term deposits.

Under government discretion, authorities may extend the scope of current regulations or require additional disbursements on current or new mandatory investments. See "Banking Regulation— Mandatory investments."

As established in International Accounting Standard 39, investments are classified as "trading," "available-for- sale" or "held-to-maturity." Trading investments are investments acquired primarily to obtain profits from fluctuations in short-term prices and are recorded at fair value. The difference between current and previous fair value is added to, or subtracted from, the value of the investment and credited or charged to earnings. "Available- for-sale" investments are those investments that we intend, and are able, to hold for at least six months and are recorded on the statement of financial position at fair value with changes to the values of these securities recorded in a separate equity account labelled as "unrealized gains and losses"; when a portion of the gains or losses is realized, such amount is transferred to the consolidated statement of income. "Held-to-maturity" investments are investments acquired and that we intend, and are able, to hold until maturity, and are recorded at amortized cost.

The following table presents the book value of our investments in debt securities and equity securities, net of allowance for investment securities losses, at the dates indicated.

Debt securities with changes in income	**December 31, 2023**	**December 31, 2022**
	(in COP millions)	
In Colombian pesos		
Issued or guaranteed by the Colombian government	3,105,170	1,128,863
Issued or guaranteed by other Colombian government entities	34,609	31,381
Issued or guaranteed by other Colombian financial institutions	96,631	56,192
Issued or guaranteed by entities of the Colombian real sector	1,840	1,483
Other	-	1,873
	3,238,250	**1,219,792**
In foreign currency		
Issued or guaranteed by the Colombian government	16,737	77,928
Issued or guaranteed by other Colombian financial institutions	20,087	2,167
Issued or guaranteed by Foreign Governments	382	-
Issued or guaranteed by other foreign financial institutions	161,722	-
Issued or guaranteed by real sector entities abroad	3,412	-
Other	19,002	-
	221,342	**80,095**
Total debt securities through profit or loss	**3,459,592**	**1,299,887**
Debt securities with changes in OCI In Colombian pesos		
Issued or guaranteed by the Colombian government	2,439,339	1,846,928

Debt securities with changes in income	December 31, 2023	December 31, 2022
Issued or guaranteed by other Colombian government entities	67,400	43,420
Issued or guaranteed by other Colombian financial institutions	583,751	417,579
Other	-	1,873
	3,090,490	**2,309,800**
In foreign currency		
Issued or guaranteed by the Colombian government	682,923	1,262,956
Issued or guaranteed by other Colombian financial institutions	81,759	64,470
Issued or guaranteed by Foreign Governments	120,232	52,387
Issued or guaranteed by other foreign financial institutions	398,898	115,571
Issued or guaranteed by real sector entities abroad	34,539	11,664
Other	56,845	82,845
	1,375,196	**1,589,893**
Total debt securities with changes in OCI[1]	**4,465,686**	**3,899,693**

The following table details equity instruments with changes in other comprehensive income:

Entity	December 31, 2023	December 31, 2022
	(in COP millions)	
Redeban Multicolor S.A. [1]	17,951	18,883
A.C.H Colombia S.A. [1]	52,844	53,544
Central Counterparty Risk Clearing House of Colombia S.A. [1]	3,225	2,680
Bolsa de Valores de Colombia S.A. [1]	-	2,851
Credibanco [1]	43,136	36,933
Holding Bursatil Regional (1)	4,774	-
Aportes en Línea S.A. (Gestión y Contacto) [1]	4,495	3,741
Casa de Bolsa S.A Sociedad Comisionista de Bolsa [1]	5,686	3,815
Total	**132,111**	**122,447**

The balance of financial assets in debt securities at amortized cost, comprises the following as of December 31, 2023 and 2022:

	December 31, 2023	December 31, 2022
	(in COP millions)	
Debt securities		
In Colombian pesos		
Issued or guaranteed by the Colombian government	689,731	670,442
Issued or guaranteed by other Colombian government entities	1,345,385	1,132,772
Total debt securities	**2,035,116**	**1,803,214**
Provisions for investments	(558)	(522)
Total financial assets in debt securities at amortized cost	**2,034,558**	**1,802,692**

Investment securities portfolio maturity

The following tables summarize the maturities and weighted average nominal yields of our debt investment securities at December 31, 2023 and 2022.

	As of and for the year ended December 31, 2023									
	Maturity less than 1 year		Maturity between 1 and 5 years		Maturity between 5 and 10 years		Maturity more than 10 years		Total	
	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yield %(1)
	(in COP millions, except yields)									
Debt securities										
Peso-denominated										
Securities issued or guaranteed by other Colombian government entities........	1,403,906	9.8%	43,488	12.1%	-	-	-	-	1,447,393	9.9%
Securities issued or guaranteed by other financial entities	467,901	12.3%	205,748	12.4%	-	-	6,733	15.3%	680,382	12.4%
Other securities	1,344,369	10.0%	2,887,919	10.7%	1,299,032	9.6%	704,763	9.4%	6,236,083	11.1%
Total peso-denominated.....	**3,216,176**	**10.3%**	**3,137,154**	**8.6%**	**1,299,032**	**9.6%**	**711,496**	**9.4%**	**8,363,858**	**9.4%**
Foreign currency-denominated										
Securities issued or guaranteed by the Republic of Colombia	92,075	5.1%	285,441	5.8%	240,989	5.5%	81,155	6.0%	699,660	5.6%
Securities issued by foreign governments..................	60,913	4.8%	15,789	4.7%	43,912	5.0%	-	-	120,614	4.9%
Securities issued or guaranteed by other financial entities	1,943	6.5%	99,903	7.0%	-	-	-	-	101,846	7.0%
Other securities	155,527	6.1%	475,719	5.9%	43,171	5.3%	-	-	674,417	5.8%
Total foreign currency- denominated	**310,458**	**5.6%**	**876,852**	**6.0%**	**328,072**	**5.4%**	**81,155**	**6.0%**	**1,596,537**	**5.8%**
Total debt securities, net....	**3,526,634**	**9.9%**	**4,014,006**	**8.0%**	**1,627,103**	**8.7%**	**792,651**	**9.3%**	**9,960,395**	**8.7%**

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(1) Yield was calculated using the internal rate of return, or "IRR," at December 31, 2023.

	For the year ended December 31, 2022									
	Maturity less than 1 year		Maturity between 1 and 5 years		Maturity between 5 and 10 years		Maturity more than 10 years		Total	
	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yield %(1)	Balance	Yield %(1)
	(in COP millions, except yields)									
Debt securities Peso-denominated										
Securities issued or guaranteed by the Republic of Colombia	777,139	12.0%	2,108,814	12.4%	519,274	12.9%	241,005	14.0%	3,646,232	12.7%
Securities issued or guaranteed by other Colombian government entities	1,180,264	9.7%	27,308	18.5%	-	-	-	-	1,207,572	10.2%
Securities issued or guaranteed by other financial entities	267,860	17.6%	205,912	16.9%	-	-	-	-	473,772	17.3%
Other securities	3,746	10.7%	1,483	20.3%	-	-	-	-	5,229	15.5%
Total peso-denominated	**2,229,010**	**12.5%**	**2,343,517**	**12.7%**	**519,274**	**12.9%**	**241,005**	**14.0%**	**5,332,805**	**12.8%**
Foreign currency-denominated										
Securities issued or guaranteed by the Republic of Colombia	213,943	4.1%	754,910	5.6%	160,231	5.7%	211,801	7.2%	1,340,884	5.6%
Securities issued by foreign governments	-	-	-	-	52,387	5.4%	-	-	52,387	5.4%
Securities issued or guaranteed by other financial entities	-	-	66,637	8.1%	-	-	-	-	66,637	8.1%

....										
Other securities	125,304	5.8%	84,776	5.3%	-	-	-	-	210,080	5.5%
Total foreign currency-denominated	**339,247**	**4.7%**	**906,322**	**5.8%**	**212,618**	**5.6%**	**211,801**	**7.2%**	**1,669,988**	**5.8%**
Total debt securities, net	**2,568,257**	**10.9%**	**3,249,839**	**11.4%**	**731,892**	**11.6%**	**452,806**	**12.7%**	**7,002,794**	**11.5%**

(1) Yield was calculated using the internal rate of return, or "IRR," at December 31, 2022.

At December 31, 2023 and 2022, we had the following investments in securities of issuers that exceeded 10% of our controlling equity.

	As of and for the year ended December 31, 2023		
	Banco de Occidente	**Book value**	**Market value**
		(in COP billions)	
Securities issued or guaranteed by the Republic of Colombia		6,933,900	6,933,900
Securities issued or guaranteed by other Colombian government entities	568,808.03	1,447,394	1,447,394
Securities issued or guaranteed by other financial entities............................		782,228	782,228

	As of and for the year ended December 31, 2022		
	Banco de Occidente	**Book value**	**Market value**
		(in COP billions)	
Securities issued or guaranteed by the Republic of Colombia		4,987,117	4,987,117
Securities issued or guaranteed by other Colombian government entities	521,607.50	1,207,573	1,207,573
Securities issued or guaranteed by other financial entities............................		540,408	540,408

Loan portfolio

The following table presents our loan portfolio classified into commercial, retail, microcredit and residential loans for the years indicated.

	December 31, 2023	**December 31, 2022**
	(in COP millions)	
Ordinary loans..	31,577,112	28,783,399
Real estate leased	4,351,414	4,519,937
Payroll deductions..	4,610,234	3,988,697
Movable property leased	3,150,049	2,642,750
Credit cards..	1,812,989	1,611,523
Residential mortgage letter	1,516,633	1,165,712
Other..	15,449	1,120,454
Loans with resources from other entities..	1,028,661	871,782
Developer's credit..	1,075,071	668,030
Discounts...	215,058	177,083
Bank current account overdrafts..	83,929	71,058
Letters of credit covered..	30,049	53,908
Loans to employees..	32,387	27,342
Total gross loan portfolio...	**49,499,035**	**45,701,675**
Provision for impairment of financial assets for loan portfolio	(2,416,920)	(2,033,178)
Total net loan portfolio	**47,082,115**	**43,668,497**

We classify our loan portfolio into the following categories:

- *Corporate loans*: Corporate loans are granted to companies or individuals to carry out economic activities.

- *Retail loans*: Retail loans are granted to individuals for the purchase of consumer goods or to pay for non-commercial or non-business services, independently of their amount.

- *Low amount Retail loans*: these are retail loans with natural persons that do not exceed the value of 106 UVT (*Unidad de Valor Tributario*) (approximately COP 5,000,000).

- *Residential*: Residential loans are loans granted to individuals for the purchase of new or used residences or to build a home, all in accordance with Law No. 546 of 1999. These loans include loans that are denominated in UVR (*Unidad de Valor Real*, a unit of account that reflects the purchasing power of the currency daily based on the variation of the consumer price index) or Colombian pesos, are guaranteed by a senior mortgage on the property and that are financed with a total repayment term of five to 30 years. Law No. 2079 of 2021 determined that the National Government may determine the maximum term for repayment of residential loans, which in any case, cannot exceed 30 years.

Maturity and interest rate sensitivity of loans and leases

The following tables present the maturities of our loan portfolio at December 31, 2023 and 2022.

	December 31, 2023				
	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
	(in COP millions)				
Corporate	18,203,831	6,471,700	2,043,366	1,293,605	28,012,502
Retail	3,575,025	4,708,795	2,770,974	1,398,194	12,452,988
Residential	162,999	218,382	208,140	927,112	1,516,633
Corporate Leasing	2,045,587	2,272,349	1,108,548	972,428	6,398,912
Retail Leasing	3,980	3,838	1,001	212	9,031
Residential Leasing	112,308	157,955	144,339	678,918	1,093,520
Repos and interbank	15,449	-	-	-	15,449
Total portfolio	**24,119,179**	**13,833,019**	**6,276,368**	**5,270,469**	**49,499,035**

	December 31, 2022				
	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
	(in COP millions)				
Corporate	15,649,472	5,992,359	2,189,908	1,287,840	25,119,579
Retail	3,008,656	4,280,541	2,596,962	1,247,083	11,133,242
Residential	115,005	169,098	161,651	719,959	1,165,713
Corporate Leasing	1,827,316	2,109,468	1,025,939	868,254	5,830,977
Retail Leasing	4,308	3,869	1,124	98	9,399
Residential Leasing	127,357	190,466	176,966	827,522	1,322,311
Repos and interbank	1,120,454	-	-	-	1,120,454
Total loan portfolio	**21,852,568**	**12,745,801**	**6,152,550**	**4,950,756**	**45,701,675**

The following table presents the interest rate sensitivity of our loan portfolio due after one year and within one year or less at December 31, 2023 and 2022.

	December 31, 2023				
	Less than one year		More than one year		
Assets	Variable	Fixed	Variable	Fixed	Total
	(in COP millions)				
Corporate accounts receivable and leasing	14,963,208	5,286,209	12,289,752	1,872,244	34,411,413
Portfolio and retail leasing	662,024	2,916,982	1,428,786	7,454,227	12,462,019
Residential lending portfolio and Residential Leasing	18,156	257,150	169,832	2,165,015	2,610,153
Repos, interbank and other transactions	-	15,449	-	-	15,449
	December 31, 2022				
Assets	Less than one year		More than one year		
	Variable	Fixed	Variable	Fixed	Total
	(in COP millions)				
Corporate accounts receivable and leasing	13,150,122	4,326,664	12,188,768	1,285,001	30,950,555

Portfolio and retail leasing	645,706	2,367,259	1,739,759	6,389,918	11,142,642
Residential lending portfolio and Residential Leasing	10,978	231,383	49,321	2,196,342	2,488,024
Microloans and Leasing Microloans Portfolio	-	-	-	-	
Repos, interbank and other transactions	-	1,120,454	-	-	1,120,454

Loan portfolio by economic activity

The following table summarizes our loan portfolio, at the dates indicated, by the principal activity of the borrower using the International Standard Industrial Classification of All Economic Activities. Where we have not assigned a code to a borrower, classification of the relevant loan has been made based on the purpose of the loan as described by the borrower.

	December 31, 2023		December 31, 2022	
	Total	Ownership interest (%)	Total	Ownership interest (%)
	(in COP millions)			
Sector				
Retail services	18,513,412	37.4%	16,356,374	35.8%
Commercial services	12,960,650	26.2%	13,046,802	28.5%
Construction	4,214,842	8.5%	3,816,898	8.4%
Other industrial and manufacturing products	2,016,908	4.1%	2,123,971	4.6%
Transportation and communications	2,088,233	4.2%	2,048,118	4.5%
Food, beverages and tobacco	1,648,635	3.3%	1,582,130	3.5%
Chemicals	1,764,975	3.6%	1,623,081	3.6%
Government	1,508,040	3.0%	1,399,451	3.1%
Public services	2,157,230	4.4%	1,261,657	2.8%
Agriculture	1,146,472	2.3%	1,043,592	2.3%
Other	650,219	1.3%	671,255	1.5%
Trade and tourism	460,987	0.9%	430,124	0.9%
Mining and petroleum products	368,432	0.7%	298,222	0.7%
Total by economic destination	**49,499,035**	**100%**	**45,701,675**	**100%**

Credit categories

The following table presents our loan portfolio, for the purpose of credit risk evaluation, categorized in accordance with the regulations of the Superintendency of Finance, in effect at the relevant dates.

	December 31, 2023		
	Colombian pesos	Foreign currency[(1)]	Total
	(in COP millions)		
Corporate	22,580,253	5,432,249	**28,012,502**
Retail	12,401,961	51,027	**12,452,988**
Residential	1,516,633	-	**1,516,633**
Corporate Leasing	6,398,912	-	**6,398,912**
Retail Leasing	9,031	-	**9,031**
Residential Leasing	1,093,520	-	**1,093,520**
Repos and interbank	13,349	2,100	**15,449**
Total loan portfolio $	**44,013,659**	**5,485,376**	**49,499,035**

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(1) The main foreign currency is the U.S. dollar.

	December 31, 2022		
	Colombian pesos	Foreign currency[(1)]	Total
	(in COP millions)		
Corporate $	19,750,511	5,369,068	**25,119,579**
Retail	11,075,611	57,631	**11,133,242**
Residential	1,165,713	-	**1,165,713**
Corporate Leasing	5,830,977	-	**5,830,977**
Retail Leasing	9,399	-	**9,399**
Residential Leasing	1,322,311	-	**1,322,311**
Repos and interbank	848,000	272,454	**1,120,454**
Total loan portfolio $	**40,002,522**	**5,699,153**	**45,701,675**

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(1) The main foreign currency is the U.S. dollar.

Past due loans classified as Performing and Non-Performing loans

The following table presents our performing loans and our non-performing loans.

	December 31, 2023							
	Current Portfolio	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total Past Due –1 - 90 days	Past Due > 90 days	More than 180 days	Total loan portfolio
	(in COP millions)							
Corporate	26,127,129	747,758	69,095	57,079	873,932	109,671	901,770	28,012,502
Retail	10,394,514	1,175,154	300,344	157,403	1,632,901	299,990	125,583	12,452,988
Residential	1,246,437	163,612	33,491	17,095	214,198	11,571	44,427	1,516,633
Microloans	-	-	-	-	-	-	-	-
Corporate Leasing	5,675,669	392,444	76,745	36,599	505,788	45,723	171,732	6,398,912
Retail Leasing	6,544	981	589	287	1,857	-	630	9,031
Residential Leasing	890,138	141,346	24,099	10,277	175,722	13,622	14,038	1,093,520
Leasing Microloans	-	-	-	-	-	-	-	-
Repos and Interbank	15,449	-	-	-	-	-	-	15,449
Total	**44,355,880**	**2,621,295**	**504,363**	**278,740**	**3,404,398**	**480,577**	**1,258,180**	**49,499,035**

	December 31, 2022							
	Current Portfolio	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total Past Due –1 - 90 days	Past Due > 90 days	More than 180 days	Total loan portfolio
	(in COP millions)							
Corporate	23,489,629	770,466	53,026	24,228	847,720	100,109	682,121	25,119,579
Retail	9,810,925	791,485	180,297	105,986	1,077,768	189,083	55,466	11,133,242
Residential	969,087	131,164	17,591	8,198	156,953	7,860	31,813	1,165,713
Corporate Leasing	5,237,043	354,132	42,943	28,483	425,558	37,082	131,294	5,830,977
Retail Leasing	7,397	1,055	51	12	1,118	329	555	9,399
Residential Leasing	1,096,808	162,164	21,599	8,147	191,910	12,820	20,773	1,322,311
Repos and Interbank	1,120,454	-	-	-	-	-	-	1,120,454
Total	**41,731,343**	**2,210,466**	**315,507**	**175,054**	**2,701,027**	**347,283**	**922,022**	**45,701,675**

Risk categories

The Superintendency of Finance prescribes the minimum risk classifications for loans and financial leases.

Management assigns loans and financial leases to these classifications on the basis of models developed by management and reviewed by the Superintendency of Finance. These models incorporate both subjective and objective criteria.

Category A — "*Normal risk*": Loans and financial leases in this category are appropriately serviced. The debtor's financial statements or its projected cash flows, as well as all other credit information available to us, reflect adequate paying capacity.

Category B — "*Acceptable risk, above normal*": Loans and financial leases in this category are acceptably serviced and guaranty-protected, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's paying capacity or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.

Category C — "*Appreciable risk*": Loans and financial leases in this category have debtors with insufficient paying capacity or relate to projects with insufficient cash flow, which may compromise the normal collection of the obligations.

Category D — "*Significant risk*": Loans and financial leases in this category have the same deficiencies as loans in category C, but to a larger extent; consequently, the probability of collection is highly doubtful.

Category E — "*Risk of non-recoverability*": Loans and financial leases in this category are deemed uncollectible.

The following tables present the breakdown of our loan portfolio by risk classification in effect at December 31, 2023 and 2022.

	At December 31, 2023								
	Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and interbank	Total Financial Leasing	Total
	(in COP millions)								
A	25,581,187	11,008,416	1,413,221	5,414,693	7,437	1,021,842	15,449	6,443,972	44,462,245
B	709,760	338,517	24,868	342,451	435	21,470	-	364,356	1,437,501

C …………	522,660	288,927	1,715	244,796	188	2,406	-	247,390	1,060,692
D …………	388,119	435,055	44,942	154,781	825	41,463	-	197,069	1,065,185
E…………	810,776	382,073	31,887	242,191	146	6,339	-	248,676	1,473,412
Total……..	**28,012,502**	**12,452,988**	**1,516,633**	**6,398,912**	**9,031**	**1,093,520**	**15,449**	**7,501,463**	**49,499,035**

	At December 31, 2022								
	Corporate	**Retail**	**Residential**	**Corporate Leasing**	**Retail Leasing**	**Residential Leasing**	**Repos and interbank**	**Total Financial Leasing**	**Total**
				(in COP millions)					
A …………	23,146,375	10,313,849	1,096,832	4,974,550	8,238	1,255,186	1,120,454	6,237,974	41,915,484
B…………	425,163	215,016	14,917	227,580	-	19,839	-	247,419	902,515
C …………	526,272	200,127	811	213,019	51	2,246	-	215,316	942,526
D …………	385,081	242,728	28,928	208,849	1,046	33,345	-	243,240	899,977
E…………	636,688	161,522	24,225	206,979	64	11,695	-	218,738	1,041,173
Total……..	**25,119,579**	**11,133,242**	**1,165,713**	**5,830,977**	**9,399**	**1,322,311**	**1,120,454**	**7,162,687**	**45,701,675**

Past due loans classified as secured and unsecured

The following tables present information with respect to our secured and unsecured loan portfolios at least 31 days past due.

	Corporate	**Retail**	**Residential**	**Corporate Leasing**	**Retail Leasing**	**Residential Leasing**	**Repos and Interbank**	**Financial Leasing**	**Total**
					(in COP millions)				
Unsecured loans……….	17,952,367	10,057,537	1,204	311,444	125	73	15,449	311,642	**28,338,199**
Loans guaranteed by other banks………………	202,667	109	-	-	-	-	-	-	**202,776**
Collateralized loans:									
Residential ………………	1,079,082	36,964	1,515,429	-	-	-	-	-	**2,631,475**
Other real estate ……….	1,208,926	16,661	-	-	-	-	-	-	**1,225,587**
Investments in equity instruments………………	392,474	-	-	-	-	-	-	-	**392,474**
Deposits in cash or cash equivalents ………………	221,296	454	-	-	-	-	-	-	**221,750**
Leased assets…………..	-	-	-	2,491,260		1,093,447	-	3,584,707	**3,584,707**
Non-real estate ………..	-	-	-	2,718,331	8,714	-	-	2,727,045	**2,727,045**
Trust agreements, stand-by agreements and guarantee funds………..	2,698,795	1,629	-	745	-	-	-	745	**2,701,169**
Pledging of rents ………	1,205,701	-	-	-	-	-	-	-	**1,205,701**
Pledges………………….	1,089,338	2,290,964	-	-	-	-	-	-	**3,380,302**
Other assets…………….	1,961,856	48,670	-	877,132	192	-	-	877,324	**2,887,850**
Total …………………….	**28,012,502**	**12,452,988**	**1,516,633**	**6,398,912**	**9,031**	**1,093,520**	**15,449**	**7,501,463**	**49,499,035**

	Corporate	**Retail**	**Residential**	**Corporate Leasing**	**Retail Leasing**	**Residential Leasing**	**Repos and Interbank**	**Financial Leasing**	**Total**
					(in COP millions)				
Unsecured loans ………….	**15,284,698**	**8,773,715**	**1,352**	**42,224**	**119**	**690**	**1,120,454**	**43,033**	**25,223,252**
Loans guaranteed by other banks………………………	206,302	774	-	41,023	-	-	-	41,023	**248,099**
Collateralized loans: ……..									
Residential …………………….	702,411	31,508	1,164,361					-	**1,898,280**
Other real estate …………….	1,293,674	18,099	-	-	-	-	-	-	**1,311,773**
Investments in equity instruments…………………….	410,669	-	-	-	-	-	-	-	**410,669**
Deposits in cash or cash equivalents …………………….	358,135	665	-	-	-	-	-	-	**358,800**
Leased assets………………….	-	-	-	2,398,802	-	1,321,621	-	3,720,423	**3,720,423**
Non- real estate …………….	-	-	-	2,432,234	9,275	-	-	2,441,509	**2,441,509**
Trust agreements, stand-by agreements and guarantee funds …………………………….	2,660,544	1,984	-	919	-	-	-	919	**2,663,447**
Pledging of rents …………….	1,259,607	-	-	-	-	-	-	-	**1,259,607**
Pledges………………………….	1,160,885	2,238,634	-	-	-	-	-	-	**3,399,519**
Other assets……………………	1,782,654	67,863	-	915,775	5	-	-	915,780	**2,766,297**
Total …………………………….	**25,119,579**	**11,133,242**	**1,165,713**	**5,830,977**	**9,399**	**1,322,311**	**1,120,454**	**7,162,687**	**45,701,675**

Troubled debt restructured loans

The following table presents our troubled debt restructured loan portfolio classified into domestic and foreign loans, the gross interest income that would have been recorded in the period that ended if the loans had been current in accordance with their original terms and had been outstanding throughout the period or since origination and the amount of interest income on those loans that was included in net income for the period.

The following table presents a summary of our troubled debt restructured loan portfolio, classified into domestic and foreign loans, accounted for on a performing basis in effect at the end of each period.

	December 31, 2023	December 31, 2022
Restructured loans (1):	(in COP millions)	
Local	1,792,080	1,033,648
Corporate	909,350	733,450
Retail	783,391	245,673
Residential	99,339	54,525
Foreign	36,427	57,773
Corporate	36,392	57,773
Retail	35	-
Total restructured	1,828,507	1,091,421

(1) Restructured loans are loans that have been modified due to an impairment of the financial conditions of the borrower.

Movements in loan impairment allowances

Loan impairment Allowance

We record allowance for loan and financial losses in accordance with Colombian Banking IFRS. For further information regarding the regulation and methodologies for the calculation of such allowances, see Note 10 to our Audited Consolidated Financial Statements.

The following table presents the changes in the allowance for loan and financial lease losses during the periods indicated.

Recoveries of charged-off loans are recorded on the statement of income of our subsidiaries under "recovery of charged-off assets" and are not included in provisions for loan losses.

	Corporate				Repos and Interbank			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(in COP millions)							
Balance as of December 31, 2022	**251,647**	**50,722**	**700,164**	**1,002,533**	**1,434**	**-**	**-**	**1,434**
Period write-offs	(101)	-	(222,171)	(222,272)	-	-	-	-
Sale of loan portfolio	-	-	-	-	-	-	-	-
Reversal of accrued interest Stage 3	-	-	105,065	105,065	-	-	-	-
Expenses	1,322	4,589	535,648	541,559	-	-	-	-
Expenses for disbursements or originations	151,879	16,622	36,304	204,805	-	-	-	-
Reimbursement	(83,369)	(10,702)	(49,799)	(143,870)	(25)	-	-	(25)
Cancellation or payment in full	(118,290)	(12,638)	(293,606)	(424,534)	(1,391)	-	-	(1,391)
Reclassification from Stage 1 to Stage 2	(3,953)	3,953	-	-	-	-	-	-
Reclassification from Stage 1 to Stage 3	(5,728)	-	5,728	-	-	-	-	-
Reclassification from Stage 2 to Stage 3	-	(4,505)	4,505	-	-	-	-	-
Reclassification from Stage 3 to Stage 2	-	3,194	(3,194)	-	-	-	-	-
Reclassification from Stage 2 to Stage 1	23,574	(23,574)	-	-	-	-	-	-
Reclassification from Stage 3 to Stage 1	10,609	-	(10,609)	-	-	-	-	-
Difference in exchange	(5,379)	-	(2,031)	(7,410)	-	-	-	-
Balance as of December 31, 2023	**222,211**	**27,661**	**806,004**	**1,055,876**	**18**	**-**	**-**	**18**

	Retail				Residential			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	(in COP millions)							
Balance as of December 31, 2022	**261,303**	**84,379**	**349,488**	**695,170**	**11,948**	**3,088**	**37,130**	**52,166**
Period write-offs	(516)	(1,017)	(856,313)	(857,846)	-	-	-	-
Sale of loan portfolio	(3)	(162)	(1,637)	(1,802)	-	-	-	-
Reversal of accrued interest Stage 3	-	-	57,244	57,244	-	-	2,443	2,443
Expenses	304,550	198,715	474,849	978,114	162	1,299	5,466	6,927

Expenses for disbursements or originations	125,947	24,666	211,190	361,803	3,935	832	397	5,164
Reimbursement	(90,311)	(9,722)	(3,565)	(103,598)	(5,464)	(648)	(11,124)	(17,236)
Cancellation or payment in full	(50,627)	(14,765)	(31,314)	(96,706)	(539)	(204)	(1,849)	(2,592)
Reclassification from Stage 1 to Stage 2	(12,907)	12,907	-	-	(464)	464	-	-
Reclassification from Stage 1 to Stage 3	(299,036)	-	299,036	-	(242)	-	242	-
Reclassification from Stage 2 to Stage 3	-	(210,725)	210,725	-	-	(1,006)	1,006	-
Reclassification from Stage 3 to Stage 2	-	4,851	(4,851)	-	-	330	(330)	-
Reclassification from Stage 2 to Stage 1	17,581	(17,581)	-	-	1,137	(1,137)	-	-
Reclassification from Stage 3 to Stage 1	16,875	-	(16,875)	-	1,476	-	(1,476)	-
Difference in exchange	-	-	-	-	-	-	-	-
Balance as of December 31, 2023	**272,856**	**71,546**	**687,977**	**1,032,379**	**11,949**	**3,018**	**31,905**	**46,872**

	Corporate Leasing				**Retail Leasing**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	(in COP millions)							
Balance as of December 31, 2022	**26,576**	**8,262**	**202,694**	**237,532**	**182**	**25**	**755**	**962**
Period write-offs	-	-	(65,816)	(65,816)	-	-	(3,027)	(3,027)
Sale of loan portfolio	-	-	-	-	-	-	-	-
Reversal of accrued interest Stage 3	-	-	18,640	18,640	-	-	85	85
Expenses	8,038	6,226	89,650	103,914	11	-	2,951	2,962
Expenses for disbursements or originations	8,610	2,047	10,907	21,564	55	106	-	161
Reimbursement	(13,729)	(6,519)	(17,768)	(38,016)	(188)	(18)	(4)	(210)
Cancellation or payment in full	(1,786)	(605)	(19,566)	(21,957)	(24)	(8)	-	(32)
Reclassification from Stage 1 to Stage 2	(1,019)	1,019	-	-	(2)	2	-	-
Reclassification from Stage 1 to Stage 3	(875)	-	875	-	(32)	-	32	-
Reclassification from Stage 2 to Stage 3	-	(1,505)	1,505	-	-	-	-	-
Reclassification from Stage 3 to Stage 2	-	6,475	(6,475)	-	-	18	(18)	-
Reclassification from Stage 2 to Stage 1	3,652	(3,652)	-	-	17	(17)	-	-
Reclassification from Stage 3 to Stage 1	4,366	-	(4,366)	-	119	-	(119)	-
Difference in exchange	-	-	-	-	-	-	-	-
Balance as of December 31, 2023	**33,833**	**11,748**	**210,280**	**255,861**	**138**	**108**	**655**	**901**

	Residential Leasing				**Total Financial Leasing**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	(in COP millions)							
Balance as of December 31, 2022	**13,814**	**3,512**	**26,055**	**43,381**	**40,572**	**11,799**	**229,504**	**281,875**
Period write-offs	-	-	(6,724)	(6,724)	-	-	(75,567)	(75,567)
Sale of loan portfolio	-	-	-	-	-	-	-	-
Reversal of accrued interest Stage 3	-	-	439	439	-	-	19,164	19,164
Expenses	173	1,305	7,051	8,529	8,222	7,531	99,652	115,405
Expenses for disbursements or originations	1,635	314	177	2,126	10,300	2,467	11,084	23,851
Reimbursement	(4,173)	(168)	(5,773)	(10,114)	(18,090)	(6,705)	(23,545)	(48,340)
Cancellation or payment in full	(3,714)	(1,368)	(7,542)	(12,624)	(5,524)	(1,981)	(27,108)	(34,613)
Reclassification from Stage 1 to Stage 2	(428)	428	-	-	(1,449)	1,449	-	-
Reclassification from Stage 1 to Stage 3	(231)	-	231	-	(1,138)	-	1,138	-
Reclassification from Stage 2 to Stage 3	-	(898)	898	-	-	(2,403)	2,403	-
Reclassification from Stage 3 to Stage 2	-	-	-	-	-	6,493	(6,493)	-
Reclassification from Stage 2 to Stage 1	900	(900)	-	-	4,569	(4,569)	-	-
Reclassification from Stage 3 to Stage 1	796	-	(796)	-	5,281	-	(5,281)	-
Difference in exchange	-	-	-	-	-	-	-	-
Balance as of December 31, 2023	**8,772**	**2,225**	**14,016**	**25,013**	**42,743**	**14,081**	**224,951**	**281,775**

	Total			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	(in COP millions)			
Balance as of December 31, 2022	**566,904**	**149,988**	**1,316,286**	**2,033,178**
Period write-offs	(617)	(1,017)	(1,154,051)	(1,155,685)
Sale of loan portfolio	(3)	(162)	(1,637)	(1,802)
Reversal of accrued interest Stage 3	-	-	183,916	183,916
Expenses	314,256	212,134	1,115,615	1,642,005
Expenses for disbursements or originations	292,061	44,587	258,975	595,623
Reimbursement	(197,259)	(27,777)	(88,033)	(313,069)
Cancellation or payment in full	(176,371)	(29,588)	(353,877)	(559,836)
Reclassification from Stage 1 to Stage 2	(18,773)	18,773	-	-

Reclassification from Stage 1 to Stage 3	(306,144)	-	306,144	-
Reclassification from Stage 2 to Stage 3	-	(218,639)	218,639	-
Reclassification from Stage 3 to Stage 2	-	14,868	(14,868)	-
Reclassification from Stage 2 to Stage 1	46,861	(46,861)	-	-
Reclassification from Stage 3 to Stage 1	34,241	-	(34,241)	-
Difference in exchange	(5,379)	-	(2,031)	(7,410)
Balance as of December 31, 2023	**549,777**	**116,306**	**1,750,837**	**2,416,920**

	Corporate				**Repos and Interbank**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
				(in COP millions)				
Balance as of December 31, 2021	**145,787**	**76,438**	**645,945**	**868,170**	**77**	**-**	**-**	**77**
Period write-offs	(1,572)	(1,000)	(304,566)	(307,138)	-	-	-	-
Reversal of accrued interest Stage 3	-	-	96,107	96,107	-	-	-	-
Expenses	290	13,762	621,117	635,169	15	-	-	15
Expenses for disbursements or originations	180,275	22,896	47,722	250,893	1,391	-	-	1,391
Reimbursement	(46,673)	(10,424)	(17,683)	(74,780)	-	-	-	-
Cancellation or payment in full	(62,806)	(29,859)	(378,910)	(471,575)	(49)	-	-	(49)
Reclassification from Stage 1 to Stage 2	(4,868)	4,868	-	-	-	-	-	-
Reclassification from Stage 1 to Stage 3	(959)	-	959	-	-	-	-	-
Reclassification from Stage 2 to Stage 3	-	(7,742)	7,742	-	-	-	-	-
Reclassification from Stage 3 to Stage 2	-	10,090	(10,090)	-	-	-	-	-
Reclassification from Stage 2 to Stage 1	28,307	(28,307)	-	-	-	-	-	-
Reclassification from Stage 3 to Stage 1	8,179	-	(8,179)	-	-	-	-	-
Difference in exchange	5,688	-	-	5,688	-	-	-	-
Balance as of December 31, 2022	**251,648**	**50,722**	**700,164**	**1,002,534**	**1,434**	**-**	**-**	**1,434**

	Retail				**Residential**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
				(in COP millions)				
Balance as of December 31, 2021	**162,034**	**200,701**	**312,815**	**675,550**	**11,615**	**7,926**	**33,753**	**53,294**
Period write-offs	(122,493)	(162,564)	(259,161)	(544,218)	-	-	-	-
Reversal of accrued interest Stage 3	-	-	32,731	32,731	-	-	2,117	2,117
Expenses	134,052	166,378	225,134	525,564	214	1,314	10,973	12,501
Expenses for disbursements or originations	124,628	34,690	116,500	275,818	3,944	732	101	4,777
Reimbursement	(128,238)	(19,849)	(2,521)	(150,608)	(13,278)	(892)	(1,631)	(15,801)
Cancellation or payment in full	(41,305)	(41,956)	(36,406)	(119,667)	(1,060)	(974)	(2,688)	(4,722)
Reclassification from Stage 1 to Stage 2	(7,916)	7,916	-	-	(214)	214	-	-
Reclassification from Stage 1 to Stage 3	(4,323)	-	4,323	-	(64)	-	64	-
Reclassification from Stage 2 to Stage 3	-	(14,198)	14,198	-	-	(958)	958	-
Reclassification from Stage 3 to Stage 2	-	13,583	(13,583)	-	-	978	(978)	-
Reclassification from Stage 2 to Stage 1	100,322	(100,322)	-	-	5,252	(5,252)	-	-
Reclassification from Stage 3 to Stage 1	44,542	-	(44,542)	-	5,539	-	(5,539)	-
Difference in exchange	-	-	-	-	-	-	-	-
Balance as of December 31, 2022	**261,303**	**84,379**	**349,488**	**695,170**	**11,948**	**3,088**	**37,130**	**52,166**

	Corporate Leasing				**Retail Leasing**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
				(in COP millions)				
Balance as of December 31, 2021	**22,839**	**24,661**	**264,160**	**311,660**	**202**	**274**	**480**	**956**
Period write-offs	(28)	-	(169,936)	(169,964)	-	-	(2,361)	(2,361)
Reversal of accrued interest Stage 3		-	16,791	16,791	-	-	58	58
Expenses	2,899	2,433	125,050	130,382	2	10	2,441	2,453
Expenses for disbursements or originations	7,949	868	4,788	13,605	74	-	165	239
Reimbursement	(22,091)	(8,904)	(23,935)	(54,930)	(204)	(54)	(25)	(283)
Cancellation or payment in full	(1,628)	(1,833)	(6,551)	(10,012)	(48)	(48)	(4)	(100)
Reclassification from Stage 1 to Stage 2	(1,179)	1,179	-	-	(5)	5	-	-
Reclassification from Stage 1 to Stage 3	(449)	-	449	-	-	-	-	-
Reclassification from Stage 2 to Stage 3	-	(3,538)	3,538	-	-	(62)	62	-
Reclassification from Stage 3 to Stage 2	-	5,499	(5,499)	-	-	61	(61)	-
Reclassification from Stage 2 to Stage 1	12,103	(12,103)	-	-	161	(161)	-	-
Reclassification from Stage 3 to Stage 1	6,161	-	(6,161)	-	-	-	-	-
Difference in exchange	-	-	-	-	-	-	-	-
Balance as of December 31, 2022	**26,576**	**8,262**	**202,694**	**237,532**	**182**	**25**	**755**	**962**

	Total Residential Leasing				**Financial Leasing**			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**

								(in COP millions)
Balance as of December 31, 2021	**13,993**	**12,429**	**31,652**	**58,074**	**37,034**	**37,364**	**296,292**	**370,690**
Period write-offs	-	-	(2,398)	(2,398)	(28)	-	(174,695)	(174,723)
Reversal of accrued interest Stage 3	-	-	928	928	-	-	17,777	17,777
Expenses	310	1,363	7,906	9,579	3,211	3,806	135,397	142,414
Expenses for disbursements or originations	3,336	492	709	4,537	11,359	1,360	5,662	18,381
Reimbursement	(19,149)	(938)	(2,355)	(22,442)	(41,444)	(9,896)	(26,315)	(77,655)
Cancellation or payment in full	(988)	(1,050)	(2,860)	(4,898)	(2,664)	(2,931)	(9,415)	(15,010)
Reclassification from Stage 1 to Stage 2	(208)	208	-	-	(1,392)	1,392	-	-
Reclassification from Stage 1 to Stage 3	(117)	-	117	-	(566)	-	566	-
Reclassification from Stage 2 to Stage 3	-	(807)	807	-	-	(4,407)	4,407	-
Reclassification from Stage 3 to Stage 2	-	1,426	(1,426)	-	-	6,986	(6,986)	-
Reclassification from Stage 2 to Stage 1	9,611	(9,611)	-	-	21,875	(21,875)		-
Reclassification from Stage 3 to Stage 1	7,025	-	(7,025)	-	13,186		(13,186)	-
Difference in exchange	-	-	-	-	-	-	-	-
Balance as of December 31, 2022	**13,813**	**3,512**	**26,055**	**43,380**	**40,571**	**11,799**	**229,504**	**281,874**

	Total			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
	(in COP millions)			
Balance as of December 31, 2021	**356,547**	**322,429**	**1,288,805**	**1,967,781**
Period write-offs	(124,093)	(163,564)	(738,422)	(1,026,079)
Reversal of accrued interest Stage 3	-	-	148,732	148,732
Expenses	137,782	185,260	992,621	1,315,663
Expenses for disbursements or originations	321,597	59,678	169,985	551,260
Reimbursement	(229,633)	(41,061)	(48,150)	(318,844)
Cancellation or payment in full	(107,884)	(75,720)	(427,419)	(611,023)
Reclassification from Stage 1 to Stage 2	(14,390)	14,390	-	-
Reclassification from Stage 1 to Stage 3	(5,912)	-	5,912	-
Reclassification from Stage 2 to Stage 3	-	(27,305)	27,305	-
Reclassification from Stage 3 to Stage 2	-	31,637	(31,637)	-
Reclassification from Stage 2 to Stage 1	155,756	(155,756)	-	-
Reclassification from Stage 3 to Stage 1	71,446	-	(71,446)	-
Difference in exchange	5,688	-	-	5,688
Balance as of December 31, 2022	**566,904**	**149,988**	**1,316,286**	**2,033,178**

The following table presents the allocation of our allowance for loan losses by category of loan and financial lease losses.

	December 31 2023	**December 31 2022**
	(in COP millions)	
Corporate	1,311,753	1,241,499
Retail	1,033,280	696,132
Residential Loans	71,887	95,547
Total	**2,416,920**	**2,033,178**

The following table presents the allocation of our allowance for loan losses by type of loan.

	At December 31,					
	2023		**2022**		**2021**	
	Amount and percentages		**Amount and percentages**		**Amount and percentages**	
	(in COP billions, except percentages)					
Domestic						
Corporate						
General purpose loans	901	70.0%	861	71.4%	746	64.4%
Loans funded by development banks	54	4.2%	48	4.0%	43	3.7%
Working capital loans	59	4.6%	47	3.9%	47	4.1%
Credit cards	15	1.1%	11	0.9%	10	0.9%
Overdrafts	1	0.1%	1	0.1%	1	0.1%
Leases	256	19.9%	238	19.7%	312	26.9%
Total Corporate	**1,287**	**53.8%**	**1,205**	**60.4%**	**1,159**	**59.5%**
Retail						
Credit cards	150	14.5%	86	12.4%	62	9.2%
Personal loans	730	70.7%	512	73.6%	467	69.0%
Automobile and vehicle loans	143	13.8%	88	12.6%	137	20.2%

	At December 31,					
	2023		2022		2021	
	Amount and percentages		Amount and percentages		Amount and percentages	
	(in COP billions, except percentages)					
Overdrafts	0	0.0%	0	0.0%	0	0.0%
Loans funded by development banks	-	0.0%	-	0.0%	-	0.0%
General purpose loans	9	0.9%	9	1.3%	10	1.4%
Working capital loans	-	0.0%	-	0.0%	-	0.0%
Leases	1	0.1%	1	0.1%	1	0.1%
Total Retail	**1,033**	**43.2%**	**696**	**34.9%**	**677**	**34.8%**
Microcredit	-		-		-	
Residential	72	3.0%	96	4.8%	111	5.7%
Total domestic	**2,392**	**99.0%**	**1,997**	**98.2%**	**1,947**	**98.9%**
Foreign						
Corporate						
General purpose loans	-	0.0%	-	0.0%	-	0.0%
Loans funded by development banks	-	0.0%	-	0.0%	-	0.0%
Working capital loans	25	100.0%	36	100.0%	21	100.0%
Credit cards	-	0.0%	-	0.0%	-	0.0%
Overdrafts	-	0.0%	-	0.0%	-	0.0%
Leases	-	0.0%	-	0.0%	-	0.0%
Total Corporate	**25**	**100%**	**36**	**100%**	**21**	**100%**
Retail						
Credit cards	0	100.0%	0	100.0%	0	100.0%
Personal loans	-	0.0%	-	0.0%	-	0.0%
Automobile and vehicle loans	-	0.0%	-	0.0%	-	0.0%
Overdrafts	-	0.0%	-	0.0%	-	0.0%
Loans funded by development banks	-	0.0%	-	0.0%	-	0.0%
General purpose loans	-	0.0%	-	0.0%	-	0.0%
Working capital loans	-	0.0%	-	0.0%	-	0.0%
Leases	-	0.0%	-	0.0%	-	0.0%
Total Retail	**0**	**0%**	**0**	**0%**	**0**	**0%**
Microcredit	-		-		-	
Residential Lending	-	0.00%	-	0.00%	-	0.00%
Total foreign	**25**	**1.0%**	**36**	**1.8%**	**21**	**1.1%**
Total loan impairment allowance	**2,417**		**2,033**		**1,968**	

Write-offs

The following table presents the allocation of our write-offs by type of loan for the dates indicated.

	At December 31,					
	2023		2022		2021	
	COP	%	COP	%	COP	%
	(in COP billions, except percentages)					
Domestic						
Corporate and Retail						
General purpose loans	235	20.45%	300	29.38%	385	38.74%
Loans funded by development banks	8	0.71%	3	0.33%	4	0.39%
Working capital loans	1	0.08%	17	1.62%	30	3.06%
Credit cards	145	12.61%	78	7.67%	133	13.41%
Personal loans	603	52.62%	374	36.58%	297	29.86%
Automobile and vehicle loans	86	7.53%	77	7.55%	40	4.04%
Overdrafts	-	0.00%	-	0.00%	-	0.00%
Leases	69	6.00%	172	16.86%	104	10.50%
Total corporate and retail	**1,147**	**99.4%**	**1,022**	**99.8%**	**994**	**99.8%**
Microcredit	-	0.0%	-	0.0%	-	0.0%
Residential and other	7	0.6%	2	0.2%	2	0.2%
Total domestic	**1,154**	**99.8%**	**1,025**	**99.9%**	**996**	**100.0%**
Foreign						
Corporate and retail						
General purpose loans	-	0.00%	-	0.00%	-	0.00%
Loans funded by development banks	-	0.00%	-	0.00%	-	0.00%
Working capital loans	2	100.00%	1	100.00%	-	0.00%

	At December 31,					
	2023		2022		2021	
	COP	%	COP	%	COP	%
	(in COP billions, except percentages)					
Credit cards	-	0.00%	-	0.00%	-	0.00%
Personal loans	-	0.00%	-	0.00%	-	0.00%
Automobile and vehicle loans	-	0.00%	-	0.00%	-	0.00%
Overdrafts	-	0.00%	-	0.00%	-	0.00%
Leases	-	0.00%	-	0.00%	-	0.00%
Total corporate and retail	**2**	**100%**	**1**	**100%**	**-**	**0.00%**
Microcredit	-	0.0%	-	0.0%	-	0.0%
Residential and other	-	0.0%	-	0.0%	-	0.0%
Total foreign	**2**	**0.2%**	**1**	**0.1%**	**-**	**0.0%**
Total write-offs	**1,156**		**1,026**		**996**	

The ratio of write-offs to average outstanding loans for the periods indicated was as follows.

	Year ended December 31,		
	2023	2022	2021
	(in percentages)		
Ratio of write-offs to average outstanding loans	2.33%	2.25%	2.69%
Total portfolio	**49,499**	**45,702**	**37,065**

Loans are subject to charge-offs when all possible collection efforts have been exhausted and when they are one hundred percent (100)% provisioned.

Write-offs do not, however, eliminate the obligation of our subsidiaries to continue to engage in collection efforts to accomplish recovery. Our board of directors is the only administrative body with legal authority to approve write-offs of transactions deemed uncollectible. The recovery of charged-off loans is accounted for as income in our consolidated statement of income.

Potential problem loans

In order to carefully monitor the credit risk associated with clients, we have established a committee that meets monthly to identify potential problem loans, which are then included on a watch list. In general, these are loans due by clients that could face difficulties complying with their repayment obligations, but who otherwise have had a good payment history. These potential difficulties could be related to factors such as a decline in economic activity, financial weakness or any other event that could affect the client's business. We also monitor the credit risk associated with these clients.

Potential problem loans are primarily those classified as "B" under the Superintendency of Finance's credit classification and provisioning guidelines. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk management—Credit classification and provisioning." At December 31, 2023, COP 1,438 billion, or 2.9%, of our gross loan portfolio was classified as potential problem loans under these guidelines.

Separately, Grupo Aval monitors loans granted by us and other Grupo Aval banks to a single borrower. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Risk management— Credit risk".

Cross-border outstanding loans and investments

We do not have any cross-border outstanding loans and investments to a borrower in any country that exceeded 0.6% of our total assets. The following table presents information with respect to our cross-border outstanding loans and investments at December 31, 2023 and 2022. See "—Loan portfolio" above for a description of cross-border outstanding by type of foreign borrower.

	December 31, 2023								
	Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Financial Leasing	Total
	(in COP millions)								
Colombia	24,893,930	12,452,853	1,516,633	6,398,912	9,031	1,093,520	14,714	7,501,463	46,379,593
Panama	202,929	-	-	-	-	-	735	-	203,664
United States	85,608	-	-	-	-	-	-	-	85,608
Costa Rica	115,868	-	-	-	-	-	-	-	115,868
Nicaragua	605	-	-	-	-	-	-	-	605
Honduras	298,941	-	-	-	-	-	-	-	298,941

	December 31, 2023								
	Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Financial Leasing	Total
	(in COP millions)								
El Salvador	6,704	-	-	-	-	-	-	-	6,704
Guatemala	214,404	-	-	-	-	-	-	-	214,404
Other countries	2,193,513	135	-	-	-	-	-	-	2,193,648
Total	**28,012,502**	**12,452,988**	**1,516,633**	**6,398,912**	**9,031**	**1,093,520**	**15,449**	**7,501,463**	**49,499,035**

	December 31, 2022								
	Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Financial Leasing	Total
	(in COP millions)								
Colombia	22,128,244	11,133,091	1,165,713	5,830,977	9,399	1,322,311	979,941	7,162,687	42,569,676
Panama	111,895	64	-	-	-	-	140,513	-	252,472
United States	42,100	6	-	-	-	-	-	-	42,106
Costa Rica	212,701	-	-	-	-	-	-	-	212,701
Nicaragua	-	-	-	-	-	-	-	-	-
Honduras	77,035	-	-	-	-	-	-	-	77,035
El Salvador	56,066	-	-	-	-	-	-	-	56,066
Guatemala	220,254	-	-	-	-	-	-	-	220,254
Other countries	2,271,284	81	-	-	-	-	-	-	2,271,365
Total	**25,119,579**	**11,133,242**	**1,165,713**	**5,830,977**	**9,399**	**1,322,311**	**1,120,454**	**7,162,687**	**45,701,675**

Deposits

The principal components of our deposits are customer demand (current and saving accounts) and term certificates of deposit. Our retail customers are the principal source of our demand and term certificates of deposit. The following table presents the composition of our deposits at December 31, 2023 and 2022.

	At December 31, 2023		
	Peso-denominated	Dollar-denominated	Total
		(in COP millions)	
Up to 3 months	3,833,494	1,078,126	4,911,619
From 3 to 6 months	2,144,637	524,588	2,669,225
From 6 to 12 months	3,319,867	1,337,858	4,657,725
More than 12 months	2,951,741	58,602	3,010,343
Term certificates of deposit less than U.S.$100,000	2,433,006	184,532	2,617,538
Total	**14,682,745**	**3,183,706**	**17,866,450**

	At December 31, 2022		
	Peso-denominated	Dollar-denominated	Total
		(in COP millions)	
Up to 3 months	2,580,089	768,517	3,348,606
From 3 to 6 months	1,191,884	738,747	1,930,631
From 6 to 12 months	1,817,124	1,028,884	2,846,008
More than 12 months	2,734,796	124,659	2,859,454
Term certificates of deposit less than U.S.$100,000	2,225,850	180,255	2,406,105
Total	**10,549,742**	**2,841,062**	**13,390,805**

The following table presents term certificates of deposit, by amount and maturity at December 31, 2023 and 2022.

Detail	**December 31, 2023**	**December 31, 2022**
	(in COP millions)	
Demand deposits		
Current accounts	7,092,625	7,586,598
Savings accounts	24,153,811	22,021,958
Other funds at sight	62,846	96,584
	31,309,282	**29,705,140**
Term		
Term certificates of deposit	17,866,450	13,390,805
Total Deposits	**49,175,732**	**43,095,945**
By currency		
In Colombian pesos	44,903,705	38,382,393

Detail	December 31, 2023	December 31, 2022
	(in COP millions)	
In U.S. dollars	4,259,323	4,692,943
Other currencies	12,704	20,609
Total by Currency	**49,175,732**	**43,095,945**

The following table lists the maturity profiles for the term certificates of deposit as of December 31, 2023.

Term Certificates of Deposit Maturity Profile	December 31, 2023
Year	(in COP millions)
2024	11,660,115
2025	4,618,887
2026	495,785
2027	334,997
2028	646,976
After 2029	109,690
Total	**17,866,450**

Return on equity and assets

The following table presents certain selected financial ratios for the periods indicated.

	As of and for the year ended December 31,		
	2023	2022	2021
	(in percentages)		
ROAA[1]	0.75%	0.82%	1.21%
ROAE[2]	8.74%	8.75%	11.49%
Average total stockholders' equity as a percentage of average total assets	8.42%	9.26%	10.44%
Period-end total equity as a percentage of period-end total assets	8.29%	8.69%	10.04%
Dividend payout ratio[3]	50%	50%	31%

Source: Company calculations based on Banco de Occidente consolidated data.

(1) For methodology used to calculate ROAA, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(2) For methodology used to calculate ROAE, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(3) Dividend payout ratio (dividends declared per share divided by net income per share).

Short-term borrowings

The following table presents our short-term borrowings, consisting mainly of interbank and overnight funds, including repurchase agreements, for the periods indicated.

	At December 31,					
	2023		2022		2021	
	Nominal rate	Amount	Nominal rate	Amount	Nominal rate	Amount
	(in COP millions and percentages)					
Short-term borrowings						
Interbank borrowings and overnight funds						
End of period	12.8%	80,107	11.7%	160,074	2.9%	245,077
Average during period	12.8%	20,026	11.7%	20,009	2.9%	11,139
Interest paid during the period	12.8%	107	11.7%	74	2.9%	76

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our financial condition and results of operations should be read in conjunction with our Audited Consolidated Financial Statements and with the other financial information included in this offering memorandum, as well as the information under "Presentation of Financial and Other Information" and "Selected Financial and Operating Data." The preparation of the financial statements required the use of assumptions and estimates that affect the amounts recorded as assets, liabilities, revenue and expenses in the years and periods addressed and are subject to certain risks and uncertainties. Our future results may vary substantially from those indicated because of various factors that affect our business, including, among others, those identified under "Forward-Looking Statements" and "Risk Factors" and other factors discussed in this offering memorandum. Our Audited Consolidated Financial Statements are each included in this offering memorandum and have been prepared in accordance with Colombian Banking IFRS. See "Summary—Our history" and "Selected Financial and Operating Data."

Overview

Banco de Occidente is the fifth largest bank in Colombia measured by gross loans, with a market share of 6.93% and 6.43% at December 31, 2023 and 2022, respectively, based on information available on the website of the Superintendency of Finance. Banco de Occidente focuses on mid-size and small and medium sized (SME) corporate customers, state-owned entities and high net-worth customers and has a diversified revenue stream. Banco de Occidente had market shares of 9.09% and 8.45% of corporate loans and 6.18% and 5.44% of retail loans at December 31, 2023 and 2022, respectively. Banco de Occidente had a market share of Colombia's checking accounts of 8.66% and 8.21% at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022 Banco de Occidente had total consolidated assets of COP 68,602 billion and COP 60,004.4 billion and profit attributable to holders of ordinary shares of the bank of COP 473.5 billion and COP 452.5 billion for the years ended December 31, 2023 and 2022, respectively.

On a consolidated basis, Banco de Occidente's ROAE for the years ended December 31, 2023 and 2022 was 8.74% and 8.75%, and its ROAA was 0.75% and 0.82%, respectively.

Principal factors affecting our financial condition and results of operations

International context

In 2023, the global economy exceeded expectations achieving a projected growth rate of 3.1%, above the initial forecast of 2.7%. This growth was largely driven by the robust performance of the U.S. economy. U.S. GDP growth during 2023, which outperformed analysts' projections, is estimated at 2.5%, versus 1.9% during 2022. U.S. Inflation, as measured by the Consumer Price Index, was at 3.4% during 2023, a material decrease when compared to 2022, but still somewhat distant to the 2% target; this led the Federal Reserve to prolong its hawkish stance, maintaining higher interest rates. In Europe, the European Central Bank has kept its rates unchanged since August of last year and will probably move towards reducing its marginal lending rate before the Federal Reserve, considering that even though two years have passed since Russia invaded Ukraine, European natural gas futures are trading at their lowest levels since 2021, supported on mild weather, high storage volumes and ample LNG supplies. Also, lower rates would support the reactivation of a relatively weak economic outlook.

Colombian Economic Conditions

Moving to the local context, we emphasized on the unabated inflation with no foreseeable reasons to subside. High inflation was occurring while GDP growth was materially slowing down. The Central Bank consequently responded with a rapid unprecedented series of repo rate hikes, which increased rates by more than 1,000 basis points in approximately 12 months. Consequently, marginal costs of funds followed this trend but were affected beyond the Central Bank's increases as new liquidity regulation was introduced, which led banks to scramble for certificates of deposit of longer tenures. Asset repricing, on the other hand, did not keep up with cost of funds, especially so in banks with lending portfolios skewed towards retail lending.

As a by-product of this situation, 2023 was the most challenging year in recent history for the Colombian economy. GDP grew by 0.6%, when compared to growth of 7.3% during 2022, with a 2023 fourth quarter GDP growth of only 0.3%, when compared to the fourth quarter of 2022. This result was the weakest since the beginning of this century, excluding a 7.2% contraction in 2020 during the COVID-19 pandemic. Economic slowdown during 2023 was mainly driven by a moderation of household demand and a collapse of investment. According to experts, the absence of a rebound in investment levels will compromise the country's potential future growth, jeopardizing fiscal sustainability. Real GDP grew by 10.8% in 2021, 7.3% in 2022 and 0.6% in 2023.

In 2024, the Colombian Central Bank expects GDP to moderately expand by 0.80%.

On January 18, 2024, S&P Global Ratings revised the outlook on its long-term ratings on Colombia to negative from stable and affirmed rating at BB+. According to S&P, the outlook is negative because investor confidence is weak, a sentiment that poses risks to GDP growth. In addition, Moody's, Fitch and S&P maintain the rating but explain that Colombia is at the limit of the fiscal rule (which measures the relation of government spending to government revenue) with potential risks from lower revenues or higher spending. The fiscal rule was imposed by Law 1473 of 2011 to contribute in the reduction of fiscal deficit and to address issues regarding public policy, as further described under "Risk Factors–Risks relating to Colombia".

On the production side, the manufacturing and commerce sectors completed three consecutive quarters of year-over-year contraction, while construction completed five consecutive quarters of contraction. These sectors generate high levels of employment. Conversely, the financial and insurance activities sector recorded a 7.9% annual growth, driven by the strong results of asset managers, such as pension fund and trust managers. On the demand side, domestic demand decreased 3.8% in 2023, as gross capital formation contracted 24.8%, while household consumption and government spending modestly increased 1.1% and 0.9%, respectively. The trade balance benefited from a 14.7% drop in imports, well above the 3.1% increase in exports.

Although unemployment continued to improve during 2023, sustained by employment generated through Government spending, we saw initial signs of deterioration in job formations in January. The average 2023 unemployment rate fell to 10.2%, improving from 11.2% in 2022.

Labor Markets

The Colombian unemployment rate was 10.2% on December 31, 2023 as compared to 10.8% at December 31, 2022 and 11.0% at December 31, 2021. The participation rate (i.e., economically active population divided by working age population) was 63.8% in 2023 as compared to 63.8% in 2022 and 62.5% in 2021. The employment rate (i.e., employed population divided by economically active population) was 57.4% in 2023 as compared to 57.3% in 2022 and 55.5% in 2021.

Interest rates

The current high inflation environment limits the speed at which the Central Bank intervention rate will return to historic levels. In the meantime, higher borrowing rates impose financial burdens on consumers and firms. In any case, the Central Bank timidly reduced its intervention rate by 25 basis points each in December 2023 and January 2024, followed by a 50-basis point cut in March 2024, taking the rate from 13.25% to 12.25%. These cuts fell short of those expected by economic analysts and capital market participants. Given the downward trend in inflation, which has largely exceeded the repo rate decrease, real interest rates are becoming increasingly contractionary, which does not bode well for GDP growth. To reach the end of 2024 with real interest rates of less than 2.5%, the magnitude of rate cuts needs to increase over the course of the following monetary policy meetings.

Since implementation of an inflation-targeting regime in 1999, the Colombian Central Bank has used its overnight lending rate as a mechanism to control inflation and inflation expectations. The Colombian Central Bank's overnight lending rate reached 13%, 12% and 3% at December 31, 2023, 2022, and 2021, respectively.

A significant portion of our assets are linked to the bank reference indicator of the interbank rate (*Interés Bancario de Referencia*), or "IBR." Therefore, changes in the IBR affect our interest income and valuations. The average IBR was 13.04% during 2023, 7.18% during 2022, and 1.92% during 2021. The average rate through March 2024 stood at 12.81%.

Foreign exchange rates

Regarding the exchange rate, a 20.5% yearly appreciation took the exchange rate at year-end down to 3,822.05 pesos per dollar, its lowest level during 2023, correcting the distortion of the Colombian Peso relative to Latin American currencies. This performance was driven by a weaker dollar, the correction of the Colombia's external imbalance, and a lower risk perception of the country as evidenced by its CDS. In the first quarter of 2024, we have seen a slight depreciation of the peso, as the exchange rate has fluctuated between 3,800 and 4,000 pesos per dollar. The yearly average exchange rate depreciated 1.7% to 4,330.14 pesos per dollar between 2023 and 2022. It depreciated on average by 13.61% against the U.S. dollar from 2021 to 2022. Our active and passive balance sheet positions in dollars are closely matched, resulting in very low foreign exchange risk.

Current account deficit ended the year at 2.7% of GDP, a marked improvement versus the 6.2% deficit during 2022, due to lower domestic demand and continued correction of the trade balance.

We continue to be subject to impacts on our consolidated financial statements derived from fluctuations of the Colombian peso against the U.S. dollar, the currency in which most of our foreign long-term debt is denominated. At December 31, 2023, 18.6% of our average consolidated assets and 24.3% of our average consolidated liabilities were denominated in foreign currency. On a consolidated basis, we had U.S.$3.6 billion (Ps 13.9 trillion) of long-term debt denominated in U.S. dollars at December 31, 2023.The Colombian peso depreciated on average by 1.72% against the U.S. dollar from 2022 to 2023. It depreciated on average by 13.61% against the U.S. dollar from 2021 to 2022. Our active and passive balance sheet positions in dollars are closely matched, resulting in very low foreign exchange risk.

Inflation

Inflation trended downward steadily since March 2023, decreasing from its peak of 13.34% to 9.28% in December 2023, 8.35% in January 2024 and 7.74% in February 2024. Notwithstanding, inflation remains high, still doubling the average seen across Latin America and well above the Central Bank's target range of 2 to 4%. The deceleration in inflation has been driven by lower food inflation and by a softer demand for goods. However, the indexation processes and the de-subsidizing of local gasoline prices pressed the services and regulated components. Since October 2023, inflation in Colombia began a downward trend. The highest recorded figure of the last decade was in March 2023 at 13.34%, and as of February 2024, it stands at 7.74%. For 2024, it is expected that inflation will continue to decline and close the year below 6% (5.9%, according to Banco de la República, and 5.5%, according to market analysts). This decrease in inflation is expected to give the Colombian Central Bank room to decrease its intervention rate.

Credit Volumes

Credit volume in Colombia has grown steadily since 2000. Nevertheless, credit penetration is still relatively low when compared to other developed and emerging markets.

Domestic credit to the private sector as a percentage of GDP, as defined by the World Bank Development Indicators, refers to financial resources provided to the private sector, such as through loans, purchases of non-equity securities, and trade credits and other accounts receivable, that establish a claim for repayment. This definition encompasses a broad range of entities that provide credit, and is not limited to banking institutions. It is widely used for comparison purposes across countries due to its reliability and homogeneity. The World Bank Development Indicators cover 264 countries from 1960 to 2023.

When referring to bank credit penetration, bank credit refers to gross loans and leasing operations provided by commercial banks in Colombia, according to data from the Superintendency of Finance, and GDP refers to nominal GDP pesos, according to data provided by DANE. We believe these definitions and the calculation resulting therefrom more appropriately reflect Colombia's domestic credit to GDP conditions, which calculation renders a 41.65% ratio for the year ended December 31, 2023.

The Colombian bank credit market consists of four main business lines: corporation, retail, microcredit and residential lending. According to the Superintendency of Finance, at December 31, 2023, a total of COP 655.0 trillion of gross loans granted by Colombian banks were outstanding, of which 51.6% were corporate loans, 29.9% were retail loans, 15.7% were residential loans, and 2.7% were microcredit loans.

At December 31, 2023, Colombia's bank loans to GDP ratio was 41.7%, showing a 200 basis points decrease versus the 43.7% level on December 31, 2022.

Reserve Requirements

The Colombian Central Bank's reserve requirements affect our results of operations. The raising or lowering of these requirements directly affects our results by increasing or decreasing the funds available for lending.

Colombian banks are required to maintain a determined level of reserves depending on the volume and mix of their deposits. These are reflected in the line item "cash and due from banks" on our balance sheet. According to Colombian Central Bank regulations and due to the effects of the COVID-19 crisis, the levels of cash reserves applicable to credit establishments such as Banco de Occidente were reduced from 11.0% to 8.0% for current, savings and similar accounts, from 4.5% to 3.5% for term deposits and similar products with a maturity of less than 18 months, and are maintained at 0.0% for term deposits and similar products with a maturity equal to or greater than 18 months. The Colombian Central Bank, however, has the power to further modify these requirements.

Tax Policies

On the fiscal front, the 2023 fiscal deficit is estimated to be close to 4.2% of GDP, an improvement versus the 5.3% recorded in 2022. Tax collections performed favorably throughout the year as the positive effects of the 2022 tax reform materialized. In addition, sluggish budgetary execution enabled better fiscal deficit figures in 2023. However, tax collections started to weaken as the economic activity started trending downward.

Changes in Colombian tax policies may significantly impact our operational results. For 2024, the Colombian government estimates a consolidated public sector deficit of 55.9% of GDP, compared to 53.1% of GDP in 2023, and a central government deficit of 53.9% of GDP, compared to 50.8% of GDP in 2023, due to lower revenue from reduced collection amid less favorable macroeconomic conditions, a decline in government's expectations of resources from favorable litigation and arbitration proceedings, and reduced income from tax reform due to judicial decisions regarding the deductibility of royalties.

In order to address weaknesses in fiscal accounts, the Colombian Congress has enacted several laws to strengthen the fiscal regulatory regime, including Law No. 1819 of 2016 applicable to government spending, Law No. 1943 of 2018 ("Law No. 1943"), Law No. 2010 of 2019, Law No. 2155 of 2021 and, recently, Law No. 2277 of 2022. The change in the fiscal regulatory regime requires government expenses to grow in line with revenues and savings from excess oil revenues, with the goal of reducing Colombian government public debt to below 30.0% of GDP by 2026.

On December 29, 2018, the Colombian Congress enacted Law No. 1943 introducing substantial changes to the tax legal framework. These changes include taxation on dividends distributed to both residents and non-residents from profits generated from fiscal year 2017 onwards, a modified corporate income tax regime, new corporate and individual income tax rates, and changes to the value added tax regime, among others. Although Colombia's constitutional court ruled that the 2018 tax reform is unconstitutional, it allowed the law to stay in effect until January 1, 2020. Subsequently, the Colombian Congress approved a new tax reform (Law No. 2010 of 2019) on December 27, 2019, which reintroduced the entire text of the 2018 tax reform. This law included changes to the corporate income tax, the wealth tax (*impuesto a la riqueza*), and the taxation of dividends, some of which were recently amended through Law No. 2277 of 2022.

Law No. 2010 also introduced other modifications to various aspects of tax regulation in Colombia, including changes to the value added tax on services rendered abroad, a simplified tax regime for small businesses, a new wealth tax applicable to resident individuals and non-residents (both individuals and legal entities) and stronger measures to fight tax evasion, among others.

Law No. 255 modified the rate for the Corporate Income Tax to 35% starting in 2022 and other policies to balance the economic negative effects of COVID-19.

The most recent tax reform bill was passed as Law No. 2277 and became effective beginning January 1, 2023. This law has changed several aspects of the tax regime. The most important points are explained below:

- ***Net-equity Tax/Wealth Tax (Impuesto al Patrimonio)***: a new permanent equity tax applicable to Colombian individuals and non-residents over the equity owned directly in Colombia, at rates ranging from 0.5% to 1.5% based on the level of net equity on January 1 every year. The rates start to apply if the net-worth is equal or over COP 3,388,680,000, or approximately U.S.$894,016, per calculations for as of April 2024.

- ***Corporate Income Tax.*** Three of the most notable changes are: first, a five-point income tax surtax for financial institutions, insurance and reinsurance entities and several other companies in the financial market that made more than approximately U.S.$1,351,059 in a given fiscal year until 2027. Secondly, a minimum corporate income tax based on effective tax rate (effective rate calculated on book profit should be at least 15%, considering certain adjustments to accounting profits and certain exempted companies). Third, Law No. 2277 confirmed the statutory general corporate income tax rate at 35%.

- ***Taxes on dividends.*** The 2022 tax bill increases the dividend tax rate for local and foreign shareholders, provides for 0% to 39% progressive marginal rates for Colombian individuals, and implements a 20% flat withholding tax for non-resident shareholders. In some limited cases a credit for the tax paid on dividends has been incorporated in the Article/Section 254-1 of the Colombian Tax

Code.

- ***Goodwill:*** The general rate has been increased in the goodwill tax, rising from 10% to 15% for residents. However, the reform also modified a series of exemptions to calculate the tax base (i.e., currently, the first 13,000 TVU of the value of a dwelling property owned by the deceased).

- ***Significant Economic Presence:*** Non-resident Individuals and entities with a Significant Economic Presence will be subject to Corporate Income Tax on their income from the sale of goods and/or services provided to clients located in Colombian territory. The Colombian Tax Code provides the specific requirements to be considered subject with a Significant Economic Presence.

These changes in tax treatment and higher levels of taxation could have a material adverse effect on our financial condition and results of operations and may adversely affect the holders of the notes. In addition, the Colombian Government, through the Ministry of Finance, is planning to submit to the Colombian Congress a new tax reform law. These changes can affect tax burdens by increasing tax rates and fees, creating new taxes, limiting tax deductions, and eliminating tax-based incentives and non-taxed income.

Critical Accounting Policies

The preparation of our Audited Consolidated Financial Statements requires management to make judgments, estimates and assumptions about the future, including weather-related risks and opportunities, that affect the application of accounting policies and the amounts of assets, liabilities and contingent liabilities at the balance sheet date, as well as the income and expenses for the year. Actual results may differ from these estimates.

Estimates and assumptions are continually evaluated, and are based on management's experience and other factors, are reviewed on an ongoing basis, and are consistent with Banco de Occidente's risk management and weather-related commitments where appropriate, under the going concern assumption, including the expectation of future events that are believed to be reasonable in the circumstances.

Management also makes certain judgments other than those involving estimates in the process of applying accounting policies. Judgments 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 following year, are included in Note 3 to our Audited Consolidated Financial Statements. See Notes 2 and 3 to our Audited Consolidated Financial Statements for a summary of the critical accounting judgments and estimates and principal accounting policies and practices applicable to us. There are many other areas in which we use estimates about uncertain matters, but we believe the reasonably likely effect of changed or different estimates would not be material to our financial presentation.

Recent IASB pronouncements

Recent changes to accounting policies

In September 2023, Banco de Occidente implemented hedge accounting. Hedge accounting is the strategy whereby one or more derivative financial instruments are used to neutralize the risk of loss to which Banco de Occidente is exposed, as a result of future fluctuations in market value or cash flows. For this purpose, there will be a hedging relationship between the hedging instrument and the hedged item. See Note 2.8 to our Audited Consolidated Financial Statements for the year ended December 31, 2023.

Fair Value Hedging:

Banco de Occidente uses financial derivatives for the following purposes:

a) To provide such instruments to customers who request them in the management of their market and credit risks;

b) To use them to manage the risks of Banco de Occidente's entities' own positions and their assets and liabilities ("hedging derivatives"); and

c) To take advantage of changes in the value of such derivatives ("trading derivatives").

Contracts that comply with the following characteristics are recognized as derivative instruments:

a) Their value changes as a consequence of variations in the underlying value, which corresponds to the variable on which the value of the derivative instrument is determined and may be represented by equity or fixed-income securities, currencies, interest rates, stock market indexes and commodities, among others.

b) They require little or no investment.

c) Their fulfilment or settlement will take place at a previously established future date and their contractual terms require or permit netting, either through cash payment or physical delivery of an asset that leaves the receiving counterparty in a position similar to cash settlement. When a derivative contract is entered into, it must be designated as a derivative instrument for trading or hedging purposes.

Certain derivative transactions that do not qualify for hedge accounting are treated and reported as trading derivatives, even though they provide an effective hedge for the management of risk positions.

Any gain or loss arising from changes in the fair value of derivatives is recognized directly in the statement of comprehensive income in the statement of income section, except for those under IAS 39 hedge accounting.

Derivative instruments for speculative purposes

In accordance with IFRS 9, a derivative is a financial instrument whose value changes over time based on an underlying variable, requires no or little initial net investment in relation to the underlying asset and is settled at a future date.

In the development of its operations, Banco de Occidente generally trades in the financial markets in financial instruments with forward contracts, futures contracts, swaps and options that meet the definition of a derivative.

All speculative derivative transactions are initially recorded at fair value. Subsequent changes in fair value are adjusted with a charge or credit to income. In any case, when the value of the right exceeds the value of the obligation, the derivative instrument will be recorded as an asset; otherwise, the derivative instrument will be recorded as a liability.

Hedge accounting IAS 39

Hedge accounting is the strategy whereby one or more derivative financial instruments are used to neutralize the risk of loss to which Banco de Occidente is exposed, as a result of future fluctuations in market value or cash flows. For this purpose, there will be a hedging relationship between the hedging instrument and the hedged item.

For a financial derivative to be considered a hedging derivative, it must:

1. Cover one of the following types of risk:

   a) Variations in the value of assets and liabilities due to fluctuations in, among others, the interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge").

   b) Changes in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable transactions that are expected to be carried out ("cash flow hedges").

   c) The net investment in a foreign operation ("net investment hedge in foreign operations").

2. Effectively eliminate some risk inherent to the hedged item or position for the entire expected term of hedging, which implies that:

   a) At the time of contracting the coverage, it is expected that, under normal conditions, it will act with a high degree of effectiveness ("prospective effectiveness").

   b) There is sufficient evidence that the hedge was actually effective throughout the life of the covered item or position ("retrospective effectiveness").

3. Having adequately documented that the contracting of the financial derivative took place specifically to serve as a hedge of certain balances or transactions and the manner in which it was intended to achieve and measure such hedge, provided that this manner is consistent with Banco de Occidente's own risk management.

4. There must be derivative instruments designated in an accounting hedging relationship.

A hedging instrument is represented in a derivative instrument, whose fair value or cash flows are expected to neutralize the losses of the hedged item as a result of changes in market value or cash flows.

The hedged item may be a single asset or liability, a firm commitment or a highly probable forecast transaction. A group of assets, liabilities, firm commitments or highly probable forecast transactions that share the exposure to the risk that has been designated as hedged may also be designated as a hedged item. Additionally, a hedged item may be a portfolio hedged only for interest rate risk or a portion of the portfolio of financial assets or liabilities that share interest rate risk.

A firm commitment is a binding agreement to exchange a certain amount of resources at a certain price on a specified future date. A highly probable forecast transaction is an uncommitted anticipated future transaction.

If the hedged item is a non-financial asset or a non-financial liability, it will be designated as a hedged item because of the risk associated with the foreign currency or other financial risks it bears, due to the difficulty of isolating and adequately measuring changes in cash flows or market value.

A hedge is effective to the extent that changes in fair value or cash flows directly attributable to the hedged risk are offset by changes in the hedging instrument.

The effectiveness of hedges is determined at the measurement date by comparing the valuation gains or losses on the hedged item and the valuation gains or losses on the hedging instrument. When the difference between the gains or losses from valuation of the hedging instrument covers the gains or losses from changes in the hedged item between 80% and 125%, the hedge qualifies as an effective hedge.

When the hedge effectiveness falls outside the indicated range for two consecutive months and the amount of inefficiency is material, the hedging relationship will be terminated and the criteria for accounting for derivatives for speculative purposes will be applied.

Hedge accounting requirements

a) Existence of an explicit policy defined by Banco de Occidente for risk management through hedging operations.

b) Formal designation and documentation of the coverage relationship.

c) Expectation that coverage will be effective, and that its effectiveness can be reliably measured.

In the event that a financial derivative is defined as a hedging instrument in an accounting hedging relationship, complying with the appropriate documentation required by the regulations, the relationship may be:

a) Fair value hedge

Fair value hedging is a hedge of the exposure to changes in the market value of assets, liabilities or an unrecognized firm commitment, or a portion thereof, that is attributable to a particular risk and that may affect profit or loss. For example, fair value change risk due to rate sensitivity in CDT's, residential loan portfolio, available-for-sale portfolio securities and subordinated loans.

Changes in derivative instruments that are part of a fair value hedging relationship, will increase or decrease the value of the right and obligation, as appropriate, and the difference will be recognized as income or expense for the period.

The hedged item is either an asset or a liability that is part of a fair value hedging relationship and only for this type of hedge, the asset or liability is measured at its market value at the time the hedging relationship is initiated or, in the absence thereof, at the value resulting from the application of methodologies used in the market for similar items; the difference with the carrying value is recognized as income or expense for the period.

Termination of the coverage relationship

Banco de Occidente must discontinue hedge accounting prospectively to the extent that any of the following situations arise:

a) Coverage no longer meets efficiency requirements.

b) Interruption of hedging due to disincorporation of the covered item or prospective early termination.

c) The forecasted hedged transaction is not highly probable.

Extraordinary committee approval to discontinue hedging or change its hedging strategy.

Results of operations

Source of income

Banco de Occidente generates revenue in Colombia from several sources. Our main source of income is the net interest income that we principally earn by borrowing funds at certain rates and lending them to customers at higher rates.

We also derive income from trading activities as follows: (1) interest and dividends from investments in fixed income and equity securities; (2) investment gains from fixed income, equity and derivative positions; and (3) the spread on derivative transactions entered into by us to hedge market risk exposure.

In addition, we earn fee and commission income from the different banking and financial services our subsidiaries provide, including fiduciary services, leasing services, payment and collection services, credit and debit cards, and insurance.

Results of operations for the year ended December 31, 2023 compared to the year ended December 31, 2022.

Overview

Banco de Occidente's net income for the year ended December 31, 2023 was COP 2,237.4 billion, increasing 1.7% or COP 37.5 billion compared to the year ended December 31, 2022. The following discussion describes the main drivers of Banco de Occidente's results of operations for the year ended December 31, 2023 compared to the year ended December 31, 2022.

	Banco de Occidente (Consolidated)			
	For the year ended December 31,		**Change, December 2023 vs December 2022**	
	2023	**2022**	**Amount**	**%**
	(in COP billions)			
Interest and valuation income	7,732.8	4,691.3	3,041.5	64.8
Interest and similar expenses	(5,495.3)	(2,491.4)	(3,003.9)	120.6
Net interest and valuation income	**2,237.4**	**2,199.9**	**37.5**	**1.7**
Impairment for loan portfolio and interest receivable	1,384.4	943.3	441.1	46.8
Recovery for investments in debt securities	0.4	(2.2)	2.6	-
Recovery of write-offs	(189.3)	(195.9)	6.6	(3.4)
Impairment loss on financial assets	**(1,195.5)**	**(745.2)**	**(450.4)**	**60.4**
Income, net of interest after impairment	**1,041.9**	**1,454.7**	**(412.8)**	**28.4**
Net income from commission and fees	354.0	345.5	8.5	2.5
Net income (expense) from financial assets or liabilities held for trading	629.5	19.3	610.1	3,154.2
Other income, net	470.8	591.6	(120.9)	(20.4)
Other expenses, net	(2,043.8)	(1,837.3)	(206.5)	11.2
Income before income taxes expense	452.3	573.8	(121.6)	(21.2)
Income tax expense	(27.3)	117.5	(144.8)	(123.3)
Profit for the year	**479.6**	**456.3**	**23.2**	**5.1**
Net income for the year attributable to:				
Holders of ordinary shares of the banks	**473.5**	**452.5**	**21.1**	**4.7**
Non-controlling interest	**6.0**	**3.8**	**2.2**	**56.8**

Net interest and valuation income

	Average balance for the year ended December 31,											
	Change, 2023 vs. 2022				**Average yield for the year ended December 31 ,**		**Interest income for the year ended December 31,**		**Impact on interest income due to changes in**			**Change, 2023 vs. 2022**
	2023	**2022**	**Amount**	**%**	**2023**	**2022**	**2023**	**2022**	**Balance**	**Yield**	**Total**	**%**
					(in COP billions)							
Interest and	57,453.8	49,505.3	7,948.5	16.06%	14.24%	9.36%	8,181.5	4,634.4	744.1	2,803.0	3,547.1	76.54%

	Average balance for the year ended December 31,		Change, 2023 vs. 2022		Average yield for the year ended December 31 ,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2023 vs. 2022
	2023	2022	Amount	%	2023	2022	2023	2022	Balance	Yield	Total	%
					(in COP billions)							
valuation income												
Interest and similar expenses..	57,806.4	48,983.6	8,822.8	18.01%	9.51%	5.09%	5,495.4	2,491.4	448.7	2,555.2	3,003.9	120.57%
Net interest and valuation income	(352.6)	521.7	(874.3)	(167.59)%	4.32%	4.07%	2,686.2	2,143.0	295.4	247.8	543.2	25.35%

Average net interest and valuation income increased 25.3% or COP 543.2 billion to COP 2,686.2 billion in 2023. Average total interest and valuation income increased 76.5% or COP 3,547.1 billion driven by a 488 basis points increase in the average yield of interest-earning assets and a 16.1% or COP 7,948.5 billion increase in the average balance of interest-earning assets. Average total interest expense increased 120.6% or COP 3,003.9 billion, resulting from a 442 basis points increase in the average interest rate paid on interest-bearing funding and a 18.0% or COP 8,822.8 billion increase in the average balance of interest and similar expenses. Yields and rates rose higher due to monetary policy in place throughout the year, a tighter liquidity environment and due to additional pressures coming from more demanding NSFR requirements, which drove the increase in the cost of deposits. The interest spread between the average yield on interest and valuation income and the average rate paid on interest and similar expenses increased by 25 basis points to 4.3%.

The following tables show the detail of interest and valuation income and interest and similar expenses: with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest.

(i)

	Average balance for the year ended December 31,		Change, 2023 vs. 2022		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2023 vs. 2022
	2023	2022	COP	%	2023	2022	2023	2022	Balance	Yield	Total	%
	(in COP billions)						(in COP billions)		(in COP billions)			
Interest on loan portfolio and financial leasing, repo and interbank transactions	**48,773.8**	**42,813.7**	**5,960.2**	**13.92%**	**14.79%**	**10.20%**	**7,214.0**	**4,368.3**	**608.1**	**2,237.5**	**2,845.7**	**65.14%**
Interest on corporate portfolio	33,399.6	29,109.7	4,289.9	14.74%	14.52%	9.61%	4,851.2	2,797.3	412.2	1,641.7	2,054.0	73.43%
Interest on retail portfolio	11,998.7	10,199.3	1,799.4	17.64%	16.01%	12.86%	1,921.3	1,311.2	231.3	378.8	610.1	46.53%
Residential mortgage interest and related income	2,517.1	2,329.1	188.0	8.07%	9.88%	8.94%	248.8	208.1	16.8	23.9	40.7	19.55%
Repurchase agreement and interbank income.	858.3	1,175.5	(317.2)	(26.98)%	22.45%	4.41%	192.7	51.8	(14.0)	154.9	140.9	272.09%
Income from deposits	-	-					**35.3**	**12.8**				**176.82%**
Interest income from other accounts receivable	-	-					**1.2**	**2.7**				**(55.58)%**
Investments in debt securities	8,680.0	6,691.6	1,988.4	29.71%	10.73%	3.74%	**931.0**	**250.6**	74.5	606.0	680.4	271.53%
Interest and valuation income	**57,453.8**	**49,505.3**	**7,948.5**	**16.06%**	**14.24%**	**9.36%**	**8,181.5**	**4,634.4**	**744.1**	**2,803.0**	**3,547.1**	**76.54%**

(ii)

	Average balance for the year ended December 31,		Change, 2023 vs. 2022		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2023 vs. 2022
	2023	2022	COP	%	2023	2022	2023	2022	Balance	Yield	Total	%
	(in COP billions)						(in COP billions)		(in COP billions)			
Deposits	**47,566.8**	**39,901.3**	**7,665.6**	**19.21%**	**9.14%**	**4.79%**	**4,346.6**	**1,912.3**	**367.4**	**2,066.9**	**2,434.3**	**127.30%**
Current accounts	6,752.0	7,364.0	(611.9)	(8.31)%	0.61%	0.22%	41.4	16.0	(1.3)	26.7	25.4	158.67%
Savings deposits	22,955.2	20,889.0	2,066.2	9.89%	9.72%	5.43%	2,230.9	1,134.7	112.2	983.9	1,096.1	96.60%
Term certificates of deposit	17,859.6	11,648.3	6,211.3	53.32%	11.61%	6.54%	2,074.4	761.6	406.1	906.7	1,312.8	172.38%
Financial Obligations	**10,239.6**	**9,082.3**	**1,157.2**	**12.74%**	**11.22%**	**6.38%**	**1,148.7**	**579.1**	**73.8**	**495.8**	**569.6**	**98.36%**
Interbank loans	3,488.5	2,390.2	1,098.2	45.95%	12.36%	5.58%	431.2	133.3	61.2	236.7	297.9	223.52%
Loans from banks and others	3,488.5	3,276.8	211.8	6.46%	7.22%	3.07%	251.8	100.8	6.5	144.5	151.0	149.88%
Bonds and investment securities	2,248.7	2,517.8	(269.1)	(10.69)%	14.92%	11.39%	335.4	286.9	(30.7)	79.2	48.5	16.92%
Obligations with rediscount entities	1,013.8	897.5	116.3	12.96%	12.85%	6.48%	130.3	58.2	7.5	64.6	72.1	124.04%
Interest and similar	**57,806.4**	**48,983.6**	**8,822.8**	**18.0%**	**9.51%**	**5.09%**	**5,495.4**	**2,491.4**	**448.7**	**2,555.2**	**3,003.9**	**120.57%**

expenses..................												
Net interest and valuation income......	**(352.6)**	**521.7**	**(874.3)**	**(167.59)%**	**4.32%**	**4.07%**	**2,686.2**	**2,143.0**	**295.4**	**247.8**	**543.2**	**25.35%**

Banco de Occidente's average balance of gross loans increased 13.9% or COP 5,960.2 billion in 2023, and the average yield was 14.8%, an amount 459 basis points higher than in 2022. Average yields on the corporate portfolio increased 492 basis points to 14.5%, an amount higher than the Colombian Central Bank rate at December 2023 (13.0)% given repricing lags. For the same reason, Banco de Occidente's retail portfolio reference rates increased 316 basis points.

The average balance of interest-earning investments in debt securities increased 29.7% or COP 1,988.4 billion. The average yield for investments in debt securities increased 698 basis points, as Banco de Occidente invested in securities at higher yields as the Colombian sovereign yield curve (TES) shifted upwards, following global sovereign fixed income rates and underpinned by the increase in Colombia's sovereign risk premium.

	Banco de Occidente Consolidated			
	For the year ended December 31,		Change, December 2023 vs December 2022	
	2023	2022	COP	%
	(in COP billions)			
Interest income:				
Corporate portfolio	4,851.2	2,797.3	2,053.9	73.4
Retail portfolio..	1,921.3	1,311.2	610.1	46.5
Residential portfolio	248.8	208.1	40.7	19.6
Repo and interbank income	192.7	51.8	140.9	272.0
Interest on loans and leases...	**7,214.0**	**4,368.4**	**2,845.6**	**65.1**
Interest and valuation of investments in debt securities at amortized cost	482.2	307.5	174.8	56.8
Income from deposits	35.3	12.7	22.5	176.8
Interest income from other accounts receivable	1.2	2.7	(1.5)	(55.6)
Total interest income..	**7,732.7**	**4,691.3**	**3,041.5**	**64.8**
Interest expense:				
Current accounts...	41.4	16.0	25.4	158.8
Term certificate of deposit..	2,074.4	761.6	1,312.8	172.4
Savings deposits	2,230.9	1,134.7	1,096.1	96.6
Deposits	**4,346.7**	**1,912.3**	**2,434.3**	**127.3**
Loans from banks and others..	251.8	100.8	151.0	149.9
Interbank loans	431.2	133.3	297.9	223.5
Bonds and investment...	335.4	286.9	48.5	16.9
Obligations with rediscount entities	130.3	58.2	72.1	124.1
Total interest expense...	**1,148.7**	**579.1**	**569.6**	**98.3**
Net interest and valuation income.................................	**2,237.4**	**2,199.8**	**37.5**	**1.7**

Banco de Occidente's net interest and valuation income increased by 1.7%, or COP 37.5 billion to COP 2,237.4 billion in 2023 as compared to 2022.

Compared with 2022, total interest income for Banco de Occidente increased by 64.8%, or COP 3,041.5 billion to COP 8,181.5 billion in 2023, driven by an increase of interest on corporate and retail portfolios of 73.4% and 46.5%, respectively. Similarly, interest on investments in debt securities increased 176.8%, especially on valuation of trading debt securities.

The 120.6%, or COP 3,003.9 billion, increase in total interest expense for Banco de Occidente's consolidated operations is mainly explained by an increase in deposits interests, especially in savings accounts and Term Certificates of Deposits by 96.6% and 172.4%, compared with 2022, respectively.

All this movement was driven mainly as a consequence of the contractionary monetary policy of the Colombian Central Bank.

Net impairment losses

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	Amount	%
	Total income (expense)			
	(in COP billions)			
Impairment losses:				
Impairment for loan portfolio and interest receivable	1,384.4	943.3	441.1	46.8

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	Amount	%
	Total income (expense)			
	(in COP billions)			
Recovery for investments in debt securities...........	0.4	(2.2)	(1.8)	81.8
Recovery of write-offs..	(189.3)	(195.9)	(6.6)	(3.4)
Net impairment losses	**1,195.5**	**745.2**	**450.3**	**60.4**

The following table provides detail by category of impairment loss on loans and other accounts receivable, cost of risk and cost of risk, net.

	Year ended December 31,		Change, 2023 vs. 2022		Cost of risk for the year ended December 31,		Change, 2023 vs. 2022	Cost of risk, net for the year ended December 31,		Change, 2023 vs. 2022
	2023	2022	#	%	2023	2022	basis points	2023	2022	basis points
					(in COP billions)					
Corporate	1,312	1,240	72	5.78%	0.71%	1.45%	74.51	0.52%	1.25%	73.58
Retail	1,033	696	337	48.43%	9.60%	5.34%	426.0	8.57%	3.97%	460.5
Residential	72	96	24	24.76%	(0.79)%	(0.72)%	(7.0)	(0.82)%	(0.72)%	(9.9)
Gross loans	**2,417**	**2,032**	**385**	**18.96%**	**2.81%**	**2.27%**	**53.9**	**2.42%**	**1.80%**	**62.5**
Repos and Interbank .	0	1	1	98.75%	(9.17)%	0.12%	(928.8)	(9.17)%	0.12%	(928.8)
Total gross loans	**2,417**	**2,033**	**384**	**18.87%**	**2.81%**	**2.27%**	**53.3**	**2.42%**	**1.80%**	**61.9**

Past due ratios at least 91 days past due presented a 74 basis points decrease compared to 2022 due to an increase in the impairment of the retail portfolio. The ratio of net impairment loss on loan and leases to average loan and leases increased from 4.45% in 2022 to 4.88% in 2023. The deterioration of the loan portfolio was directly associated with an increase of interest rates and an increase in the costs of credit for clients.

Net impairment losses for Banco de Occidente's consolidated operations increased by 60.4%, or COP 450.4 billion, in 2023 as compared to 2022, driven primarily by retail portfolio impairment.

The impairment loss for total gross loans for Banco de Occidente's consolidated operations increased by 18.9%, or COP 384 billion, to COP 2,417 billion in 2023, as compared to 2022, and its cost of risk for total gross loans increased from 2.27% in 2022 to 2.81% in 2023 due to the increasing requirement of expected credit loss for the retail portfolio.

Banco de Occidente's consolidated coverage ratio for loans 91 days past due was 3.51% in 2023 due to a deterioration of the retail portfolio caused by the increase in interest rates and the consequent increase in the financial burden for clients.

	Loans at least 91 days past due				Past due ratio		Change, 2023 vs. 2022 basis points
	At December 31,		Change, 2023 vs. 2022		at December 31,		
	2023	2022	Amount	%	2023	2022	
	(in COP billions)						
Corporate	1,229	951	278	29.28%	3.57%	2.96%	61
Retail	426	245	181	73.65%	3.42%	2.20%	122
Residential	84	73	10	14.18%	3.21%	2.94%	26
Gross loans	**1,739**	**1,269**	**469**	**36.98%**	**3.51%**	**2.78%**	**74**

	Charge-offs				Charge-offs as a percentage of average gross loans		Change, 2023 vs. 2022 basis points
	At December 31,		Change, 2023 vs. 2022				
	2023	2022	Amount	%	2023	2022	
	(in COP billions)						
Corporate	288	477	- 189	(39.62)%	0.84%	1.65%	- 81
Retail	861	547	314	57.50%	7.23%	5.47%	176
Residential	7	2	4	180.47%	0.27%	0.10%	16
Total charge-offs	**1,156**	**1,026**	**130**	**12.63%**	**2.38%**	**2.49%**	**- 11**

The balance of charged-off assets increased by 12.63% or COP 130 billion in 2023, driven by an increase in the impairment of the retail portfolio.

The following table shows Banco de Occidente's gross loan classification by Stages in accordance with IFRS 9 (interbank and overnight funds are not included as they tend to be mostly Stage 1 and with low loss allowance due to their characteristics and short-term nature).

	At December 31,								Change, 2023 vs. 2022			
	2023				2022							
	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans
	(in COP billions)								(in percentages)			
Corporate..........	30,476	1,444	2,507	**34,427**	27,985	1,878	2,208	**32,071**	8.9%	(23.1)%	13.5%	7.3%
Retail..................	10,702	928	832	**12,462**	9,966	749	427	**11,143**	7.4%	23.8%	95.1%	11.8%
Residential Lending.............	2,380	101	130	**2,610**	2,321	61	106	**2,488**	2.5%	65.0%	22.2%	4.9%
Gross loans.................	**43,557**	**2,473**	**3,469**	**49,499**	**40,272**	**2,688**	**2,741**	**45,702**	**8.2%**	**(8.0)%**	**26.6%**	**8.3%**

The quality of Banco de Occidente's gross loan portfolio is measured both by the composition of stages and loans past due. At December 31, 2023, the balance of gross loans increased 8.3% or COP 45,702 billion to COP 49,499 billion due to:

In corporate, gross loans increased 7.3% to COP 34,427 billion, due to:

- The Corporate and Institutional segment presented annual growth in loans of 18.3% corresponding to COP 1.7 billion compared to the banking system's growth of 0.42%. Despite the political uncertainty generated by the introduction of structural reforms in the country and economic uncertainty due to the increase in interest rates and inflation, we were able to achieve this growth through the implementation of various strategies and initiatives.

- The year 2023 was a challenging year for the Colombian economy, characterized by the increase of interest rates and inflation, in addition to the political uncertainty, due to the pending reforms in Colombia. However, our Corporate and Institutional segment clients presented a good dynamic in loans, achieving an annual growth of 6% at the end of 2023, compared to a growth of 2.62% of the Colombian banking system.

In retail, gross loans increased 11.8% to COP 12,462 billion, and residential loans, 4.9% to COP 2,610 billion, driven by:

- The retail loan portfolio sustained consistent growth over the preceding 3 years, with a non-performing retail loan ratio of 6.54% at the end of 2023, which is below the market average of 8.13% as of October 2023.

- The retail and residential loan portfolio maintained a mix that was in line with our retail banking strategy. This growth is attributable to the following contribution by each low-risk product: payroll loans 31%, personal loans 25%, vehicle loans 17%, residential 16% and credit cards 11%. The main strategy during this period was to deepen relationships with our core customers, being the primary bank for their financing needs.

Net commission and fee income

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	Amount	%
Commission and fee income:	(in COP billions)			
Fees for banking services..	292.5	271.6	20.9	7.7
Fiduciary activities	108.7	76.3	32.4	42.5
Income from commission and fees.......................................	166.2	149.2	17.1	11.4
Sale and service commissions expenses.................................	213.5	151.6	61.9	7.5
Net commission income..	**354.0**	**345.5**	**8.5**	**2.5**

Net commission and fee income for Banco de Occidente's consolidated operations increased by 2.5%, or COP 8.5 billion, in 2023 as compared to 2022 due to activities related to our fiduciary and banking services.

Net income (expense) from financial assets or liabilities held for trading

Banco de Occidente's consolidated net income (expense) from financial assets or liabilities held for trading reflects the interest and gains/losses from mark-to-market valuation, in each case from fixed income investment securities held for trading through profit or loss.

During 2023, Banco de Occidente's consolidated net income (expense) from financial assets or liabilities held for trading was COP 629.5 billion, 3,154.2%, or COP 610 billion, higher than the COP 19.3 billion for 2022. The increase in net trading income was driven by the cycle of hikes comes to an end and a decrease in inflation is expected, which the market anticipates with declines in the yield curve by around 300 basis points. Political division does not signal a change in the country's institutional framework in the short term. Strategies for flattening and steepening the curve are essential for the good performance of our trading portfolio.

Total income from investment securities

Banco de Occidente's securities portfolio is as follows: (i) fixed income investments held for trading through profit or loss (described in this section as net trading income in investment securities held for trading through profit or loss), (ii) available-for-sale fixed income investments and (iii) held-to-maturity fixed income investments (results from (ii) and (iii) are included in the net interest income section as interest income from investment in debt securities). Banco de Occidente manages its investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities for Banco de Occidente consolidated operations (comprised of income on investment in debt securities and net trading income from investment securities held for trading through profit or loss) was COP 931.0 billion for 2023, an amount COP 680.4 billion higher than the COP 250.6 billion for 2022. This was primarily driven by the fact that in 2023, local fixed income rates reached their highest point, coinciding with an increase in local liquidity, thanks to the implementation of NSFR limits (in Colombia, *coeficiente de fondeo estable neto*, or "CFEN"). This allowed us to significantly expand our portfolio, which, coupled with the end of the restrictive monetary cycle, yielded higher returns. Our expectation remains that this year, 2024, the expansionary cycle will strengthen, allowing us to continue achieving good results.

Other income

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	Amount	%
	(in COP billions)			
Net (loss) gain on foreign currency exchange differences	(53.3)	172.6	(225.9)	(130.9)
Share of profit in associates and joint ventures	218.9	122.0	96.8	79.4
Net loss on sale of investments	(12.4)	(29.0)	16.5	(57.0)
Dividends	5.7	5.6	0.1	2.2
Profit on sale of non-current assets held for sale	24.0	6.3	17.7	282.7
Net gain on valuation of investment properties	19.3	30.7	(11.4)	(37.1)
Other operating income	268.6	283.4	(14.7)	(5.2)
Other income total	**470.8**	**591.6**	**(120.9)**	**(20.4)**

Total other income for Banco de Occidente's consolidated operations decreased by COP 120.9 billion, to COP 470.8 billion in 2023, mainly driven by Banco de Occidente's passive position in forward derivatives, which is affected by the appreciation of the exchange rate between 2023 and 2022, which reached levels of 20.5%; coupled with better profits from our partner, Porvenir.

Other expenses

	Year ended December 31,		Change, 2023 vs. 2022	
	2023	2022	Amount	%
	(in COP billions)			
Personnel expenses	867.1	811.3	55.8	6.9
General administrative expenses	954.9	826.5	128.5	15.5
Depreciation and amortization expense	185.8	163.0	22.9	14.0
Provision for other assets	0.1	2.4	(2.3)	(95.5)
Other expenses	35.8	34.2	1.7	4.8
Other expenses, net	**2,043.8**	**1,837.3**	**206.5**	**11.2**

Total other expenses for Banco de Occidente's consolidated operations increased by COP 206.5 billion, or 11.2%, in 2023 as compared to 2022, mainly due to an increase in general administrative expenses, particularly different taxes, such as ICA, IVA and GMF.

The Efficiency ratio of Banco de Occidente's consolidated operations' decreased from 58.12% in 2022 to 55.36% in 2023. Although there is an increase in administrative and personnel expenses as a result of inflation levels, Banco de Occidente made efforts to control expenses during the year at levels of COP 50 billion, which, added to a higher net income, resulted in an improvement of the index.

Income tax expense

Income tax expense for Banco de Occidente's consolidated operation decreased by 123.3%, or COP 144.8 billion, to a refund of COP 27.3 billion in 2023. The effective tax rate of Banco de Occidente's consolidated operations (calculated as income tax expense divided by income before income tax expense excluding dividends and the equity method, as both are non-taxable income, and the equity tax as it is a non-deductible expense) was 6% in 2023 compared to 20.5% in 2022. The decrease in the effective tax rate in 2023 was mainly explained by the below factors:

- For the years 2023 and 2022, an increase in the nominal rate from 38% in 2022 to 40% in 2023.
- For the year 2023, a lower tax charge was presented, due to the effect of the non-income participation method income of COP 87,553 million.
- In 2023, a lower tax charge caused by tax discounts, taking into account that the tax benefit was applied for the technological and innovation project approved by the Ministry of Science, Technology and Innovation (*Ministerio de Ciencia, Tecnología e Innovación*).
- In 2023, the application of a scheduled income by a Legal Stability Contract in our Leasing Unit had an impact on current taxes.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest increased by COP 2.2 billion, to COP 6.0 billion in 2023 as compared with COP 3.8 billion in 2022. The ratio of net income attributable to non-controlling interest to net income was 1.3% in 2023 compared to 0.8% in 2022. The increase was mainly due to the non-controlling interest of the subsidiary Fiduciaria de Occidente by COP 2.4 billion.

Results of operations for the year ended December 31, 2022 compared to the year ended December 31, 2021.

Overview

Banco de Occidente's net income for the year ended December 31, 2022 was COP 2,199.9 billion, increasing 11.5% or COP 227.5 billion compared to the year ended December 31, 2021. The following discussion describes the main drivers of Banco de Occidente's results of operations for the year ended December 31, 2022 compared to the year ended December 31, 2021.

	Banco de Occidente Consolidated			
	For the year ended December 31,		Change, December 2022 vs December 2021	
	2022	2021	Amount	%
	(in COP billions)			
Interest and valuation income	4,691.3	2,742.0	1,949.3	71.1
Interest and similar expenses	(2,491.4)	(769.6)	(1,721.8)	223.7
Net interest and valuation income	**2,199.9**	**1,972.3**	**227.5**	**11.5**
Impairment for loan portfolio and interest receivable	943.3	882.5	60.8	6.9
Recovery for investments in debt securities	(2.2)	(0.5)	(1.7)	354.4
Recovery of write-offs	(195.7)	(158.4)	(37.3)	23.5
Impairment loss on financial assets	**(745.2)**	**(723.6)**	**(21.6)**	**3.0**
Income, net of interest after impairment	**1,454.7**	**1,248.8**	**206.0**	**16.5**
Net income from commission and fees	345.5	331.8	13.7	4.1
Net income (expense) from financial assets or liabilities held for trading	19.3	(67.8)	87.1	(128.5)
Other income, net	591.6	789.5	(197.9)	25.1
Other expenses, net	(1,837.3)	(1,641.4)	(195.9)	11.9
Income before income taxes	573.8	660.8	(87.2)	(13.2)

Income tax	117.5	74.9	42.6	56.8
Profit for the year	**456.3**	**585.9**	**(129.6)**	**(22.1)**
Net income for the year attributable to:				
Owners of the parent	**452.5**	**580.2**	**(127.7)**	**(22.0)**
Non-controlling interest	**3.8**	**5.7**	**(1.9)**	**(32.6)**

Net interest and valuation income

	Average balance for the year ended December 31,											
	Change, 2022 vs. 2021				Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2022 vs. 2021
	2022	2021	Amount	%	2022	2021	2022	2021	Balance	Yield	Total	%
	(in COP billions)											
Interest and valuation income	49,505.3	41,853.2	7,652.0	18.28%	9.36%	6.53%	4,634.4	2,731.3	499.4	1,403.8	1,903.1	69.68%
Interest and similar expenses	48,983.6	41,777.1	7,206.5	17.25%	5.09%	1.84%	2,491.4	769.6	132.8	1,589.0	1,721.8	223.78%
Net interest and valuation income	521.7	76.1	446	585.27%	4.07%	4.60%	2,143.0	1,961.7	366.6	(185.3)	181.3	9.24%

Average net interest and valuation income increased 9.2% or COP 181.3 billion to COP 2,143.0 billion in 2022. Average total interest income increased 69.7% or COP 1,903.1 billion mainly due to two reasons: (i) Loan portfolio at amortized cost increased 22.1% or COP 7,762.5 billion in 2022, especially the Corporate portfolio and retail and (ii) implementation of contractionary monetary policy by the Colombian Central Bank which increased the intervention rate by 900 basis points year to year. Interest and similar expenses increased 223.7% or COP 1,721.8 billion, mainly resulting from an increase in savers' appetite for rising interest rates, which led to an increase in deposits from costumers in 18.3% or COP 6,157.8. Yields and rates paid increased rapidly due to monetary policy in place throughout the year, a tighter liquidity environment and due to additional pressures coming from more demanding NSFR requirements, which drove the increase in the cost of interest-bearing deposits. The interest spread between the average yield on interest and valuation income and the average rate paid on interest and similar expenses decreased by 53 basis points to 4.1%.

The following tables show the details of interest and valuation income and interest and similar expenses: with an analysis of impacts derived from changes in the average balance and the average rate, per type of interest.

(i)

	Average balance for the year ended December 31,		Change, 2022 vs. 2021		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2 022 vs. 2021
	2022	2021	COP	%	2022	2021	2022	2021	Balance	Yield	Total	%
	(in COP billions)						(in COP billions)		(in COP billions)			
Interest on loan portfolio and financial leasing, repo and interbank transactions	**42,813.7**	**35,051.2**	**7,762.5**	**22.15%**	**10.20%**	**7.31%**	**4,368.3**	**2,561.0**	**567.2**	**1,240.2**	**1,807.4**	**70.57%**
Interest on corporate portfolio	29,109.7	24,221.9	4,887.8	20.18%	9.61%	5.79%	2,797.3	1,402.8	283.1	1,111.4	1,394.5	99.41%
Interest on retail portfolio	10,199.3	8,341.5	1,857.9	22.27%	12.86%	11.62%	1,311.2	969.6	215.9	125.7	341.6	35.23%
Residential mortgage interest and related income	2,329.1	2,032.1	297.0	14.61%	8.94%	8.91%	208.1	181.0	26.5	0.6	27.1	14.96%
Repurchase agreement and interbank income	1,175.5	455.7	719.8	157.94%	4.41%	1.67%	51.8	7.6	12.1	32.1	44.2	578.82%
Income from deposits	-	-					**12.8**	**5.6**				**128.77%**
Interest income from other accounts receivable	-	-					**2.7**	**3.8**				**(28.84)%**
Investments in debt securities	6,691.6	6,802.0	(110.4)	(1.62)%	3.74%	2.37%	**250.6**	**160.9**	(2.6)	92.3	89.7	55.75%
Interest and valuation income	**49,505.3**	**41,853.2**	**7,652.0**	**18.28%**	**9.36%**	**6.53%**	**4,634.4**	**2,731.3**	**499.4**	**1,403.8**	**1,903.1**	**69.68%**

(ii)

	Average balance for the year ended December 31,		Change, 2022 vs. 2021		Average yield for the year ended December 31,		Interest income for the year ended December 31,		Impact on interest income due to changes in			Change, 2 022 vs. 2021
	2022	2021	COP	%	2022	2021	2022	2021	Balance	Yield	Total	%
	(in COP billions)						(in COP billions)		(in COP billions)			
Deposits	**39,901.3**	**33,743.5**	**6,157.8**	**18.25%**	**4.79%**	**1.46%**	**1,912.3**	**494.2**	**90.2**	**1,328.0**	**1,418.2**	**286.99%**
Current accounts	7,364.0	7,184.3	179.7	2.50%	0.22%	0.08%	16.0	5.9	0.1	9.9	10.1	170.77%
Savings deposits	20,889.0	17,994.1	2,894.9	16.09%	5.43%	1.29%	1,134.7	231.6	37.3	865.9	903.2	390.05%
Term certificates of deposit	11,648.3	8,565.1	3,083.2	36.00%	6.54%	3.00%	761.6	256.7	92.4	412.5	504.9	196.69%

Financial Obligations	**9,082.3**	**8,033.7**	**1,048.7**	**13.05%**	**6.38%**	**3.43%**	**579.1**	**275.5**	**36.0**	**267.7**	**303.6**	**110.22%**
Interbank loans	2,390.2	1,813.6	576.6	31.79%	5.58%	1.43%	133.3	25.9	8.2	99.2	107.4	414.78%
Loans from banks and others	3,276.8	2,166.4	1,110.4	51.26%	3.07%	1.79%	100.8	38.7	19.8	42.2	62.1	160.43%
Bonds and investment securities	2,517.8	2,939.5	(421.7)	(14.34)%	11.39%	6.28%	286.9	184.7	(26.5)	128.7	102.2	55.37%
Obligations with rediscount entities	897.5	1,114.2	(216.7)	(19.45)%	6.48%	2.35%	58.2	26.2	(5.1)	37.0	31.9	121.70%
Interest and similar expenses	**48,983.6**	**41,777.1**	**7,206.5**	**17.25%**	**5.09%**	**1.84%**	**2,491.4**	**769.6**	**132.8**	**1,589.0**	**1,721.8**	**223.72%**
Net interest and valuation income	**521.7**	**76.1**	**446.0**	**585.27%**	**4.07%**	**4.60%**	**2,143.0**	**1,961.7**	**366.6**	**(185.3)**	**181.3**	**9.24%**

Banco de Occidente's average balance of gross loans increased 22.1% or COP 7,762.5 billion in 2022, and the average yield was 10.2%, an amount 290 basis points higher than in 2021. Average yields on the corporate portfolio increased 382 basis points to 9.6%, below the 900 basis points increase in the average Colombian Central Bank rate to 12.0% in 2022 from 3.0% in 2021, given repricing lags. On the other hand, given that 84% of Banco de Occidente's retail portfolio are fixed rate, the average yields on retail loans only priced in during 2022 a small portion of the rise in reference rates and increased 123 basis points.

The average balance of investments in debt securities decreased 1.6% or COP 110.4 billion. The average yield for interest-earning investments in debt securities increased 138 basis points as Banco de Occidente invested in securities at higher yields as the Colombian sovereign yield curve (TES) shifted upwards, following global sovereign fixed income rates and underpinned by the increase in Colombia's sovereign risk premium.

Average funding rates moved upwards in line with the average Colombian Central Bank rate. In addition, the cost of funds was pressed by competition for stable retail funding and term funding with tenors longer than one year in order to comply with the more demanding Net Stable Funding Ratio ("NSFR") requirements. Pressures on balances and rates built up during the latter part of the year to comply with NSFR requirements. The end of period balance of interest and similar expenses increased 223.7% or COP 1,721.8 billion driven by implementation of contractionary monetary policy by the Colombian Central Bank which increased the intervention rate by 900 basis points year to year.

	Banco de Occidente Consolidated			
	For the year ended December 31,		Change, December 2022 vs December 2021	
	2022	2021	COP	%
	(in COP billions)			
Interest income:				
Corporate portfolio	2,797.3	1,402.8	1,394.5	99.4
Retail portfolio	1,311.2	969.6	341.6	35.2
Residential portfolio	208.1	181.0	27.1	15.0
Repo and interbank income	51.8	7.6	44.2	578.8
Interest on loans and leases	**4,368.3**	**2,561.0**	**1,807.4**	**70.6**
Income from deposits	**12.8**	**5.6**	**7.2**	**128.8**
Interest income on other accounts receivable	**2.7**	**3.8**	**(1.1)**	**(28.8)**
Interest and valuation of investments in debt securities at amortized cost	**307.4**	**171.6**	**135.9**	**79.2**
Total interest and valuation income	**4,691.3**	**2,742.0**	**1,949.3**	**71.1**
Interest expense:				
Current accounts	16.0	5.9	10.1	170.8
Term certficates of deposit	761.6	256.7	504.9	196.7
Savings deposits	1,134.7	231.6	903.2	390.1
Deposits	**1,912.3**	**494.2**	**1,418.2**	**287.0**
Loans from banks and others	100.8	38.7	62.1	160.4
Interbank loans	133.3	25.9	107.4	414.8
Bonds and investment	286.9	184.7	102.2	55.4
Obligations with rediscount entities	58.2	26.2	31.9	121.7
Financial Obligations	**579.1**	**275.5**	**303.6**	**110.2**
Net interest and valuation income	**2,199.8**	**1,972.3**	**227.5**	**11.5**

Net interest and valuation income increased 11.5% or COP 227.5 billion to COP 2,199.8 billion in 2022.

Total interest income increased 71.1% or COP 1,949.3 billion mainly due to two reasons: (i) the loan portfolio at amortized cost increased 23.3% or COP 8,636.6 billion in 2022, especially the corporate portfolio and corporate leasing and (ii) implementation of contractionary monetary policy by the Colombian Central Bank increased the intervention rate by 900 basis points year to year.

Banco de Occidente's consolidated interest and valuation of investments in debt securities at amortized cost from investments (which includes available-for-sale and held-to-maturity fixed income securities) increased by 79.2%, or COP 135.9 billion, mainly because in 2022 we were able to reprice investments held to maturity at higher rates and our strategies in investments in the available-for-sale portfolio were also made at better levels.

Interest and similar expenses increased 223.7% or COP 1,721.8 billion, mainly resulting from (i) an increase of interest deposits of 287%, or COP 1,418.2 billion, explained by savers' appetite for rising interest rates and (ii) an increase of financial obligations of 110.2%, or COP 303.6 billion, explained by interest paid on interbank loans and bonds and investment securities, which are agreed at variable rates, such as the Colombian Central Bank Rate and Consumer Price Index (IPC). Yields and rates paid increased rapidly due to monetary policy in place throughout the year, a tighter liquidity environment and due to additional pressures coming from more demanding NSFR requirements, which drove the increase in the cost of interest-bearing deposits.

Finally, Banco de Occidente's spread between the yield earned on loans and leases and the rate paid on deposits decreased 42 basis points from 4.8% in 2021 to 4.4% in 2022.

Net impairment losses

	Year ended December 31,		Change, 2022 vs. 2021	
	2022	2021	Amount	%
	Total income (expense)			
		(in COP billions)		
Impairment loss on financial assets:				
Impairment for loan portfolio and interest receivable	(943.3)	(882.5)	(60.8)	6.9
Recovery for investments in debt securities	(2.2)	(0.5)	(1.7)	354.4
Recovery of write-offs	(195.9)	(158.4)	(37.5)	23.6
Impairment loss on financial assets	**745.2**	**723.6**	**21.6**	**3.0**

The following table provides detail by category of impairment loss on loans, cost of risk and cost of risk, net.

	Year ended December 31,		Change, 2022 vs. 2021		Cost of risk for the year ended December 31,			Change, 2022 vs. 2021	Cost of risk, net for the year ended December 31,	Change, 2022 vs. 2021
	2022	2021	Amount	%	2022	2021	basis points	2022	2021	basis points
					(in COP billions)					
Corporate	1,240	1,180	60	5.11%	1.45%	1.92%	(46.37)	1.25%	1.85%	(59.92)
Retail	696	677	20	2.90%	5.34%	4.33%	101.3	3.97%	3.29%	67.6
Residential	96	111	(16)	(14.21)%	(0.72)%	0.14%	(85.5)	(0.72)%	0.13%	(85.5)
Gross loans	**2,032**	**1,968**	**64**	**3.25%**	**2.27%**	**2.40%**	**(12.7)**	**1.80%**	**2.09%**	**(29.4)**
Repos and Interbank	1	0	1	1,780.47 %	0.12%	(13.58)%	1,370.6	0.12%	(13.58)%	1,370.6
Total gross loans	**2,033**	**1,968**	**65**	**3.32%**	**2.27%**	**2.40%**	**(12.3)**	**1.80%**	**2.09%**	**-29.1**

Past due ratios past due more than 90 days presented in 2022 compared to 2021 a 70-basis points improvement due to a 96 basis points improvement in past due for corporate loans, a 3 basis points improvement of retail loans and a 24 basis points improvement on residential loans. The ratio of net impairment loss on loan and leases to average loan and leases decreased from 5.31% in 2021 to 4.45% in 2022 due to the increase on corporate and retail loans and a better portfolio performance.

Net impairment losses for Banco de Occidente's consolidated operations increased by 3.0%, or COP 21.6 billion, in 2022 as compared to 2021, driven primarily by the allowance for loans which was influenced by a significant growth in loans in both corporate and retail portfolios, mainly explained by the greater loans demand due to the Colombia economic reactivation and strategic and tactical initiatives implemented during such period.

The impairment loss for total gross loans for Banco de Occidente's consolidated operations increased by 3.32%, or COP 65 billion, to COP 2,033 billion in 2022 as compared to 2021, and its cost of risk for total gross loans decreased from 2.40% in 2021 to 2.27% in 2022 due to the growth and performance of the portfolio.

	Loans at least 91 days past due				Past due ratio (1)		Change, 2022 vs. 2021 basis points
	At December 31,		Change, 2022 vs. 2021		at December 31,		
	2022	2021	Amount	%	2022	2021	
	(in COP billions)						
Corporate	951	1,023	(72)	(7.5)%	2.96%	3.93%	(96)
Retail	245	198	47	23.80%	2.20%	2.23%	(3)
Residential lending	73	68	5	7.88%	2.94%	3.18%	(24)
Gross loans	**1,269**	**1,289**	**(20)**	**(1.52)%**	2.78%	3.48%	(70)

	Charge-offs				Charge-offs as a percentage of average gross loans		Change, 2022 vs. 2021 basis points
	At December 31,		Change, 2022 vs. 2021				
	2022	2021	Amount	%	2022	2021	
	(in COP billions)						
Corporate	477	496	(19)	(3.79)%	1.65%	2.06%	(41)
Retail	547	498	48	9.66%	5.47%	6.05%	(58)
Residential lending	2	2	1	29.98%	0.10%	0.09%	1
Total charge-offs	**1,026**	**996**	**30**	**3.0%**	**2.49%**	**2.90%**	(41)

Banco de Occidente's consolidated coverage ratio for loans 91 days past due was 2.78% in 2022 due to normalization and charge-offs of business and corporate loans.

The balance of charged-off assets increased by 3.0% or COP 30 billion in 2022, driven by bad performance of the retail loans due to the COVID-19 pandemic. Once the Colombian program that helped mitigate the effects of the COVID-19 pandemic came to an end, the portfolio showed real performance and growth in the charged-off assets.

The following table shows Banco de Occidente's gross loan classification by stages in accordance with IFRS 9 (interbank and overnight funds are not included as they tend to be mostly Stage 1 and with low loss allowance due to their characteristics and short-term nature).

	At December 31,								Change, 2022 vs. 2021			
	2022				2021							
	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Gross loans
	(in COP billions)								(in percentages)			
Corporate	27,985	1,878	2,208	**32,071**	20,323	3,371	2,351	**26,045**	37.7%	(44.3)%	(6.1)%	23.1%
Retail	9,966	749	427	**11,143**	6,684	1,792	412	**8,887**	49.1%	(58.2)%	3.6%	25.4%
Lending	2,321	61	106	**2,488**	1,755	257	121	**2,133**	32.2%	(76.3)%	(12.2)%	16.7%
Gross loans	**40,272**	**2,688**	**2,741**	**45,702**	**28,762**	**5,420**	**2,883**	**37,065**	**40.0%**	**(50.4)%**	**(4.9)%**	**23.3%**

The quality of Banco de Occidente's gross loan portfolio measured both by the composition of stages and loans past due. At December 31, 2022, the balance of gross loans increased 23.3% or COP 37,065 billion to COP 45,702 billion due to:

In corporate, gross loans increased 23.1% to COP 32,071 billion, due to:

- The Corporate and Institutional segment presented annual growth in loans of 24.1% corresponding to COP 1.8 trillion, compared to the banking system's growth of 21.93%. This overcame a slowdown period in the economy in 2021, the post-pandemic effect and a national strike. By 2022, Colombia experienced an economic recovery, despite political uncertainty and the increase in interest rates by the Banco de la República that occurred in the final quarter.
- The Medium and Small and Medium Enterprise (SME) business segment presented an annual loans growth of 17.5% (COP 2.1 billion), compared to a systemic growth of 16.79%, which is mainly explained by the greater loans demand, due to the Colombia economic recovery, that was strengthened during the 2022, as well as some other successful strategic initiatives aimed at linking customers were implemented and generated opportunities with business closure, such as deepening commercial plans oriented to better clients in large cities, products digital packaging, automatic disbursements, Bank and Foreign Subsidiaries indebtedness in dollars, maintenance of risk in select clients portfolio balances, among others.

In retail, gross loans increased 25.4% to COP 11,143 billion, driven:

- During 2022, retail banking had a year of consolidating its value proposition and business strategy. Within the results achieved (retail and residential), the retail credit lines with the highest growth during 2022 were payroll deduction loans and personal loans, which increased their loan portfolio balances by 31% and 27% respectively. The vehicle financing business was strengthened. These results are attributed to the good performance of the sales force in driving the placement of credit products to the market, leveraged by the consolidation of our commercial action model, which allowed an average increase in commercial productivity above 27%, as well as the consolidation of digital approval tools.

Net commission and fee income

	Year ended December 31,		Change, 2022 vs. 2021	
	2022	**2021**	**Amount**	**%**
		(in COP billions)		
Commission and fee income:				
Fees for banking services	271.6	247.9	23.8	9.7
Fiduciary activities	76.3	80.4	(4.1)	(5.1)
Income from commission and fees	149.2	129.9	19.2	14.8
Fee and commissions expenses	151.6	126.4	25.2	19.9
Net fee and commission income	**345.5**	**331.8**	**13.7**	**4.1**

Net fee and commission income for Banco de Occidente's consolidated operations increased by 4.1%, or COP 13.7 billion, in 2022 as compared to 2021 due to banking services and income from commission and fees (credit card fees and commissions for drafts, and checkbooks).

Net income (expense) from financial assets or liabilities held for trading

Banco de Occidente's consolidated net income (expense) from financial assets or liabilities held for trading reflects the interest and gains/losses from mark-to-market valuation, in each case from fixed income investment securities held for trading through profit or loss.

During 2022, Banco de Occidente's consolidated net income (expense) from financial assets or liabilities held for trading was COP 19.34 billion or COP 87.1 billion higher than the COP (67.8) billion for 2021. This increase was driven by the central banks injection of funds into economies to recover from the shutdown caused by the pandemic in 2020, a strong inflationary outbreak persists amidst high volatility, changing the landscape of uncertainty of reference rates worldwide. The trading portfolio was very light and more concentrated in the short term, but the magnitude of the movement in the curves, reaching unprecedented levels, was not anticipated. Additionally, we experienced a downgrade in the sovereign debt rating, exacerbating volatility and further adjusting the yield curve upwards. Furthermore, in 2022, Colombia had an election year where political shifts and struggles further undermined investor confidence, leading to new highs in fixed income rates.

Total income from investment securities

Banco de Occidente's securities portfolio is as follows: (i) fixed income investments held for trading through profit or loss (described in this section as net trading income in investment securities held for trading through profit or loss), (ii) available-for-sale fixed income investments and (iii) held-to-maturity fixed income investments (results from (ii) and (iii) are included in the net interest income section as interest income from investment in debt securities). Banco de Occidente manages its investment portfolio in a comprehensive and integral manner that considers individual return of each one of these three categories and the total return of the investment securities portfolio.

Total income from investment securities for Banco de Occidente consolidated operations (comprised of income on investment in debt securities and net trading income from investment securities held for trading through profit or loss) was COP 250.6 billion for 2022, COP 89.7 billion higher than the COP 160.9 billion for 2021. This increase was primarily driven by the fact that in 2020, due to strong valuations in the local fixed income market, we decided to gradually reduce our structural portfolio with the aim of increasing our positions to take advantage of future changes in the monetary cycle. This strategy led us to begin the phased accumulation of structural positions in 2021, 2022 and 2023.

Other income

	Year ended December 31,		Change, 2022 vs. 2021	
	2022	**2021**	**COP**	**%**
		(in COP billions)		
Net exchange gain				
Net exchange gain	172.6	230.6	(58.0)	(25.1)

Share of profit of associates and joint ventures by the equity accounting method				
Share of profit of associates and joint ventures by the equity accounting method	122.0	245.9	(123.8)	(50.4)
Net (loss) on sale of investments	(29.0)	1.3	(30.3)	(2253.9)
Dividends	5.6	3.1	2.4	77.8
Gain on sale of non-current assets held for sale	6.3	12.0	(5.8)	(47.9)
Net gain on valuation of investment properties	30.7	17.7	13.0	73.7
Other operating income	286.4	278.9	7.5	2.6
Other income total	**591.6**	**789.5**	**(197.9)**	**(25.1)**

Total other income for Banco de Occidente's consolidated operations decreased by COP 197.9 billion, to COP 591.6 billion in 2022. This decrease is mainly driven by the lower profit of our associate Porvenir, and Banco de Occidente's passive position of forward derivatives, which is affected by the depreciation of the exchange rate between the years 2022 and 2021, which reached levels of 20.8%.

Other expenses

	Year ended December 31,		Change, 2022 vs. 2021	
	2022	2021	Amount	%
		(in COP billions)		
Personnel expenses	811.3	759.2	52.1	6.9
General administrative expenses	826.5	730.7	95.8	13.1
Depreciation and amortization expense	163.0	146.0	17.0	11.6
Provision for other assets	2.4	1.7	0.7	44.0
Other expenses	34.2	3.8	30.3	789.4
Other expenses, net	**1,837.3**	**1,641.4**	**195.9**	**11.9**

Total other expenses for Banco de Occidente's consolidated operations increased by COP 195.9 billion, or 11.9%, in 2022 as compared to 2021 mainly in relation to General administrative expenses and Personnel expenses which presents variations of P 95.8 billion and COP 52.1 billion respectively. This is explained because more than 50% of the bank's expenses are calculated using Consumer Price Index (CPI) as reference, which presented a variation of 5.62% in 2021 from 13.12% in 2022 and due to pressure on the ICA tax, which is calculated on gross income, which increased due to the increase in interest rates. These variations caused the Efficiency ratio of Banco de Occidente's consolidated operations to increase from 54.19% in 2021 to 58.12% in 2022.

Income tax expense

Income tax expense for Banco de Occidente's consolidated operation increased by 56.8%, or COP 42.6 billion. The effective tax rate of Banco de Occidente's consolidated operations (calculated as income tax expense divided by income before income tax expense excluding dividends and the equity method, as both are non-taxable income, and the equity tax as it is a non-deductible expense) was 20.5% in 2022 compared to 11.3% in 2021. The increase in the effective tax rate in 2022 was mainly explained by:

- For the period 2022 and 2021, an increase in the nominal rate of 4.0%. was generated by going from 34% in 2021 to 38% in 2022.
- For the year 2022, a bigger tax rate was presented, due to the effect of non-income participation method income of COP (37.1) billion, increasing the rate in relation to 2022 by 6.9%.
- For the year 2022, a difference in the rate on profits of subsidiaries in countries with different rates increased, which represented an increase of 2.4% in the effective rate.

Net income attributable to non-controlling interest

Net income attributable to non-controlling interest decreased by COP 1.9 billion, to COP 3.8 billion in 2022 as compared with COP 5.7 billion in 2021. The ratio of net income attributable to non-controlling interest to net income was 0.8% in 2022 compared to 1.0% in 2021. The decrease was mainly due to the non-controlling interest of the subsidiary Fiduciaria de Occidente by COP (2.8) billion.

Liabilities and capital resources

The following table sets forth our internal and external sources of consolidated liabilities at December 31, 2023 and 2022.

	At December 31, 2023	
	2023	**2022**
	(in COP billions)	
Liabilities and equity:		
Derivative trading instruments	1,055.9	930.8
Derivative hedging instruments	2.5	-
Customer deposits	49,175.7	43,095.9
Interbank and overnight funds	4,403.1	2,202.0
Loans from banks and others	3,186.0	3,929.0
Bonds and investment securities	2,171.3	2,322.4
Obligations with rediscount entities	1,088.2	967.4
Provisions for legal contingencies and other provisions	64.1	57.2
Income tax liability	1.0	0.6
Employee benefits	88.8	92.0
Other liabilities	**1,677.0**	**1,190.9**
Total liabilities	**62,913.7**	**54,788.3**
Total equity	**5,688.1**	**5,216.1**
Total liabilities and equity	**68,601.8**	**60,004.4**

Source: Consolidated Statement of Financial Position.

Banco de Occidente's consolidated equity showed an increase of 9.0% or COP 472 billion, mainly explained by an increase in the Other Comprehensive Income of COP 241 billion due to the recovery of the price of investments in available-for-sale debt securities, which led to a valuation of the Other Comprehensive Income account. In addition to the generation of profits of COP 430 billions offset by the distribution of dividends of COP 215 billions.

Capitalization ratios

The following table presents our unconsolidated capitalization ratios and those of our principal competitors at December 31, 2023 and 2022.

	At December 31, 2023			
	Banco de Occidente	**Bancolombia**	**Davivienda**	**BBVA Colombia**
	(in percentages)			
Tier 1 ratio(1)	10.17%	15.30%	12.71%	9.44%
Solvency ratio(2)	11.75%	18.08%	16.76%	12.39%

	At December 31, 2022			
	Banco de Occidente	**Bancolombia**	**Davivienda**	**BBVA Colombia**
	(in percentages)			
Tier 1 ratio(1)	10.02%	14.70%	14.93%	8.71%
Solvency ratio(2)	12.35%	18.29%	19.91%	13.31%

Source: Company calculations based on unconsolidated figures under Colombian Banking IFRS on each entity's respective audited financial statements for the period indicated that are publicly available on the Superintendency of Finance website.

(1) Tier 1 ratio is calculated as primary capital divided by risk-weighted assets.

(2) Solvency ratio is calculated as primary capital divided by risk-weighted assets. For a definition of technical capital see "—Capital adequacy requirements."

We are required by the Superintendency of Finance to maintain a solvency ratio of at least 9% of our total risk-weighted assets and a measure of core solvency for Common Equity Tier One Capital, which requires higher quality capital and is set at a minimum of 4.5% of risk-weighted assets.

Funding

We fund the majority of our assets with deposits. Other sources of funding include interbank borrowings and overnight funds, and borrowings from development banks and long-term bond issuances.

The following table summarizes our consolidated funding structure at the dates indicated.

	At December 31,	
	2023	2022
	(in COP millions)	
Current accounts	7,092,625	7,586,598
Savings accounts	24,153,811	22,021,958
Term certificates of deposit	17,866,450	13,390,805
Other deposits	62,846	96,584
Total deposits	**49,175,732**	**43,095,945**
Interbank and overnight funds	4,403,111	2,202,043
Loans from banks and others(1)	3,185,957	3,928,990
Bonds and investment securities	2,171,345	2,322,416
Financial obligations	**10,848,602**	**9,420,886**
Total funding	**10,848,602**	**9,420,886**

(1) Include borrowings from development entities.

In the year ended December 31, 2023, our total funding increased by 14.3% mainly as a result of term certificates of deposit and saving accounts.

In the year ended December 31, 2023, deposits and borrowings from banks and others accounted for 81.9% and 5.3% of our total funding sources, respectively. Interbank and overnight funds, long-term debt and borrowing for development entities accounted for 7.3%, 3.6% and 1.8% of our total funding sources, respectively. In 2022, deposits and borrowings from banks and others accounted for 82.1% and 7.5% of our total funding sources, respectively. Interbank and overnight funds, long-term debt and borrowing for development entities accounted for 4.2%, 4.4% and 1.8% of our total funding, respectively.

The rating of these issues by Fitch is "AAA" applied to local currency ratings and "BB+" applied to foreign currency ratings, and both have a stable outlook. Any adverse change in credit ratings may increase the cost of our funding.

The following table presents our consolidated funding from deposits at the dates indicated.

Detail	**December 31, 2023**	**December 31, 2022**
	(in COP millions)	
Demand deposits		
Current accounts	7,092,625	7,586,598
Savings accounts	24,153,811	22,021,958
Other funds at sight	62,846	96,584
	31,309,282	**29,705,140**
Term		
Term certificates of deposit	17,866,450	13,390,805
Total Deposits	**49,175,732**	**43,095,945**
By currency		
In Colombian pesos	44,903,705	38,382,393
In U.S. dollars	4,259,323	4,692,943
Other currencies	12,704	20,609
Total by Currency	**49,175,732**	**43,095,945**

The following table lists the maturity profiles for the term certificates of deposit as of December 31, 2023.

Term Certificates of Deposit Maturity Profile	**December 31, 2023**
Year	
	(in COP millions)
2024	11,660,115
2025	4,618,887
2026	495,785
2027	334,997
2028	646,976
After 2029	109,690
Total	**17,866,450**

Current accounts. Our consolidated balance of current accounts was COP 7,092.6 billion at December 31, 2023, and COP 7,586.6 billion at December 31, 2022, representing 11.8% and 14.4% respectively, of our total funding requirements at each such date.

Term certificates of deposit. Our consolidated balance of term certificates of deposit was COP 17,866 billion and COP 13,390 billion at December 31, 2023 and 2022, representing 29.8% and 25.5% respectively, of our total funding requirements at each such date.

The following table presents term certificates of deposit held at December 31, 2023 and 2022, by amount and maturity for deposits.

	At December 31, 2023		
	Peso-denominated	Dollar-denominated	Total
		(in COP millions)	
Up to 3 months	3,833,494	1,078,126	4,911,619
From 3 to 6 months	2,144,637	524,588	2,669,225
From 6 to 12 months	3,319,867	1,337,858	4,657,725
More than 12 months	2,951,741	58,602	3,010,343
Term certificates of deposit less than U.S.$100,000	2,433,006	184,532	2,617,538
Total	**14,682,745**	**3,183,706**	**17,866,450**

	At December 31, 2022		
	Peso-denominated	Dollar-denominated	Total
		(in COP millions)	
Up to 3 months	2,580,089	768,517	3,348,606
From 3 to 6 months	1,191,884	738,747	1,930,631
From 6 to 12 months	1,817,124	1,028,884	2,846,008
More than 12 months	2,734,796	124,659	2,859,454
Term certificates of deposit less than U.S.$100,000	2,225,850	180,255	2,406,105
Total	**10,549,742**	**2,841,062**	**13,390,805**

Savings deposits. Our consolidated balance of savings deposits was COP 24,153.8 billion and COP 22,021.9 billion at December 31, 2023 and 2022, respectively, representing 81.9% and 82.1%, respectively, of our total funding requirements at each such date.

Other deposits. Our consolidated balance of other deposits, which consist of deposits from correspondent banks, cashiers checks and collection services, COP 62.8 billion and COP 96.6 billion at December 31, 2023 and 2022, respectively, representing 0.1% and 0.2% respectively of our total funding requirements.

Interbank borrowings and overnight funds. Our consolidated balance of interbank borrowings and overnight funds was COP 4,403 billion and COP 2,202 billion at December 31, 2023 and 2022, respectively, representing 7.3% and 4.2% respectively, of our total funding requirements.

The following table sets forth our short-term borrowings consisting mainly of interbank borrowings and overnight funds, including repurchase agreements, for the periods indicated.

	At December 31,					
	2023		2022		2021	
	Nominal rate	Amount	Nominal rate	Amount	Nominal rate	Amount
	(in COP millions and percentages)					
Short-term borrowings						
Interbank borrowings and overnight funds						
End of period	12.8%	80,107	11.7%	160,074	2.9%	245,077
Average during period	12.8%	20,026	11.7%	20,009	2.9%	11,139
Interest paid during the period	12.8%	107	11.7%	74	2.9%	76

As part of their interbank transactions, our banks maintain a portfolio of government securities and private sector liquid debt instruments used to obtain overnight funds from other financial institutions or investment funds by selling such securities and simultaneously agreeing to repurchase them. Due to the short-term nature of this source of funding, these transactions are volatile and are generally composed of Colombian government securities, as well as securities of other sovereign issuers.

Borrowings from banks and others. Borrowings from banks are provided by correspondent banks and by governmental entities to promote lending to specific sectors of the Colombian economy. This funding, which mainly has fully matched maturities and interest rates with related loans, totalled COP 1,088 billion and COP 967 billion at December 31, 2023 and 2022, respectively, representing 1.7% and 1.8% of total funding, respectively.

Bonds. We issue bonds in the Colombian and international markets. Our consolidated balance of bonds outstanding is COP 2,171 billion at December 31, 2023 and 2022, respectively, representing 3.5% and 4.2%, respectively, of our funding requirements at each such date.

Capital expenditures

We incurred COP 569,003 million of capital expenditures in the year ended December 31, 2023 as compared to COP 552,530 million in the year ended December 31, 2022. Capital expenditures reflect our own-use property, plant and equipment, particularly land, buildings, office equipment, furniture and fixtures, vehicles, equipment and machinery, and computer hardware.

Research and development, patents and licenses, etc.

Other than our technology program, we do not have any significant policies or projects relating to research and development, and we own no patents or licenses. See "Business—Other corporate information—Technology."

Off-balance sheet arrangements

In the ordinary course of business, we have entered into various types of off-balance sheet arrangements, including credit lines, letters of credit and financial guarantees. The contractual amount of these instruments represents the maximum possible credit risk should the counterparty draw down the entire commitment or our bank fulfill its entire obligation under the guarantee, and the counterparty subsequently fails to perform according to the terms of the contract. We may hold cash or other liquid collateral to support these commitments, and we generally have legal recourse to recover amounts paid but not recovered from customers under these instruments. Most of these commitments and guarantees expire undrawn. As a result, the total contractual amount of these instruments does not represent future cash requirements, because lines of credit can expire or may not be used in whole or in part. In addition, some of these commitments, primarily those related to retail financing, are cancellable by our banks upon notice.

The following is the detail of guarantees, letters of credit and credit commitments on unused lines of credit as of December 31, 2023 and 2022:

		December 31, 2023		December 31, 2022	
		Notional amount	Fair Value	Notional amount	Fair Value
		(in COP millions)			
Collateral	$	1,246,647	50,741	2,552,685	58,291
Unused letters of credit		138,249	1,002	255,381	375
Overdraft limits		2,014,636	2,014,636	2,241,656	2,241,656
Unused credit card limits		3,848,307	3,848,307	3,565,446	3,565,446
Opening of credit		173,598	173,598	158,696	158,696
Approved loans not disbursed		5,000	5,000	19,766	19,766
Other		1,913,328	1,913,329	1,023,527	1,023,527
Total	$	**9,339,765**	**8,006,613**	**9,817,157**	**7,067,757**
Provision for loss contingencies		(58,263)	(58,263)	(50,394)	(50,394)
Total	$	**9,281,502**	**7,948,350**	**9,766,763**	**7,017,363**

Contractual obligations

The following tables present our contractual obligations at December 31, 2023.

	At December 31, 2023				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
	(in COP millions)				
Long-Term Debt Obligations (bonds)	2,171,345	315,325	799,960	583,000	473,060
Term certificates of deposit	17,866,450	14,679,384	2,725,178	376,198	85,691
Long-Term Borrowings from banks and others	3,185,957	2,399,700	27,753	41,445	717,059
Interbank and overnight funds	4,403,111	4,403,111	-	-	-
Borrowing from development entities	1,088,189	140,664	300,781	138,716	508,028

	At December 31, 2023				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
	(in COP millions)				
Employee benefit plans	88,847	73,495	5,802	2,985	6,565
Other liabilities	1,677,003	1,677,003	-	-	-
Purchase obligations	-	-	-	-	-
Total	**30,480,902**	**23,688,682**	**3,859,474**	**1,142,344**	**1,790,403**

The following tables present our contractual obligations at December 31, 2022.

	At December 31, 2022				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	After 5 years
	(in COP millions)				
Long-Term Debt Obligations (bonds)	2,322,416	188,906	727,490	749,010	657,010
Term certificates of deposit	13,390,805	10,298,011	2,518,798	531,534	42,462
Long-Term Borrowings from banks and others	3,928,990	3,069,350	28,197	24,297	807,146
Interbank and overnight funds	2,202,043	2,202,043	-	-	-
Borrowing from development entities	967,437	174,220	235,733	222,912	334,572
Employee benefit plans	91,999	71,571	7,754	5,354	7,320
Other liabilities	1,190,909	1,190,909	-	-	-
Purchase obligations	-	-	-	-	-
Total	**24,094,600**	**17,195,011**	**3,517,972**	**1,533,107**	**1,848,510**

The following is a summary of the financial obligations from Banco de Occidente Consolidated, as of December 31, 2023 and 2022, mainly for the purpose of financing their international trade operations:

	December 31, 2023		December 31, 2022	
	Short-term portion	Long-term portion	Short-term portion	Long-term portion
	(in COP millions)			
Colombian Legal Currency				
Interbank and overnight funds				
Banks and correspondents	126	-	1,157	-
Ordinary purchased interbank funds	80,107	-	-	-
Transfer commitments in repo transactions	1,783,598	-	1,103,078	-
Simultaneous operations	2,082,478	-	44,986	-
Commitments arising from short positions	447,868	-	-	566,644
Total Interbank and overnight funds	**4,394,177**	**-**	**1,149,221**	**566,644**
Bank loans				
Loans	25	-	-	1,995
Total loans from banks	**25**	**-**	**-**	**1,995**
Lease agreements				
Lease liabilities	-	408,260	-	372,825
Total Lease agreements	**-**	**408,260**	**-**	**372,825**
Total liabilities in legal currency	**4,394,202**	**408,260**	**1,149,221**	**941,464**
Foreign Currency				
Interbank and overnight funds				
Banks and correspondents	8,934	-	-	-
Ordinary purchased interbank funds	-	-	70,591	-
Transfer commitments in repo transactions	-	-	342,399	-
Simultaneous operations	-	-	73,188	-
Total Interbank and overnight funds	**8,934**	**-**	**486,178**	**-**
Bank loans				
Loans	2,340,673	383,790	2,817,867	702,785
Acceptances	52,258	-	31,821	-
Total loans from banks	**2,392,931**	**383,790**	**2,849,688**	**702,785**
Lease agreements				
Lease liabilities	**951**	-	**1,696**	-
Total Lease agreements	**951**	**-**	**1,696**	**-**
Total foreign currency obligations	**2,402,816**	**383,790**	**3,337,562**	**702,785**
Total financial obligations	**6,797,018**	**792,050**	**4,486,783**	**1,644,249**

The detail of liabilities as of December 31, 2023 and 2022, by issuance date and maturity date in legal currency, is presented below:

Issuer	Date of Issue	December 31, 2023	December 31, 2022	Maturity Date	Interest Rate
		(in COP millions)			
Ordinary Bonds					
Banco de Occidente Subordinated	Between 09/AUG/2012 and 20/AUG/2020	1,458,983	1,609,382	Between 27/APR/2024 and 14/DEC/2032	Between CPI + 2.37% and 4.65% ; Fixed 5.83%
Bonds Banco de Occidente	Between 30/01/2013 and on 12/OCT/2017	712,362	713,034	Between 30/JAN/2025 and on 10/JUN/2026	Between CPI + 3.58% - 3.64% and 4.60%
Total		$ **2,171,345**	**2,322,416**		

The following table details loans obtained by Grupo Aval from the below entities as of December 31, 2023 and 2022:

	Interest rates in effect at the cutoff	December 31, 2023	December 31, 2022
		(in COP millions)	
Legal Tender			
Banco de Comercio Exterior – “BANCOLDEX”	Between DTF 0% and 3.60%; IBR 0% and 6.10%; Fixed 2.96% and 20.963%; SOFR 180	312,279	361,243
Financing Fund of the Agricultural and Livestock Sector - "FINAGRO"	Between DTF 0% and 1%; IBR 0% Fixed 0.11% and 15.69%	171,943	80,584
Financiera de Desarrollo Territorial "FINDETER" (Territorial Development Financial Institution)	Between DTF 1.90% and 3%; IBR 0% and 0.90%; Fixed 9.47% and 19.57%	599,687	525,168
Total legal currency		**1,083,909**	**966,995**
Foreign Currency			
Foreign Trade Bank - "BANCOLDEX"	SOFR 180	4,280	442
Total foreign currency		**4,280**	**442**
Total rediscount entities		**1,088,189**	**967,437**

Risk management

The guiding principles of risk management at Banco de Occidente are the following:

- collective decision making for corporate loans of significant amount at the board level;
- extensive and in-depth market knowledge, the result of our market leadership and our experienced, stable and seasoned senior management;
- clear top-down directives with respect to:
- know-your-customer policies; and
- corporate loan credit structures based on the clear identification of sources of repayment and on the cash- flow generating capacity of the borrower;
- use of common credit analysis tools and loan pricing tools;
- diversification of the corporate loan portfolio with respect to industries and economic groups;
- specialization in retail banking product niches;
- extensive use of continuously updated rating and scoring models to ensure the growth of high-credit quality retail loans;

- use of our extensive market presence in the identification and implementation of best practices for operational risk management; and
- conservative policies in terms of:
- the trading portfolio composition, with a bias towards instruments with lower volatility;
- proprietary trading; and
- the variable remuneration of trading personnel.
- Our risk management policies follow guidelines set by our parent, Grupo Aval.

Unless otherwise indicated, risk management figures for Banco de Occidente consolidated financial data of Fiduciaria de Occidente S.A., Ventas y Servicios S.A., Banco de Occidente (Panamá), S.A., and Occidental Bank Barbados Ltd.

Credit risk

Our credit-risk management process takes into consideration the requirements of the Superintendency of Finance, the guidelines of Grupo Aval credit-risk management and the composition of our loan portfolio, which, in turn, is the result of the execution of our strategy.

Corporate lending

At December 31, 2023, the proportion of our loan portfolio comprised of corporate loans was 69.6%.

The credit approval process for corporate loans follows the policies and lending authorities established by our bank. The highest lending authority, other than the board of directors, is our national credit committee (*Comité de Crédito Dirección General*), which has a lending limit of up to fifteen years and COP 15.0 billion (approximately U.S.$5.2 million).

Following the approval of a transaction by our national credit committee, information regarding the loan is sent to the Grupo Aval risk management unit if the loan would result in aggregate exposure to the borrower in excess of COP 5.0 billion (approximately U.S.$1.7 million). The credit approval process includes the presentation to Grupo Aval's credit committee of all potential credit exposures per client (or client's economic group) that, across all of Grupo Aval's banks, represent an exposure in excess of COP 20.0 billion (approximately U.S.$6.9 million) or is considered to be part of a vulnerable sector. Exceptions can be made depending on the risk parameters defined by Grupo Aval´s credit committee. This committee, which is composed of the vice presidents of credit of each of Grupo Aval's subsidiary banks and the risk management staff of Grupo Aval, meets on a weekly basis to discuss general developments in the industry and economy, risks and opportunities, and the structure of credit transactions, as well as to consult on and evaluate potential business opportunities. The committee consolidates requests for loans across all banks and evaluates our total exposure to potential borrowers. In each case, the committee evaluates the relevant bank's application of its credit analysis policy and it may make recommendations with respect to the structure of the loan (such as guarantees, interest rates, commissions and covenants). The credit committee will then submit to Grupo Aval's advisory board those transactions which represent a significant exposure or have exceptions to credit and pricing policies.

The Grupo Aval advisory board, which is chaired by the president of Grupo Aval and composed of the presidents of its subsidiary banks and some vice presidents of Grupo Aval, meets two times per month to discuss the adoption of risk management policies and how to meet the needs of major corporate and institutional clients, as well as to advise the Grupo Aval banks with respect to defaults or other credit risk issues. The advisory board also evaluates transactions submitted to it by the Grupo Aval risk management committee for compliance with applicable policies and makes recommendations to the banks with respect to such loans. The boards of the subsidiary banks, including ours, make the ultimate decisions with respect to such loans.

In order to facilitate the analysis of corporate loans which meet the threshold and are thus reviewed by Grupo Aval, we have developed certain tools, including a standardized "*proyecto de crédito*," a stand-alone document containing all of the information considered necessary for us to make a credit decision. We have also developed financial projection models and pricing models that assist us in analyzing potential loans and comparing the estimated return on a loan with that of a comparable risk-free instrument.

We seek to achieve a profitable, high-quality corporate loan portfolio and an efficient procedure for analyzing potential loans. To that end, we have established policies and procedures for the analysis and approval of potential commercial credit transactions that seek to focus lending on the following principles:

- borrowers whose shareholders and management are, in our opinion, of the highest integrity (taking into account not only an analysis of the borrower's credit profile but also their reputation in the business community and other factors);
- borrowers which participate in key industries;
- borrowers which are leaders or major players in the industries in which they participate;
- transaction structures, including covenants and guarantees, which provide adequate protection; and
- pricing which compensates adequately for capital invested and the market and credit risks incurred.

In addition, we make loans to public sector entities. For purposes of evaluating the extension of credit to public sector entities, we follow three criteria: (1) the loan must be used to finance an investment that has been approved by local authorities; (2) a source of repayment, primarily tax revenues, must be clearly identified; and (3) the source of repayment so identified must be pledged to secure the loan.

Retail lending

Retail lending represented 25.2% of our total loan portfolio at December 31, 2023.

The credit approval process for retail loans follows the policies and lending authorities established by our bank. The highest retail lending authority, other than the board of directors, is the national consumer credit committee where the highest lending limits are COP 3.0 billion (approximately U.S.$1.0 million).

For retail banking, Banco de Occidente has a full-service retail loan portfolio of credit cards, personal loans, automobile loans and overdrafts.

Residential lending

Residential lending represented 5.3% of our total loan portfolio at December 31, 2023 down from 5.4% in 2022.

In order to ensure an adequate residential loan portfolio quality, we have developed statistical models for the origination and follow-up on new residential loans, which has resulted in a very low past due to total loan ratios for recently originated loans.

Credit classification and provisioning

We and our parent continually engage in the determination of risk factors associated with our credit-related assets, through their duration, including restructurings. For such purposes, we have designed and adopted the *Sistema de Administración de Riesgo de Crédito* (credit risk administration system), or "SARC," (for its initials in Spanish) in accordance with Superintendency of Finance guidelines. The SARC has integrated credit policies and procedures for the administration of credit risks, models of reference for the determination and calculation of anticipated losses, allowances for hedging of credit risks and internal control procedures.

We are required to classify our loan portfolio in accordance with the rules of the Superintendency of Finance, which established the following loan classification categories: "AA," "A," "BB," "B," "CC" and "Default," depending on the strength of the credit and, its past due status.

We review outstanding loan portfolio components under the above-mentioned criteria and classifies individual loans under the risk-rating categories below on the basis of minimum objective criteria, such as balance sheet strength, profitability and cash generation capacity. The classification of new corporate loans is made on the basis of these objective criteria. The criteria are also evaluated on an ongoing basis, together with loan performance, in reviewing the classification of existing corporate loans.

Category	Approval	Corporate loan portfolio	Retail loan portfolio
"AA"..........	New loans with risk rating at approval of "AA"	Outstanding loans and financial leases with past due payments not exceeding 29 days (*i.e.*, between 0	Loans whose risk rating is "AA" according to the methodology of the Consumer

		and 29 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect excellent paying capacity.	Reference Model, or "MRCO," as established by the Superintendency of Finance
"A"............	New loans with risk rating at approval of "A"	Outstanding loans and financial leases with delayed payments in excess of 30 days but not exceeding 59 days (*i.e.*, between 30 and 59 days past due). The debtor's financial statements or its projected cash flows, as well as all other credit information available to the financial subsidiaries, reflect appropriate paying capacity.	Loans whose risk rating is "A" according to the methodology of the MRCO as established by the Superintendency of Finance
"BB"...........	New loans with risk rating at approval of "BB"	Outstanding loans and financial leases past due more than 60 days but less than 90 days (*i.e.*, between 60 and 89 days past due). Loans in this category are acceptably serviced and collateralized, but there are weaknesses which may potentially affect, on a transitory or permanent basis, the debtor's ability to pay or its projected cash flows, to the extent that, if not timely corrected, would affect the normal collection of credit or contracts.	Loans whose risk rating is "BB" according to the methodology of the MRCO as established by the Superintendency of Finance
"B"............	New loans with risk rating at approval of "B"	Outstanding loans and financial leases past due over 90 days but less than 120 days (*i.e.*, between 90 and 119 days past due). The debtor shows insufficient paying capacity of its obligations.	Loans whose risk rating is "B" according to the methodology of the MRCO as established by the Superintendency of Finance
"CC"...........	New loans with risk rating approval of "CC"	Outstanding loans and financial lessees past due more than 120 days but less than 150 days (*i.e.*, between 120 and 149 days past due). Loans in this category represent grave insufficiencies in the debtors' paying capacity or in the project's cash flow, which may compromise the normal collection of the obligations.	Loans whose risk rating is "CC" according to the methodology of the MRCO as established by the Superintendency of Finance
"Default"....	—	Outstanding loans and financial leases past due for 150 days or more. This category is deemed uncollectible. These loans are considered in default.	Retail loan portfolio past due over 90 days

For new retail loans, we use our and our parent's internal statistical origination models to develop an initial classification category ("AA," "A," "BB," "B" and "CC"). Once the loan is disbursed, we use formulas provided by the Superintendency of Finance, which incorporate payment performance of the borrower to calculate a score which in turn is used to determine the loan classification.

For financial leases the risk categories are established in the same manner as corporate or retail loans.

For separate financial statement reporting purposes under Colombian Banking IFRS, the Superintendency of Finance requires that loans and leases be given a risk category on the scale of "A," "B," "C," "D" and "E." As a result, the risk classifications are aligned to the risk categories as follows:

Risk category	Risk classification	
	Corporate	Retail
"A"	"AA"	"AA" "A" – between 0 and 30 days past due
"B"	"A" "BB"	"A" – more than 30 days past due "BB"
"C"	"B" "CC"	"B" "CC"
"D"	"Default"	"Default" – all other past due loans not classified in "E"
"E"	"Default"	"Default" – past due loans with a Loss given default (LGD) of 100%(1)

(1) LGD is defined as a percentage to reflect the credit loss incurred if an obligor defaults. LGD for debtors depends on the type of collateral and as a percentage would gradually increase depending on the number of days elapsed after being classified in each category.

For our residential and microcredit loan portfolios, the risk categories in effect at December 31, 2023, based on past due status, are as follows:

Category	Microcredit	Residential
"A" Normal Risk	In compliance or up to date and up to 30 days past due	In compliance or up to 60 days past due
"B" Acceptable Risk	Past due between 31 and 60 days	Past due between 61 and 150 days
"C" Appreciable Risk	Past due between 61 and 90 days	Past due between 151 and 360 days
"D" Significant Risk	Past due between 91 and 120 days	Past due between 361 and 540 days
"E" Uncollectable	Past due over 120 days	Past due over 540 days

Loan loss provisions

Banco de Occidente regularly revises its loan portfolio to evaluate its impairment; while determining if an impairment should be registered with charge to results of the year, management performs judgments for determining if there are observable data indicating a decrease in the estimated cash flow of the loan portfolio before the decrease in such flow may be identified for a particular loan of the portfolio.

- The provision calculation process includes analyses of specific, historical and subjective components. The methodologies utilized by our subsidiaries include the following elements:
- A detailed periodical analysis of the loan portfolio.
- A credit classification system by risk levels.
- A periodical review of the summary of allowances for impairment losses.
- Identification of loans to be evaluated individually due to impairment.
- Consideration of internal factors such as our size, organizational structure, loan portfolio structure, loan administration process, analysis of overdue portfolio and experiences of historical losses.
- Consideration of risks inherent to different types of loans.
- Consideration of external factors, including local, regional and national, as well as economic factors.

For credits individually considered as significant and impaired, the amount of the loan loss allowance is calculated using the discounted cash flow method. Management of each financial entity makes assumptions regarding the amount to be recovered for each client and the time in which such amount will be recovered. During the calculation of allowances for credits considered individually as significant and impaired, based on their guarantee, management performs estimates of the fair value of such guarantees with the aid of independent expert appraisers.

For loans not considered individually significant, or for those credits individually significant but not impaired, loan loss allowances are calculated collectively using the historical loss rate, periodically updated data reflecting current economic conditions, performance trends of the industry, geographic concentrations of debtors within each portfolio of the segment and any other pertinent information that may affect the repayment.

For quantifying losses incurred in portfolios evaluated collectively the different subsidiaries of Banco de Occidente have calculation methodologies that take into account four fundamental factors: exposure, probability of default, the period of identification of the loss and the severity.

- Exposure at default – "EAD" is the principal amount owed at the time of payment default of the borrower.

- Probability of default – "PD" is the probability that the counterpart defaults its payment obligations of capital and/or interests. The probability of default is associated to the rating/scoring or level of delinquency of the borrower.

- Loss identification period ("LIP)" parameter or period of identification of the loss, is the time elapsed between the occurrence of the event which generates the loss and the time when such loss becomes evident. The LIPs analyses are carried out on the basis of homogeneous risk portfolios.

- Loss given default – "LGD" or severity is the estimate of a loss in case a payment default occurs taking into consideration the guarantees and the corresponding appraisal.

Liquidity risk

We are required to and maintain adequate liquidity positions based on the Superintendency of Finance's liquidity parameters, using a short-term liquidity index (*Indicador de Riesgo de Liquidez*), or "IRL," that measures 7-, 15- and 30-day liquidity. This index 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 investments classified as "held-to-maturity" different from mandatory investments, Colombian Central Bank deposits and available cash. Net liquidity requirements are the difference between expected cash flows from contractual asset and contractual and non-contractual liabilities. Cash flows from past due loans are not included in this calculation.

In 2011, the Superintendency of Finance implemented changes to liquidity reporting requiring the calculation of a new IRL ratio, or "IRL Ratio," defined as adjusted liquid assets divided by the net liquidity requirements (in each case, as defined above), expressed as a percentage. The IRL Ratio may not fall below 100% for two consecutive weeks.

The Superintendency of Finance additionally adjusted the components of the IRL and IRL Ratio. The adjusted liquid assets now have to be classified as "high quality" or "other," and high-quality assets must represent at least 70% of the adjusted liquid assets.

HQLA (High Quality Liquid Assets)/Liquid Assets Available

The following tables show high quality liquidity assets ratio at December 31, 2023, 2022 and 2021, expressed in billions of pesos and as a percentage, respectively.

	Banco de Occidente (unconsolidated)		
	At December 31,		
	2023	2022	2021
	(in COP billions, except percentages)		
HQLA	6.6	5.7	6.1
Liquid assets available	7.4	6.2	6.6
Ratio HQLA/Liquid assets available	90.11%	92.69%	92.75%

IRL

The following tables show the short-term liquidity index and the IRL Ratio at December 31, 2023, 2022 and 2021, expressed in billions of pesos and as a percentage, respectively.

	Banco de Occidente (unconsolidated)					
	At December 31,					
	2023		2022		2021	
	(in COP billions, except percentages)					
IRL – 7 days	5.6	419.2%	5.3	744.3%	5.9	977.7%
IRL – 15 days	4.3	237.9%	4.2	309.1%	4.7	348.1%
IRL – 30 days	1.8	132.7%	1.9	145.3%	2.9	180.2%

At the consolidated level, we analyze the remaining contractual maturities on our financial assets and financial liabilities in order to maintain adequate liquidity levels.

NSFR

The following tables show the long-term liquidity index and the NSFR Ratio (in Colombia, *coeficiente de fondeo estable neto*, or "CFEN") at December 31, 2023, 2022 and 2021, expressed in billions of pesos and as a percentage, respectively.

	Banco de Occidente (unconsolidated)		
	At December 31,		
	2023	**2022**	**2021**
	(in COP billions, except percentages)		
Available Stable Funding	36.94	33.85	28.55
Required Stable Funding	33.97	31.19	26.50
Net Stable Funding Ratio	108.75%	108.55%	107.74%

Operational Risk Management

Our policies with respect to operational risk are directed at complying with the guidelines established by the Superintendency of Finance (which, in turn, follow the Basel II Accord of 2004), and the U.S. Sarbanes-Oxley Act of 2002. These guidelines require that Colombian banks establish a system for the administration of operational risks (*Sistema de Administración de Riesgo Operacional*) which includes the identification, measurement, control and monitoring functions as well as a business continuity plan.

In order to comply with these guidelines, we established within our organizational structure an operational risk unit independent of the operational and control areas of each bank. The responsibilities of these units are the establishment and definition of policies and methodologies and the procedures for communicating within our organization all information related to operational risk. In addition to the staff of the operational risk unit, we have established the role of operational risk advisors, which are employees in key areas who, in addition to their functional responsibilities, are required to report events or situations which may result in operational losses.

Additionally, we have an operational risk management committee, which meets on a periodical basis to review operational risks policies and follow up on the execution of action plans.

At Grupo Aval, an operational risk management committee, composed of the heads of the operational risk units of each subsidiary bank, including ours, and staff of Grupo Aval risk management, was established. The principal activities of this committee, which meets on a monthly basis, are as follows:

- coordinated analysis of norms and the impact in each of Grupo Aval's banks, including us;
- identification and application of best practices;
- identification and implementation of operational risk management tools;
- unification of criteria in the search of business continuity tools;
- economies of scale in the engagement of consultants and the acquisition of tools; and
- coordination in the preparation of requests for proposals and the evaluation of proposals.

We implement, from time to time, best practices that result from meetings of the Grupo Aval operational risk management committee.

Market Risk Management

We are exposed to substantial market risk, primarily as a result of our lending, trading and investment businesses. The primary market risks to which we are exposed are interest rate risk, foreign exchange rate risk, variations in stock price risk and investment fund risk.

We are exposed to interest rate risk whenever there is a mismatch between interest-rate-sensitive assets and liabilities, subject to any hedging we have engaged in using interest rate swaps or other off-balance sheet derivative instruments. Interest rate risk arises in connection with both trading and non-trading activities.

We are exposed to foreign exchange rate risk as a result of mismatches between assets and liabilities, and off- balance sheet items denominated in different currencies. We are exposed to variations in stock price risk in connection with investments in equity securities, including our merchant banking investments. We are exposed to fund risk primarily from investments in mutual funds.

We and our board of directors, through our risk management committee, are responsible for establishing policies, procedures and limits with respect to market risk. This committee also monitors overall performance in light of the risks assumed. These policies and procedures describe the control framework used by us to identify, measure and manage market risk exposures inherent in our activities. The main purpose of these policies and procedures is to set limits on risk. All risk managers must ensure that each business activity is performed in accordance with the policies established by Banco de Occidente and also Grupo Aval. These policies and procedures are followed in market risk decision-making in all business units and activities. We have established a market risk management system (*Sistema de Administración de Riesgos de Mercado*, or "SARM", in Spanish), which meets the requirements of the Superintendency of Finance.

The comprehensive risk management system (*Sistema Integrado de Administración del Riesgo*, or "SIAR", in Spanish) for market risk management, allows entities to identify, measure, control and monitor the market risk to which they are exposed, based on the positions assumed in the performance of their operations.

We are responsible for setting market risk limits and monitoring market risk.

Risk management personnel at Banco de Occidente (and, additionally, Grupo Aval and our subsidiaries) are responsible for the following:

- identification, measurement and management of the market risk exposures inherent in their businesses;
- analyzing exposures under stress scenarios;
- confirming compliance with applicable risk management policies, reporting violations of such policies, and proposing new policies;
- designing of methodologies for valuing securities and financial instruments; and
- reporting daily to senior management as to the levels of market risk associated with trading instruments.

We hold trading and non-trading instruments. Trading instruments are recorded in our "treasury books" and non-trading instruments are recorded in our "banking books."

Trading Instruments

Trading instruments include our proprietary positions in available-for-sale financial instruments and/or acquired to take advantage of current and/or expected differences between purchase and sale prices. As a result of trading fixed income and floating rate securities, investment funds and foreign exchange, we are exposed to interest rate, variations in stock prices, investment fund and foreign exchange rate risks, as well as volatility risk when derivatives are used. We trade foreign exchange, fixed income instruments, floating rate securities and basic derivative instruments (forwards, options, cross currency swaps and interest rate swaps).

We use value at risk, or VaR, to measure our exposure to market risk in trading instruments. VaR is an estimate of the expected maximum loss in market value of a given portfolio over a time horizon at a specific confidence interval, subject to certain assumptions and limitations discussed below.

VaR models have inherent limitations, including the fact that they rely on historical data, which may not be indicative of future market conditions or trading patterns. As a result, VaR models could overestimate or underestimate the value at risk and should not be viewed as predictive of future results. Furthermore, we may incur losses materially in excess of the amounts indicated by the VaR models on a particular trading day or over a period of time. VaR does not calculate the greatest possible loss.

Our board of directors, assets and liabilities committee and risk management committee establish the maximum VaR for each type of investment and for each type of risk using their own internal VaR models as well as the Superintendency of Finance methodology, or the "regulatory VaR." We use VaR estimates to alert senior management whenever the statistically estimated losses in the bank's portfolios exceed pre-established levels.

Limits on VaR are used to control exposure on a portfolio-by-portfolio basis.

In order to strictly control the trading portfolios, we have limits for every risk factor. To determine the limits, the impact of specific business expectations or strategies, sensitivities or effects on the value of the portfolio and historical behavior of indicators is taken into account. These risk limits are validated through stress testing based on historical extreme scenarios.

As described below, we measure interest rate risk, foreign exchange risk, variations in stock price risk and investment fund risk in accordance with VaR models. We use two types of approaches to measure VaR:

(1) regulatory VaR methodology and (2) internal VaR models.

The regulatory VaR used in calculating our capital ratio (solvency ratio) follows the methodology established by the Superintendency of Finance. The Superintendency methodology is based on the Basel II model. The Superintendency of Finance has not made publicly available technical information on how it determines the volatilities used in this model, and only limited information is available. The volatilities used in the Superintendency of Finance's model are of a magnitude similar to those observed in very high volatility or stress periods. These parameters are seldom changed by the Superintendency of Finance. See "—Regulatory VaR" below.

In addition, we use internal models to manage market risk (parametric VaR). Parameters are set to adapt to the evolution of volatility of the risk factors over time using statistical methods to estimate them. We generally give recent data more weight in calculations to reflect actual market conditions. Our corporate governance bodies set limits based on this VaR measure in order to control the market risks. These models are JP Morgan's risk metrics, with a 99% confidence level and EWMA (exponential weighted moving average) volatility.

Regulatory VaR

The Regulatory VaR calculation is primarily used for the Superintendency of Finance's solvency ratio calculations.

The Superintendency of Finance methodology is based on the Basel II model. This model applies only to the banks' investment portfolio and excludes investments classified as "held-to-maturity" and other specific non-trading positions included in the "Available-for-sale" portfolios. Total market risk is calculated on a daily basis by aggregating the VaR for each risk exposure category on a ten-day horizon using risk factors calculated in extreme market stress scenarios. VaR at month-end comprises part of the capital adequacy ratio calculation (as set forth in Decree 2555 of 2010). The Superintendency of Finance's rules require us to calculate VaR for the following risk factors: interest rate risk, foreign exchange rate risk, variations in stock price risk and fund risk; correlations between risk factors are not considered. The fluctuations in the portfolio's VaR depend on sensitivity factors determined by the Superintendency of Finance, modified duration and changes in balances outstanding. The ten-day horizon is defined as the average time in which an entity could sell a trading position on the market.

Our VaR calculation is the aggregate of the VaR of our banking business and our subsidiaries.

Interest Rate Risk

Banco de Occidente is exposed to fluctuations in the interest rate market that impact its financial position and future cash flows, which are recorded as part of our banking operations. This risk may arise from the mismatch of maturities between assets, liabilities and off-balance sheet positions, the use of different types of interest rates (IBR, DTF, SOFR, Fixed, etc.) and optionalities that may generate changes in cash flows of both asset or liability positions made by Banco de Occidente (for example, prepayments). Interest margins can increase or decrease as a result of changes in interest rates, which can have an impact on Banco de Occidente's results; however, Banco de Occidente has mechanisms, such as hedges through derivative instruments, to address the risks associated with interest rates in the banking book. The interest rate risk model is designed to measure the risk of loss arising from changes in market interest rates.

The Asset Liability Management team and Assets and Liabilities Committee use two indicators to manage interest rate risks at Banco de Occidente. The first is the Net Interest Margin (NIM), which measures the impact on this margin over a one-year period, with a shock of +/- 100 bps (short-term approach). On the other hand, there is the measurement of the Economic Value of Equity (EVE), in which different scenarios are used to measure how the present value of interest rate sensitive assets and liabilities would change within the institution, and therefore their final impact on equity (long-term approach). Each of the above indicators has established limits, which are monitored on a monthly basis.

Market Risk

A significant portion of our market risk is interest rate risk VaR, as quantified in the tables below. Our interest rate risk is primarily generated by long positions held in Peso-denominated Colombian government debt. We have a preference for these securities, as the government debt market is the largest and most developed of the local financial markets. Additionally, government debt securities support our liquidity management, as they are eligible for Colombian Central Bank overnight repo funding and are classified as high-quality liquid assets. Government debt securities also carry zero weight for capital adequacy calculations, making them attractive in terms of utilization of capital. These factors provide a strong incentive for us to invest in government debt securities and diversify less into other debt securities that do not possess these characteristics.

Foreign Exchange Rate Risk

We use a sensitivity factor to calculate the probability of losses as a result of fluctuations in currencies in which we hold positions. Regulatory VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance as shown in the following table.

U.S. dollar	12.49%
Euro	11%
Other currencies	13.02%

Our exposure to foreign exchange rate risk arises primarily from changes to the U.S. dollar/peso exchange rate. We use an approximation to estimate the risk in exchange-rate-related option positions based on delta, gamma and vega sensitivities, which is included in foreign exchange risk.

The foreign exchange rate risk VaR calculation under the standard model of the Superintendency of Finance includes both the trading and non-trading book.

Equity Price Risk

In determining regulatory VaR variations in stock price risk, certain investments are excluded: (a) equity securities in financial institutions that are supervised by the Superintendency of Finance and (b) equity securities derived from corporate restructuring processes or received as in-kind payment for non-performing loans. In addition, as part of the solvency ratio calculation, equity securities in entities supervised by the Superintendency of Finance that are not consolidated into our results are generally deducted from primary capital. Investments in entities that consolidate but are not supervised by Superintendency of Finance (non-financial investment) are included in VaR calculations.

In December 2010, the Superintendency of Finance issued a revised methodology that excludes from the VaR calculation investments that are available-for-sale equity securities that are acquired as strategic investments and intended to be held on a long-term horizon. Banco de Occidente’s investments equity is classified as banking book and is therefore excluded from the Value at Risk calculation.

Variations in stock price risk VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance to be 14.7%. This coefficient is based on historic volatilities and is seldom adjusted.

Investment Fund Risk

Investment fund risk comes from temporary investment of cash in portfolios managed by trust companies.

Investment fund risk VaR is computed daily by multiplying the net position by the maximum probable variation in the price of such positions on a ten-day horizon, determined by the Superintendency of Finance to be 14.7%.

The following tables show the Regulatory VaR calculation, for each of the risk factors described above and based on the Superintendency of Finance’s methodology (Regulatory VaR) for the years ended December 31, 2023 and 2022. The average, minimum and maximum levels are determined based on end-of quarterly calculations, using fourth-quarterly data points of the year analyzed.

	Year ended December 31, 2023				Year ended December 31, 2022
	Period end	**Average**	**Maximum**	**Minimum**	**Period end**
	(in COP millions)				
Interest rate risk VaR	217,031	205,998	251,416	179,858	173,355
Foreign exchange rate risk VaR	717	3,662	11,894	717	15,681
Stock price risk VaR	0	0	0	0	0
Fund risk VaR	607	15,259	85,455	569	83,479
Total market risk VaR	**218,355**	**224,919**	**348,765**	**181,144**	**272,515**

Banco de Occidente's interest rate risk VaR increased 33% between December 31, 2022 and December 31, 2023 due to portfolio purchases of Colombian Government Fixed Rate Bonds (References August 2026 and November 2025) as a strategy to anticipate the maturity of July 2024 Colombian Government bonds, a greater amount of bonds delivered as collateral in Repo operations and less short sales on Colombian Government Fixed rate and UVR bonds.

Banco de Occidente's foreign exchange rate risk VaR decreased by COP 14,971 billion between December 31, 2022 and December 31, 2023 due to lower foreign exchange position exposure.

Banco de Occidente's fund risk VaR decreased to COP 0 billion at December 31, 2023 from COP 75,360 billion at December 31, 2022. This was primarily due to the Board of Directors' decision to classify the investment on FCP Nexus as banking book (March 31, 2023), resulting in FCP Nexus is being excluded from the Value at Risk calculation (as of the end of March 2023).

Between December 31, 2022 and December 31, 2023, Banco de Occidente's risk VaR decreased by 19% mainly driven by fund risk.

Non-trading instruments

Non-trading instruments consist primarily of loans and deposits. The bank's primary market risk exposure in non-trading instruments is interest rate risk, which arises from the possibility of changes in market interest rates. Such changes in market interest rates affect our net interest income due to timing differences on the repricing of assets and liabilities. We are also affected by gaps in maturity dates and interest rates in the different asset and liability accounts.

Note 4.3 to our Audited Consolidated Financial Statements, Risk Interest Rate on the balance sheet structure, shows mismatches in the repricing of our assets and liabilities by maturity bands. Also, Note 4.4 of our Audited Consolidated Financial Statements, Liquidity Risk, shows an analysis of the remaining contractual maturities of our assets and liabilities.

As part of our management of interest rate risk, we analyze the interest rate mismatches between our interest-earning assets and our interest-earning liabilities. Our sensitivity analysis based on hypothetical changes of 100 basis point increases in interest rates would have decreased our profit before taxes by COP 16.1 billion and would have increased our profit before taxes by COP 21.5 billion for the year ended December 31, 2023 and 2022, respectively.

Additionally, Superintendency of Finance rules require us to measure foreign exchange rate risk VaR not only for treasury book positions but also for all assets and liabilities denominated in foreign currencies. Our non-trading instruments are exposed to foreign exchange rate risk primarily from loans and deposits denominated in U.S. dollars. This foreign exchange rate risk is monitored under the VaR methodology described above.

Finally, External Circular 025 of 2022, regarding the implementation of interest rate risk in the Risk Administration System (SIAR), shall be mandatory for banks in Colombia starting December 1, 2024, which shall be duly implemented by the Banco de Occidente.

Capital adequacy requirements

Decree 2555 of 2010 (as modified by Decree 1771 of 2012, Decree 1648 of 2014, and Decree 2392 of 2015, Decree 1477 of 2018 and Decree 1421 of 2019) sets forth capital adequacy requirements for Colombian credit institutions. Technical Capital (as defined in "Description of the Notes—Certain Definitions") for Colombian credit institutions consists of the sum of Tier One Capital, and Tier Two Capital (each, as defined in "Description of the Notes—Certain Definitions"). In addition, Tier One Capital consists of the sum of Common Equity Tier One Capital, and Additional Tier One Capital.

A credit institution's Technical Capital must be at least 9.0% of that institution's total risk-weighted assets and must also comply with a measure of "core solvency" for Common Equity Tier One, which requires higher quality capital set at a minimum of 4.5% of risk-weighted assets.

Pursuant to Decree 2555 of 2010, the Superintendency of Finance must grant prior approval of the eligibility of a debt, equity or hybrid instrument in order to be classified as Common Equity Tier One Capital, Additional Tier One Capital, or Tier Two Capital.

The items that are considered in the definition of Technical Capital as set forth in Decree 2555 of 2010 are described below.

Common Equity Tier One Capital

- Outstanding and paid-in capital stock classified as Common Equity Tier One Capital by the Superintendency of Finance subject to the conditions set forth in the regulation.
- Legal reserves taken from liquid profits.
- Shares held as a guarantee by FOGAFIN when the entity is in compliance with a recovery program aimed at bringing the financial entity back into compliance with capital adequacy requirements.
- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Common Equity Tier One Capital by the Superintendency of Finance.
- Non-controlling interest, subject to the conditions set forth in the applicable regulation.
- Capital surplus.
- Capital stock paid in prior to its issuance by the entity, provided however, that the stock remains unissued for a maximum term of four (4) months. After such time frame, it will no longer be considered as comprising the technical capital.
- Subordinated bonds held by FOGAFIN when they comply with certain requirements stated in the regulations.
- Any other instrument issued or secured by FOGAFIN.
- Retained earnings and occasional reserve.
- Minimum contributions that cannot be reduced, pursuant to bylaws.
- Other comprehensive income.

Deductions from Common Equity Tier One Capital

- Any prior or current period losses.
- Direct and indirect investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other Colombian or foreign financial institutions (excluding subsidiaries), including cumulative translation adjustments and excluding appraisals, subject to the conditions set forth in the regulation.
- Deferred income taxes, if positive.
- Intangible assets and capital gain.
- Reacquired stock, subject to the conditions set forth in the regulations.
- Unamortized value of the actuarial computation of pension liabilities.
- Asset revaluation.

Additional Tier One Capital

- Outstanding and paid-in capital stock classified as Additional Tier One Capital by the Superintendency of Finance subject to the conditions set forth in the regulation.
- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Additional Tier One Capital by the Superintendency of Finance.
- Non-controlling interest, subject to the conditions set forth in the applicable regulation.
- Debt instruments that the Superintendency of Finance recognized as part of the Additional Tier One Capital.

Tier Two Capital

- Mandatory convertible bonds effectively subscribed and paid, subject to the conditions set forth in the regulation.
- Subordinated payment obligations that the Superintendency of Finance classifies as part of the Tier Two Capital.
- Non-controlling interest, subject to the conditions set forth in the applicable regulation.
- The value of the general provisions made by the financial entity, in an amount no greater than 1.25% of the risk-weighted assets.
- Debt instruments that the Superintendency of Finance recognized as part of the additional capital.

Banco de Occidente

The following tables set forth our reported consolidated capital adequacy information at December 31, 2017 and December 31, 2023 and 2022.

	At December 31,		
	2023	**2022**	**2021**
	(in COP billions, except ratios)		
Share capital	5	5	5
Reserves and retained earnings	4,996	4,791	4,359
Other comprehensive income	176	(65)	210
Net income for the period	474	452	580
Non-controlling interests	12	-	-
Deductions	**(598)**	**(764)**	**(1,178)**
Unconsolidated financial sector investments	-	(227)	(671)
Goodwill and other intangibles	(595)	(533)	(448)
Deferred tax assets	-	-	(54)
Other	(3)	(4)	(5)
CET1	**5,065**	**4,419**	**3,977**
Hybrid instruments recognized as additional primary capital	-	-	-
Other	-	-	-
AT1	-	-	-
Tier I	**5,065**	**4,419**	**3,977**
Subordinated bonds	649	835	465
Plus/minus others	-	-	-
Tier II capital	**649**	**835**	**465**
Other deductions from technical capital	-	-	-
Technical capital	**5,714**	**5,254**	**4,441**
Risk-weighted assets	41,324	37,592	30,662
Value-at risk	218	273	328
Regulatory value at risk (1)	2,426	3,028	3,640
Operational risk	236	227	150
Regulatory operational risk (1)	2,625	2,525	1,671
Risk-weighted assets including regulatory value at risk and operational risk	46,375	43,145	35,973
CET1 solvency ratio	**10.92%**	**10.24%**	**11.05%**
AT1 capital solvency ratio	**0.00%**	**0.00%**	**0.00%**
Tier 1 capital solvency ratio	**10.92%**	**10.24%**	**11.05%**
Tier II solvency ratio	**1.40%**	**1.94%**	**1.29%**

Total solvency ratio (2)	**12.32%**	**12.18%**	**12.35%**

(1) Unrealized gains/losses on securities available-for-sale do not flow through the statement of income until such securities are disposed of and the gain or loss is realized.

(2) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance. See "—Capital adequacy requirements."

The basic accounting circular contains provisions relating to liquidity risk, interest rate risk, foreign exchange rate risk and market risk. Colombian banks are required to calculate a value at risk, or "VaR," based on a methodology provided by the Superintendency of Finance. VaR is used in assessing a banks' solvency. Future changes in VaR requirements could have a material impact on our operations in the future. See "—Liquidity risk."

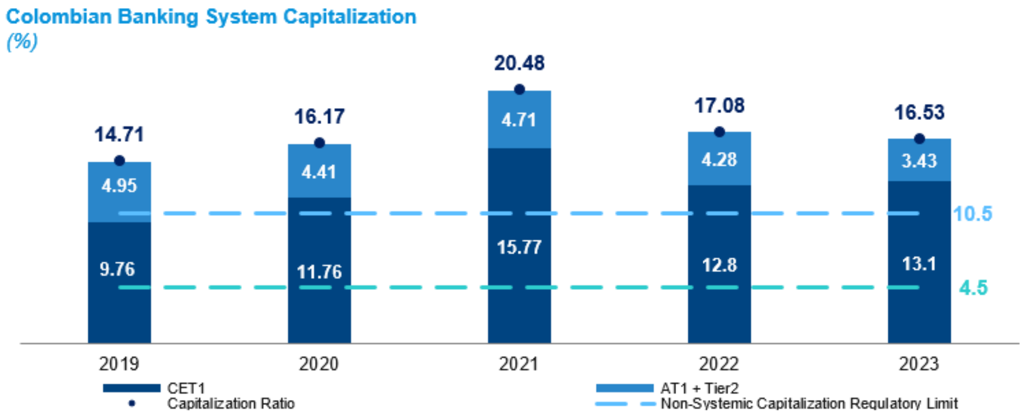
INDUSTRY

Recent performance of financial sector

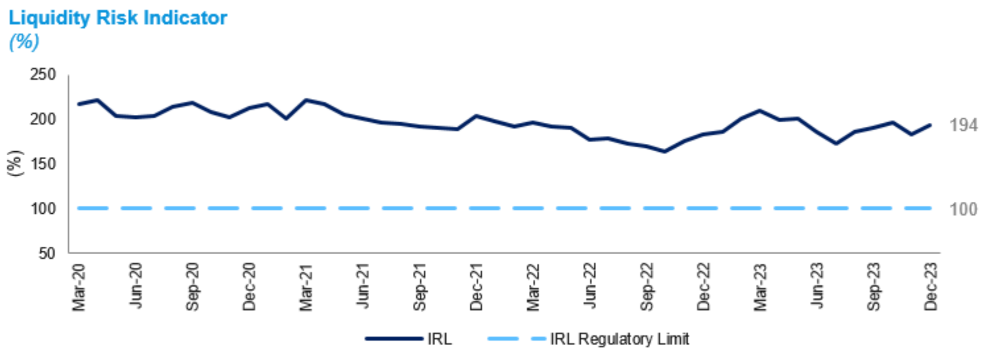
From a macroeconomic perspective, the Colombian financial sector has been one of the primary engines of economic growth in the country in recent years. Economic stability, improvements in security conditions, increased employment rates, and enhanced purchasing power on the part of the Colombian population have contributed to an increase in the penetration of financial services. According to DANE, Colombian real GDP increased at a compound annual rate of 0.60% in 2023, grew at a compound annual rate of 7.30% in 2022 and 10.80% in 2021, while nominal GDP increased at a compound annual rate of 7.0% in 2023 and grew at a compound annual rate of 23.24% in 2022 and 19.40% in 2021. Deposits in the banking system grew at a compound annual rate of 8.17% in 2023, 12.57% in 2022 and 9.46% in 2021.

At December 31, 2023, gross loans in the Colombian banking system grew 2.0% compared to the prior year end, while at December 31, 2022, growth was 16.7% (1.9% and 16.6% when adjusted for securitized mortgage loans, respectively). The economic deceleration evidenced markedly over the second half of the year reflected on a sharp slowdown of growth in loans for the banking system. As Colombia's nominal GDP expanded 7.0%, the ratio of bank loans (adjusted for securitized mortgage loans) to GDP decreased to 41.8% from 43.9% in 2022, significantly lower than the 47.4% three-year average between 2021 and 2019. corporate loans grew 2.3% compared to 16.5% the previous year. Retail loans contracted 2.3% in 2023 after growing 18.2% in 2022. Mortgages grew 8.2% compared to 14.8% the previous year.

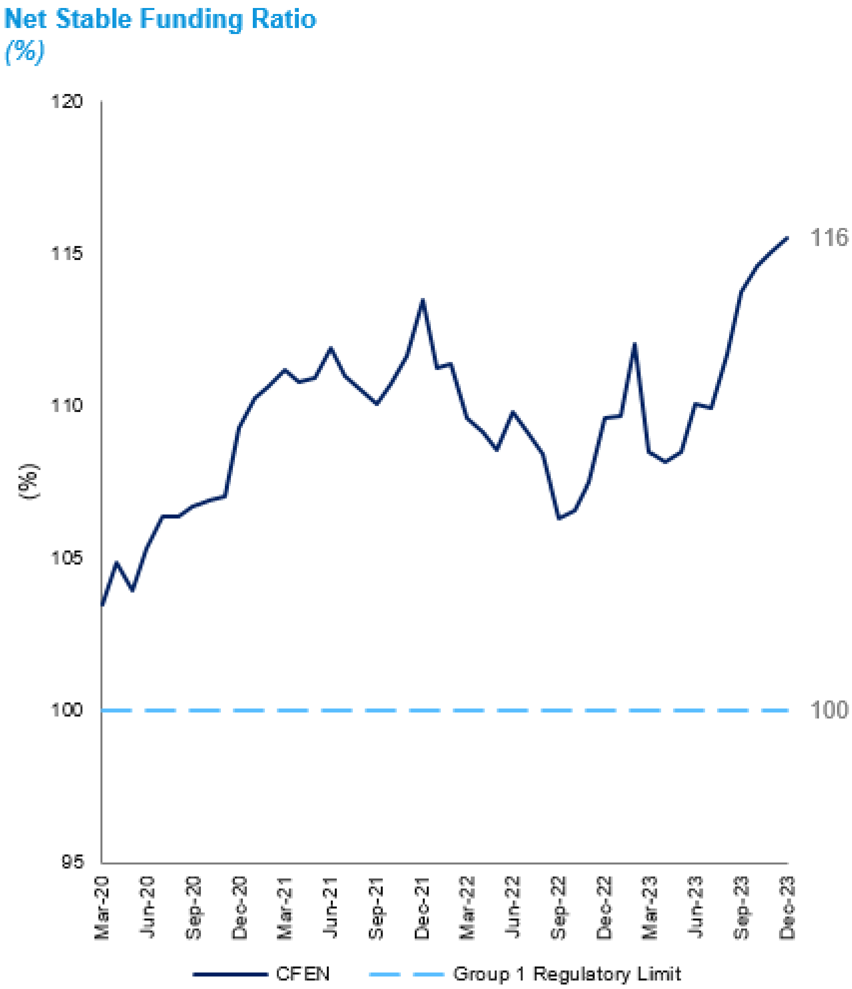
With the full implementation of Basel III in Colombia, the banking system also remains well capitalized and above pre-pandemic levels, with an average total capitalization (solvency) ratio of 16.53%, well above the 10.5% and 11.5% minimum for non-systemic and systemic banks, respectively.



In addition, as of December 31, 2023, the system maintains a healthy liquidity position as measured by the short-term liquidity index, the IRL ratio (*Indicador de Riesgo de Liquidez*). This index 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 investments classified as "held-to-maturity" different from mandatory investments, Colombian Central Bank deposits and available cash. Net liquidity requirements are the difference between expected cash flows from contractual asset and contractual and non-contractual liabilities.



Following the Basel III adoption, the Colombian financial sector has also implemented the use of the NSFR Ratio (in Colombia, *coeficiente de fondeo estable neto*, or "CFEN") to require entities to finance their assets with sufficiently stable funding operations, limiting excessive dependence on short-term wholesale financing. This indicator also shows a healthy liquidity position in the Colombian financial system as of December 31, 2023.



Main market participants

According to the Superintendency of Finance, at December 31, 2023, the main participants in the Colombian financial system were the Colombian Central Bank, 25 commercial banks, six finance corporations, 10 financing companies, 11 special official institutions (IOE) for the provision of mezzanine financing and five finance cooperative entities. Additionally, trust companies, insurance companies, insurance brokerage firms, bonded warehouses, pension and severance pay funds also participate. For a description of the roles of these entities, see "Banking Regulation— Colombia—Regulatory framework for Colombian financial institutions." For information about our competitive position, see "Business—Competition." In the banking sector, the top 5 banks by total assets are Bancolombia, Davivienda, Banco de Bogota, BBVA Colombia and Banco de Occidente.

Recent developments in the Colombian stock market

In 2013, the Colombia Stock Exchange established the COLCAP, a new benchmark index which replaced the IGBC. The COLCAP includes the 20 most liquid stocks at the BVC weighed by their adjusted market capitalization.

On March 9, 2020 and March 16, 2020, the Colombian Stock Exchange suspended trading after the COLCAP fell significantly due to the impact of the COVID-19 crisis. No further market disruptions have occurred since then.

As the year 2020 progressed, the COLCAP showed signs of gradual recovery, supported by economic stimulus measures implemented by governments and central banks worldwide. Despite persistent volatility, the index managed to close the year with a partial recovery, although still below pre-pandemic levels.

In 2021, the COLCAP continued its recovery process, driven by improved economic outlooks and progress in the deployment of COVID-19 vaccines. However, volatility persisted due to concerns about inflation, changes in monetary policies, and the evolution of the pandemic.

During 2022, the COLCAP faced new challenges, including the effects of various waves of the pandemic and concerns about rising interest rates in the United States. These factors contributed to increased volatility in financial markets, which was reflected in the performance of the index.

Through December 2023, the COLCAP continued to operate in a volatile environment, albeit with mixed trends. Factors, such as movements in commodity prices, monetary policy decisions by major central banks, and domestic economic conditions, continued to influence the direction of the index.

In summary, the COLCAP experienced a period of volatility and challenges during the period from 2020 to December 2023, reflecting changes and uncertainties in the economic landscape both domestically and internationally.

Alongside the Lima Stock Market and the Santiago Stock Market, the BVC is a founding member of the Latin American Integrated Market (*Mercado Integrado Latinoamericano*), or “MILA,” a program that intends to integrate the stock markets of the Pacific Alliance nations (Chile, Colombia, Mexico and Peru). Currently, the four stock exchanges are functioning independently. Nevertheless, once the integration is finalized, investors will be able to acquire securities in the three currencies of Chile, Colombia and Peru as negotiated in the Nuam Exchange.

BUSINESS

Our company

Banco de Occidente is the fifth largest bank in Colombia measured by gross loans, with a market share of 6.93% and 6.43% at December 31, 2023 and 2022, respectively, based on information available on the website of the Superintendency of Finance. Banco de Occidente focuses on mid-size and small and medium sized (SME) corporate customers, state-owned entities and high net-worth customers and has a diversified revenue stream. Banco de Occidente had market shares of 9.09% and 8.45% of corporate loans and 6.18% and 5.44% of retail loans at December 31, 2023 and 2022, respectively. Banco de Occidente had a market share of Colombia's checking accounts of 8.66% and 8.21% at December 31, 2023 and 2022, respectively. At December 31, 2023 and 2022 Banco de Occidente had total consolidated assets of COP 68,602 billion and COP 60,004.4 billion and profit attributable to holders of ordinary shares of the bank of COP 473.5 billion and COP 452.5 billion for the years ended December 31, 2023 and 2022, respectively.

On a consolidated basis, Banco de Occidente's ROAE for the years ended December 31, 2023 and 2022 was 8.74% and 8.75%, and its ROAA was 0.75% and 0.82%, respectively.

During 2023, Banco de Occidente continued implementing different strategies focused on improving commercial effectiveness, optimizing distribution channels and its organizational structure, and working on integration with its subsidiaries, digitalization, and consolidating several ESG and talent management initiatives. During 2023, Banco de Occidente also started segmenting its corporate and personal banking customers in terms of service channels, commercial coverage and product offerings, which increased sales force productivity, as well as continued the commercial integration with its trust and portfolio management services offered by Fiduciaria de Occidente and off-shore products offered to Colombian and international clients through Banco de Occidente Panama and Occidental Bank Barbados. On the digitalization front, during 2023 Banco de Occidente increased its digital products offering, with the launch of new preapproved digital loans for small companies, Supply Factor (a new factoring platform), consolidation of Gou Payment Gateway, and evolution of the different digital products, as well as continued focusing on digital ecosystems, such as Carroya.com and metrocuadrado.com. Further, Banco de Occidente added new digital products, such as saving accounts and personal banking and Occicuenta for SME, and it also added new shared services offerings to its subsidiaries in areas that included technology. Regarding its talent management strategy, in 2023 Banco de Occidente ranked first in the Great Place to Work ranking, as the best workplace in Colombia amongst companies with more than 1,500 employees.

In June 2023, Mr. Gerardo Silva succeeded Mr. Cesar Prado as President of Banco de Occidente. Mr. Silva had been acting as Vice-President of Corporate Banking of Banco de Occidente.

Banco de Occidente, with more than 59 years of operating history, provides a broad range of commercial and retail banking services to individual and corporate customers through our presence in Colombia, Panama and Barbados. As of December 31, 2023, we were the fifth largest bank in Colombia with a market share of 6.98% in terms of deposits and the fifth largest bank with a market share of 6.93% in terms of loans. Banco de Occidente has an Efficiency ratio of 55.36% and 58.12% as of December 31, 2023 and 2022, respectively.

On a consolidated basis, our ROAE for the year ended December 31, 2023 and 2022 was 8.74% and 8.75%, respectively, and our ROAA was 0.75% and 0.82%, respectively. We achieved a net interest margin of 3.99% and 4.55% on a consolidated basis as of December 31, 2023 and 2022, respectively.

Banco de Occidente is a subsidiary of Grupo Aval, which is Colombia's second-largest banking group based on total assets as of December 31, 2023. Grupo Aval employs a multi-brand strategy, allowing each of its four banks, Banco de Bogotá, Banco Popular, Banco AV Villas and us, to focus on particular types of customers, geographic regions and products. Grupo Aval's banks are encouraged to compete among themselves and with other market participants, while operating within central strategic guidelines established by Grupo Aval.

Banco de Occidente is a full-service bank with nationwide coverage and a comprehensive portfolio of services and products, distributed through a network of 175 branches and 267 automated teller machines, or "ATMs," in Colombia as of December 31, 2023. While Banco de Occidente serves all market segments, it has a leading presence in corporate loans historically, with a particular focus on large corporations and a market share of 9.09% and 8.45% of corporate loans at December 31, 2023 and 2022, respectively. Banco de Occidente expanded its retail banking business and has achieved a market share of 6.18% and 5.44% of retail loans in Colombia at December 31, 2023 and 2022, respectively. In 2012, Banco de Occidente entered the mortgage business and has achieved a market share in that business of 2.48% and 2.56% at December 31, 2023 and 2022, respectively. Banco de Occidente's ROAE for the years ended December 31, 2023 and 2022 were 8.74% and 8.75%, respectively.

The following table shows market share and other metrics of Banco de Occidente and its key competitors as of the dates indicated, presented on a consolidated basis under Colombian Banking IFRS.

	As of and for the year ended December 31, 2023						
	Grupo Aval entities (unconsolidated)						
	Banco de Occidente (Consolidated)	Banco de Bogotá	Banco Popular	Banco AV Villas	Bancolombia	Davivienda	BBVA Colombia
Key financial ratios:				(in percentages)			
ROAA[(1)]	0.75%	0.90%	(1.12)%	(0.61)%	2.40%	0.08%	0.19%
ROAE[(2)]	8.74%	6.80%	(12.65)%	(7.24)%	15.77%	0.77%	3.22%
Net interest margin[(3)]	3.99%	3.47%	0.47%	2.76%	6.29%	3.97%	2.48%
Efficiency ratio[(4)]	55.36%	59.62%	121.45%	96.65%	41.77%	45.02%	49.98%
Market share in Colombia:							
Net income	5.29%	12.60%	(4.27)%	(1.44)%	73.51%	1.30%	2.39%
Deposits from customers	6.98%	11.81%	3.52%	2.31%	26.26%	14.73%	11.92%
Loan portfolio	6.93%	12.30%	3.26%	2.14%	27.08%	15.74%	11.26%
Total assets	6.67%	12.19%	3.08%	1.96%	26.37%	14.45%	10.98%
Branches	175	412	201	252	668	547	479
ATMs[(5)]	267	1,553	614	427	5,158	2,286	1,469

Sources: Calculations for ROAA, ROAE, Net interest margin and Efficiency ratio are based on each entity's respective unconsolidated financial statements that are publicly available on the website of the Superintendency of Finance, except for Banco de Occidente, which has its calculations based on audited consolidated financial statements. Colombian market share information is based on unconsolidated data under Colombian Banking IFRS filed with the Superintendency of Finance.

(1) For methodology used to calculate ROAA, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(2) For methodology used to calculate ROAE, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(3) For methodology used to calculate Net interest margin, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(4) For methodology used to calculate Efficiency ratio, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(5) Reflects ATMs of Banco de Occidente and other Colombian banking entities as of December 31, 2023.

Our market

Colombia

Substantially all of our operations are located in Colombia, representing 84.4% and 94.6% of our net income and gross loan portfolio, respectively, with the remainder located in Panamá and Barbados, representing 15.6% and 5.4% of our net income and gross loan portfolio, respectively, in each case as of and for the year ended December 31, 2023.

Over the last several years the Colombian financial system has remained stable despite a difficult macroeconomic scenario.

Furthermore, GDP grew by 0.6% in 2023. With the deceleration in the economy, the financial system: (i) adjusted and decelerated loan growth; and (ii) saw some deterioration in credit quality metrics.

Banking penetration still remains low in Colombia, with domestic credit to the private sector representing 41.65% of nominal GDP as of December 31, 2023, based on data published by the World Bank Development Indicators, compared to other countries in the region, such as Brazil and Chile where domestic credit to the private sector was 71.80% and 112.80% of nominal GDP, respectively, as of December 31, 2022, based on data from the World Bank Development Indicators. The comparatively low banking penetration in Colombia suggests there is growth opportunity for the sector, especially as per capita income continues to improve.

According to data from the IMF, at December 31, 2023, Colombia's population and economy were the fourth and fifth largest in Latin America, respectively. According to DANE, in 2023 Colombia's population was approximately 52.2 million and its nominal GDP was COP 1,572.7 trillion (U.S.$364 billion, using the average exchange rate for 2023). Colombia's nominal GDP per capita increased from COP 28.4 million in 2022 (U.S.$6,600 using the average exchange rate for that year) to COP 30.1 million in 2023 (U.S.$6,963 using the average exchange rate for that year). This increase in nominal GDP per capita has allowed banks to grow at a faster pace than the economy without experiencing severe credit cycles, suggesting that there is further room for continued growth.

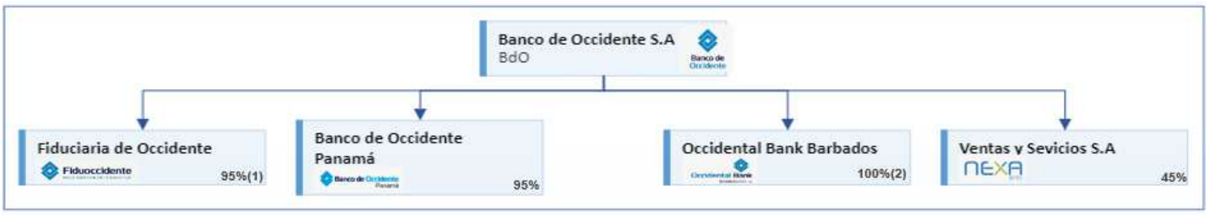
Our history

The most notable events in the history of Banco de Occidente are described below.

- In 1965 Banco de Occidente was founded in the city of Cali.
- In 1973 Mr. Sarmiento Angulo acquired a majority stake in Banco de Occidente.
- In 1976 Banco de Occidente launched its credit card system.
- In 1977 Ventas y Servicios was founded as a subsidiary.
- In 1981 Leasing de Occidente S.A. was founded as a subsidiary.
- In 1982 Banco de Occidente (Panamá), S.A. was founded, and Banco de Occidente changed its corporate visual image.
- In 1991 Fiduciaria de Occidente, S.A.was founded.
- In 1998 Banco de Occidente became part of Grupo AVAL.
- In 2004 Banco Aliadas, which focused on vehicle credits, was acquired by Banco de Occidente.
- In 2006 Banco Unión Colombiano was acquired by Banco de Occidente. Banco Unión Colombiano was geared to provide banking services to embassy, consulate and international organization officials (such as remittance exchange, account opening services, international transfers, and other banking services and products, mainly credit cards and personal loans).
- In 2010 Leasing de Occidente S.A. was integrated into Banco de Occidente's operations through a merger.
- In 2017 Banco de Occidente started its digital transformation towards ADL (AVAL Digital Labs).

Our Corporate Structure

We conduct our banking operations directly and through our subsidiaries Fiduciaria de Occidente, S.A., Ventas y Servicios S.A., Banco de Occidente (Panamá), S.A. and Occidental Bank Barbados Ltd. Our shares are publicly traded on the Colombian Stock Exchange. As of December 31, 2023, we had 155,899,719 shares issued and outstanding, with total market capitalization of COP 1,870.8 billion (U.S.$489.47 million). The following chart presents our corporate structure.



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(1) Fiduciaria de Occidente owns 35.0% of Ventas y Sevicios S.A.
(2) Occidental Bank Barbados owns 1.0% of Fiduciaria de Occidente.

Our principal subsidiaries

Fiduciaria de Occidente S.A. is engaged in the corporate trust and fiduciary business. Its main purpose is to acquire, dispose of, encumber, and manage movable and immovable property, and to intervene as debtor or creditor in a fiduciary capacity in all kinds of credit operations. As of December 31, 2023, Fiduciaria de Occidente S.A. had a total of 454 employees, through 10 agencies located in the cities of Bogotá, Medellín, Cali, Barranquilla, Manizales, Bucaramanga, Cartagena, Pereira, Santa Marta, and Montería.

Ventas y Servicios S.A. is engaged in the provision of technical or administrative services referred to in Article 5 of Law No. 45 of 1990, such as: computer programming, marketing, creation and organization of files for consultation and statistical calculations and reports in general. The company Ventas y Servicios S.A. – NEXA BPO is consolidated by virtue of the dominant administrative influence exercised by Banco de Occidente.

Banco de Occidente (Panamá), S.A. is an entity incorporated under the laws of the Republic of Panamá that began banking operations in that country on June 30, 1982, under the international license granted by the National Banking Commission of the Republic of Panamá. As of December 31, 2023, Banco de Occidente (Panamá), S.A. had a total of 57 employees. Of the total number of employees, ten perform special tasks for Occidental Bank Barbados, and thirteen performed services for the two subsidiaries.

Occidental Bank Barbados Ltd. was incorporated under the laws of Barbados on May 16, 1991, with an international license that allows it to provide financial services to individuals and corporations not resident in Barbados. As of December 31, 2023, Occidental Bank Barbados Ltd. had a total of three employees, two of whom work directly in Barbados and one in Colombia.

The following table shows the main items of our statement of financial position and profitability ratios calculated based on our Audited Consolidated Financial Statements and those of our principal subsidiaries:

	As of and for the year ended December 31, 2023			
	Banco de Occidente	**Fiduciaria de Occidente S.A.**	**Banco de Occidente (Panamá), S.A.**	**Occidental Bank Barbados Ltd**
	(Consolidated)	**(Unconsolidated)**		
	(in COP billions, except percentages)			
Financial assets per loan portfolio at amortized cost, net	47,082.12	-	2,124.78	540.91
Total assets	68,601.78	436.83	3,561.35	1,050.69
Customer deposits	49,175.73	-	3,317.03	895.50
Total Equity	5,688.08	400.48	236.95	151.77
Profit for the year	479.56	74.93	55.12	19,970
ROAA(2)	0.75%	18.11%	1.55%	1.90%
ROAE(3)	8.74%	20.01%	23.26%	13.16%
Solvency ratio(4)	12.32%	73.59%	12.32%	17.23%

(1) Fiduciaria de Occidente S.A., Banco de Occidente (Panamá), S.A., and Occidental Bank Barbados Ltd. are our principal subsidiaries.

(2) For methodology used to calculate ROAA, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(3) For methodology used to calculate ROAE, see "Presentation of Financial and Other Information — Other financial performance measures – Non-Colombian Banking IFRS Financial Measures."

(4) Solvency ratio is calculated as technical capital divided by risk-weighted assets. For a definition of technical capital, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Capital adequacy requirements."

Our business strengths

We believe that we have achieved our leading positions in the Colombian banking industry through the following competitive strengths.

Strong track record of growth and resilient profitability

We believe that our leading position in the Colombian market, cross-bank synergies, economies of scale, low-cost funding and operating efficiencies have helped us achieve stable and growing profits. On a consolidated basis, as of December 31, 2023, Banco de Occidente's ROAE was 8.74% and ROAA was 0.75%, which represent a good ratio in the Colombian banking industry. The resilience of our returns is driven primarily by our diversified loan portfolio, a lower and more stable cost of funding, solid net provisions and improving efficiency ratios. We are an efficient bank in the Colombian banking system on a consolidated basis under

Colombian Banking IFRS, with an Efficiency ratio of 58.12% and 55.36% as of December 31, 2022 and December 31, 2023, respectively.

Major participant in most banking sectors in Colombia

We are one of the largest participants in most sectors of the Colombian banking market, with a 9.09% share of the market of corporate loans and 6.18% of retail loans at December 31, 2023. We also have the fifth largest market share of deposits at 6.98% as of the same date, and one of the highest ratios of loans to deposits in Colombia of 101%. We are part of *Red Grupo Aval*, which is the largest ATM and banking network in the country and has been a key element of our competitive positioning in the Colombian market. As of December 31, 2023, our banking network, independent of the *Red Grupo Aval* network, had 3.35% of all branches in Colombia. The *Red Grupo Aval* banking network represented 19.91% of all branches in Colombia, as of the same date. As of December 31, 2023, our ATM network, independent of the *Red Grupo Aval* network, accounted for 2.01% of all ATMs in Colombia and the *Red Grupo Aval* network accounted for 21.54%.

Diversified and competitive sources of funding

We have access to diverse sources of funding, including deposits and debt securities placed in the international capital and credit markets, which results in a competitive cost of funding for our operations. At December 31, 2023, our share of total deposits in Colombia was 6.98%, supported by a 8.66% market share in current accounts and a 8.38% market share in savings accounts as of that same date. We believe that our funding base supports our initiatives to expand our businesses.

Sound risk management

Based on information published by the Superintendency of Finance, we believe our asset quality is superior to that of our principal competitors. Our consolidated ratio of Colombian loans past due more than 30 days over total loans was 4.0% at December 31, 2023. As of such date, Bancolombia's ratio of loans past due more than 30 days was 4.6%, Davivienda's was 6.9% and BBVA Colombia's was 3.8%, in each case, on an unconsolidated basis under Colombian Banking IFRS. Our consolidated ratio of our loans past due more than 90 days to total loans was 2.5% and our hedge ratio was 127.8% at December 31, 2023. By contrast, Bancolombia had a ratio of loans past due more than 90 days to total loans of 3.3% and a hedge ratio of 150.8% at December 31, 2023, and Davivienda had a ratio of loans past due more than 90 days to total loans of 4.7% and a hedge ratio of 97.2%, respectively, at December 31, 2023. BBVA had a ratio of loans past due more than 90 days to total loans of 2.7% and a hedge ratio of 131.2%, respectively, at December 31, 2023. This ratio is constructed considering loans that are past due more than 30 days in corporate and retail lending and more than 120 days in residential lending.

We have maintained our consolidated asset quality, as demonstrated by our consolidated ratio of loans past due more than 90 days to total loans of 3.48% for the year ended December 31, 2021 and 2.78% for the year ended December 31, 2022 and 3.51% for the year ended December 31, 2023, respectively, and our ratio of write-offs to average outstanding loans (annualized) of 2.25% for the year ended December 31, 2022 and 2.33% for the year ended December 31, 2023.

We have a comprehensive risk management system, which we view as fundamental to our long-term stability and viability, which enables us to identify risks and resolve potential problems on a timely basis. In addition, we have established upward loan reporting processes, and our risk management staff meets on a weekly basis to discuss the loan portfolio, risks, opportunities and developments in the industry.

Advantages of being part of Grupo Aval's multi-brand business model

We are part of Grupo Aval, which is one of Colombia's largest banking groups based on total assets and is a publicly-traded company with a market capitalization of COP 11,191.5 billion (U.S.$2,928.2 million) at December 31, 2023. We benefit from applying best practices developed in Grupo Aval's operating subsidiaries to our business. Grupo Aval operates its financial subsidiaries through a multi-brand business model, building on the individual strengths of its subsidiaries and the market-wide recognition of its brands. Grupo Aval's financial subsidiaries in Colombia operate as four independent banks that are encouraged to compete among themselves and with other market participants, while operating within central guidelines established by Grupo Aval in the areas of internal controls, credit risk management, brand management, strategic planning, general procurement and information technology. These guidelines, together with group support services, are designed to allow each bank to achieve economies of scale and benefit from cross-bank synergies and group-wide best practices and corporate policies and procedures without inhibiting individual competition and the decision-making abilities of each bank's management. These practices are designed to encourage a consistent approach with respect to effective risk management, efficient use of capital, cost control, brand management, general procurement and integration of information technology. We believe that these practices have helped us achieve economies of scale and synergies that have helped reduce operating and administrative costs.

Experienced management teams

We believe that the strength of management at all levels has enabled us to become Colombia's fifth largest bank by deposit and fifth largest bank by gross loans. Our management team and each of our operating subsidiaries' management teams are dedicated to formulating and executing business strategies through a culture of excellence, innovation and cooperation, which has served as our guiding vision throughout the various acquisitions and initiatives we have undertaken. Our approach in our acquisitions has been to retain a majority of senior management and talent.

Our strategy

Our strategy for the period 2024-2026 is built on four strategic levers. These levers reflect our ongoing commitment to profitable growth, financial stability and sustainability, the development of advanced processes and technologies, and the creation of memorable experiences for our customers, employees, and suppliers. We intend to pursue a strategy with the following key objectives:

1. **Become Leaders:** To grow profitably in core segments leading our customers' wallet share through the enhancement of our value proposition (e.g., in payments and deposits, and in retail), and being leaders in the Small Medium Enterprises (SME) segments, among other initiatives.

2. Become Sustainable: To ensure business profitability and shareholder returns while generating a positive social and environmental impact with different initiatives such as our sustainable banking strategy, improving our decision-making process by enhancing the use of data and analytical models, and improving our cost of risk in retail banking. This focus distinguishes us as a reliable and ethical partner committed to sustainable development and the well-being of future generations.

3. Become Digital: To develop advanced processes and technologies, optimizing internal operations and customer service, with a focus on end-to-end digitization of our products and services. This ensures security and confidence, aiming to have 80% of monetary transactions on digital channels.

4. Continue to be our customers' top choice: To continue positioning the bank as the first choice in the minds of our customers and suppliers. Maintaining the top position in the Great Place to Work ranking and achieving a Bank Net Promoter Score above 70%.

Further penetrate the Colombian market

Despite the recent slowdown in the growth of the economy driven by the drastic decline in oil prices, we believe that with the necessary fiscal adjustments currently being implemented, the Colombian economy has strong fundamentals and, because of them, it has the ability to return to a path of higher growth rates. In such a scenario we can benefit from an increase in GDP per capita and thus in banking penetration. As one of Colombia's leading banks, we believe that we are very well positioned to adjust to the current conditions and take advantage of potential economy growth in the future.

Continue capitalizing on synergies and improving efficiencies

We are pursuing opportunities to create further synergies among Grupo Aval affiliates and to leverage their combined strength and economies of scale. We intend to work with Grupo Aval on group-wide projects, mainly on digital banking and process digitalization, information technology, and procurement of goods and services. We believe that these efforts have contributed and will continue to contribute to improving our efficiency.

Expand our service and product offerings and diversify our sources of income in Colombia

We believe we offer one of the most comprehensive range of banking services and products in Colombia, and we continually seek to expand these offerings to meet evolving customer needs to enhance our profitability. We believe we can continue to capture additional revenue by (i) improving our market share in profitable segments and products where we have potential to grow organically given our existing market position (such as retail and residential loans, where we have a market share of 6.18% and 2.48% as of December 31, 2023, respectively); (ii) launching new products (such as digital accounts) to serve new segments (such as the underbanked population); and (iii) improving our product and service offerings through their digitalization. In addition, we are expanding our cross-selling efforts to our over 1,019 million banking clients in Colombia as of December 31, 2023.

Furthermore, we continue to implement initiatives to increase our non-interest income, which consists primarily of net fees and other services income. For the year ended December 31, 2023, net income from commissions and fees accounted for 15.82% of our net interest and valuation income for this period. We believe we can increase non-interest income in future periods by, for example, expanding our offering of bancassurance products (*i.e.*, bank-offered third-party insurance products) through our distribution networks and credit card fee income by increasing credit card loan volume across all of our banks.

We also continue to evaluate initiatives to extend our banking services to under-penetrated segments of the Colombian population that currently have low or no use of banking services by developing low-cost products, cost-effective service channels (such as *Corresponsales Bancarios* and online/mobile banking) and risk management tools.

Pursue other selected acquisitions

We have a proven track record of identifying, acquiring and integrating interests in companies we believe have strategic value to us. We are continually evaluating opportunistic measures to expand our businesses in Colombia and into other regions. We will continue to seek opportunities to further grow in our existing markets and expand into new geographies and will evaluate potential acquisition targets that would enable us to grow and consolidate our franchise through the services and products we offer and the markets we can access. We will analyze business opportunities in the markets in which we operate and if they generate value, complement our strategic goals, are accretive and do not hinder our regulatory capital position, we may pursue them.

Competition

We operate in competitive markets. Our principal competitors in Colombia are Bancolombia, Davivienda, and BBVA Colombia, which are the three leading banking groups in Colombia following Grupo Aval, our parent company. To a lesser extent, we also compete with other Grupo Aval banks.

We are the fifth largest bank by assets and by net income in Colombia.

Market share and other data from unconsolidated financial information

The following market share and other data comparing us to our competitors is based on information derived from unconsolidated financial information reported to the Superintendency of Finance by commercial banks based on Colombian Banking IFRS. Unconsolidated information does not account for our businesses and those of our competitors that are operated through subsidiaries.

Deposits

As of December 31, 2023, we had the fifth largest market share of total deposits in Colombia, with a market share of 6.98%. As of the same date, our principal competitors—Bancolombia, Davivienda and BBVA Colombia— had market shares of 26.26%, 14.73%, and 11.92%, respectively.

The following table presents a breakdown of market share of deposits by type of deposit at December 31, 2023 and 2022.

	At December 31, 2023					
	Banco de Occidente	**Other Grupo Aval banks (aggregate)(1)**	**Bancolombia**	**Davivienda**	**BBVA Colombia**	**BBVA Colombia**
	(in percentages)					
Colombian Banking IFRS						
Current accounts............	8.66%	21.79%	26.85%	11.09%	10.50%	21.11%
Savings accounts.............	8.38%	16.68%	29.66%	13.90%	11.18%	20.18%
Term certificates of deposit..................	5.41%	18.35%	22.52%	16.93%	13.44%	23.36%
Other deposits..................	0.41%	2.09%	26.82%	8.85%	5.50%	56.33%
Total deposits	**6.98%**	**17.63%**	**26.26%**	**14.73%**	**11.92%**	**22.49%**

	At December 31, 2022					
	Banco de Occidente	**Other Grupo Aval banks (aggregate)(1)**	**Bancolombia**	**Davivienda**	**BBVA Colombia**	**BBVA Colombia**
	(in percentages)					
Colombian Banking IFRS						
Current accounts...........	8.21%	22.47%	27.79%	11.90%	11.19%	18.44%
Savings accounts.............	7.18%	17.27%	29.04%	15.51%	10.16%	20.84%

	At December 31, 2022					
	Banco de Occidente	Other Grupo Aval banks (aggregate)(1)	Bancolombia	Davivienda	BBVA Colombia	BBVA Colombia
	(in percentages)					
Term certificates of deposit..................	5.10%	19.02%	21.52%	15.42%	13.80%	25.14%
Other deposits..................	0.73%	3.42%	22.52%	9.12%	8.49%	55.71%
Total deposits	**6.46%**	**18.27%**	**26.11%**	**14.85%**	**11.53%**	**22.78%**

Source: Company calculations based on unconsolidated information under Colombian Banking IFRS published by the Superintendency of Finance.

(1) Other Grupo Aval banks (aggregate) figures reflect the sum of Banco de Bogotá, Banco Popular and Banco AV Villas results.

As of December 31, 2023, and December 31, 2022, deposits represented an 80.78% share and 81.08% share of our total funding, respectively, and we had a higher concentration of savings accounts compared to other types of deposits for both years. The table below presents the total funding mix breakdown of the market at December 31, 2023 and 2022.

	At December 31, 2023					
	Banco de Occidente	Other Grupo Aval banks (aggregate)(1)	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
	(in percentages)					
Colombian Banking IFRS Funding:						
Customer deposits	80.78%	81.32%	87.15%	86.12%	89.84%	74.62%
Other funding(2)...	19.22%	18.68%	12.85%	13.88%	10.16%	25.38%
Total funding	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Deposits:						
Current accounts.......................................	14.53%	14.47%	11.97%	8.82%	10.31%	10.99%
Savings accounts	52.68%	41.46%	49.51%	41.38%	41.13%	39.35%
Term certificates of deposit	32.65%	43.79%	36.09%	48.38%	47.46%	43.71%
Other deposits...	0.14%	0.28%	2.43%	1.43%	1.10%	5.95%
Total customer deposits..........................	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Average funding rate:(3)						
Average deposit rate	10.03%	9.41%	6.79%	8.81%	9.25%	9.07%
Average other funding rate	11.27%	9.31%	10.25%	16.58%	28.66%	13.90%
Average total funding rate	10.26%	9.39%	7.25%	9.89%	11.15%	10.30%

	At December 31, 2022					
	Banco de Occidente	Other Grupo Aval banks (aggregate)(1)	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
	(in percentages)					
Colombian Banking IFRS Funding:						
Customers deposits....................................	81.08%	79.04%	83.04%	84.73%	89.79%	72.29%
Other funding(2)...	18.92%	20.96%	16.96%	15.27%	10.21%	27.71%
Total funding	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Deposits:						
Current accounts.......................................	17.20%	16.63%	14.39%	10.84%	13.13%	10.95%
Savings accounts	55.14%	46.84%	55.11%	51.76%	43.68%	45.34%
Term certificates of deposit	27.42%	36.12%	28.59%	36.05%	41.56%	38.30%
Other deposits...	0.25%	0.41%	1.91%	1.36%	1.63%	5.41%
Total Customer deposits.........................	0.25%	0.41%	1.91%	1.36%	1.63%	5.41%
Average funding rate:(3)	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Average deposit rate	8.63%	7.94%	5.75%	7.74%	7.44%	7.98%
Average other funding rate	10.34%	6.77%	8.38%	15.82%	13.42%	9.16%
Average total funding rate	8.99%	7.70%	6.21%	9.05%	8.06%	8.30%

Source: Company calculations based on unconsolidated information under Colombian Banking IFRS published by the Superintendency of Finance.

(1) Other Grupo Aval banks (aggregate) figures reflect the sum of Banco de Bogotá, Banco Popular and Banco AV Villas results.

(2) Other funding includes interbank borrowings and overnight funds, borrowings from banks, other long-term debt and other deposits.

(3) Average balances calculated using monthly unconsolidated information for our liabilities.

Loans

As of December 31, 2023, we had the fifth largest market share of total loans in Colombia, with a 6.93% market share. As of the same date, our principal competitors—Bancolombia, Davivienda and BBVA Colombia—had market shares of 27.08%, 15.74% and 11.26%, respectively.

The following table presents a breakdown of the market share of our loan portfolio by category at December 31, 2023 and 2022.

	At December 31, 2023					
	Banco de Occidente	Other Grupo Aval banks (aggregate)(1)	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
	(in percentages)					
Colombian Banking IFRS						
Corporate and Corporate leasing	9.09%	17.98%	34.64%	12.67%	9.02%	16.61%
Loans and advances to customers and retail leasing	6.18%	21.68%	19.43%	14.67%	14.58%	23.45%
Residential lending and residential leasing portfolio	2.48%	12.00%	21.00%	30.56%	14.27%	19.69%
Microcredit and leases	0.00%	1.42%	2.98%	0.00%	0.00%	95.60%
Total	**6.93%**	**17.70%**	**27.08%**	**15.74%**	**11.26%**	**21.30%**

	At December 31, 2022					
	Banco de Occidente	Other Grupo Aval banks (aggregate)(1)	Bancolombia	Davivienda	BBVA Colombia	Rest of the Colombian market
	(in percentages)					
Colombian Banking IFRS						
Corporate and Corporate leasing	8.45%	17.76%	34.13%	13.48%	8.90%	17.28%
Loans and advances to customers and retail leasing	5.44%	21.41%	20.05%	17.17%	12.79%	23.14%
Residential lending and residential leasing portfolio	2.56%	11.68%	20.48%	29.86%	14.91%	20.51%
Microcredit and leases	0.00%	1.54%	3.43%	0.01%	0.00%	95.03%
Total	**6.43%**	**17.60%**	**26.94%**	**16.72%**	**10.78%**	**21.53%**

Source: Company calculations based on unconsolidated information under Colombian Banking IFRS published by the Superintendency of Finance.

(1) Other Grupo Aval banks (aggregate) figures reflect the sum of Banco de Occidente, Banco Popular, and Banco AV Villas results.

Branches and ATM Network

Banco de Occidente is a full-service bank with nationwide coverage and a comprehensive portfolio of services and products, distributed through a network of 175 branches and 267 automated teller machines, or "ATMs," in Colombia as of December 31, 2023.

The following table presents the distribution of branches and ATMs across the market at December 31, 2023 and 2022.

	At December 31, 2023			
	Branches		ATMs	
	# of branches	Market share %	# of ATMs	Market share %
Banco de Occidente	175	3.35%	267	2.01%
Other Grupo Aval banks (aggregate)(1)	865	16.56%	2,594	19.53%
Bancolombia	668	12.79%	5,158	38.83%
Davivienda	547	10.47%	2,286	17.21%
BBVA Colombia	479	9.17%	1,469	11.06%
Rest of the Colombian market	2,490	47.66%	1,510	11.37%
	At December 31, 2022			
	Branches		**ATMs**	
	# of branches	**Market share %**	**# of ATMs**	**Market share %**
Banco de Occidente	176	3.13%	266	1.66%
Other Grupo Aval banks (aggregate)(1)	1,006	17.91%	2,849	17.79%
Bancolombia	583	10.38%	5,040	31.46%

Davivienda	502	8.94%	2,181	13.62%
BBVA Colombia	407	7.25%	1,496	9.34%
Rest of the Colombian market	2,942	52.39%	4,187	26.14%

Source: Calculations based on unconsolidated information published by the Superintendency of Finance, except for figures relating to Banco de Occidente which are derived from company data.

(1) Other Grupo Aval banks (aggregate) figures reflect the sum of Banco de Bogotá, Banco Popular and Banco AV Villas.

Lending activities

The following table presents consolidated Banco de Occidente's loan portfolio at the dates indicated.

	At December 31,(1)		Change, December 31, 2023 vs December 31, 2022	
	2023	**2022**	**Amount**	**%**
	(in COP millions)			
Corporate:				
Corporate and Corporate leasing	34,411,414	30,950,556	3,460,858	11.18%
Repos and interbank	15,449	1,120,454	(1,105,005)	(98.62)%
Total	**34,426,863**	**32,071,010**	**2,355,853**	**7.35%**
Retail	12,462,019	11,142,642	1,319,377	11.84%
Residential lending	2,610,153	2,488,024	122,129	4.91%
Total	15,072,172	13,630,666	1,441,506	10.58%
Loan impairment allowance	(2,416,920)	(2,033,178)	(383,742)	18.87%
Total, net	**47,082,115**	**43,668,497**	**3,413,618**	**7.82%**

(1) Reflects Banco de Occidente consolidated figures, as of December 31, 2022 and December 31, 2023, of our total loan portfolio (COP 32,071,010 million and COP 34,426,863 million, respectively, in corporate loans, COP 11,142,642 million and COP 12,462,019 million, respectively, in retail loans and COP 2,488,024 million and COP 2,610,153 million, respectively, in residential loans).

Deposit-taking activities

Banco de Occidente offers customers current accounts, savings accounts, term certificates of deposit (CDs) and other deposits as described in the table below.

The following table presents a breakdown of consolidated Banco de Occidente's deposits by product type at the dates indicated.

	At December 31,(1)		Change, December 31, 2023 vs December 31, 2022	
	2023	**2022**	**Amount**	**%**
	(in COP billions)			
Current accounts	7,092.63	7,586.60	(493.97)	(6.51)%
Savings accounts	24,153.81	22,021.96	2,131.85	9.68%
Term certificates of deposit	17,866.45	13,390.80	4,475.65	33.42%
Other deposits	62.85	96.58	(33.74)	(34.93)%
Total	**49,175.73**	**43,095.94**	**6,079.79**	**14.11%**

(1) Reflects Banco de Occidente consolidated figures, as of December 31, 2022 and December 31, 2023, of our total deposits (COP 49.2 billion and COP 43.1 billion, respectively, in current accounts, COP 7.1 billion and COP 7.6 billion, respectively, in savings accounts, COP 24.2 billion and COP 22.0 billion, respectively, in term certificates of deposit and COP 17.9 billion and COP 13.4 billion, respectively, in other deposits).

Distribution

The following table presents Banco de Occidente's points of service across Colombia.

	At December 31,		
	2023	**2022**	**2021**
Branches	175	176	183
ATMs	267	266	267
Total points of service	**442**	**442**	**450**

Porvenir

Porvenir, in which Banco de Occidente holds a 24.2% direct interest and Fiduciaria de Occidente holds an 8.9% interest, is controlled by and consolidated under Grupo Aval. Porvenir is the leading private pension and severance fund management business in Colombia, based on assets under management, with a 45.0% market share of assets under management at December 31, 2023. Pension funds provide individual savings for retirement, while severance funds provide temporary income to employees who become unemployed. Through Aportes en Línea, Porvenir manages social security related information systems designed to provide employees with efficient payment solutions.

For the year ended December 31, 2023, 43.2% of Porvenir's revenues were derived from mandatory pension funds, 20.0% from severance funds, 6.9% from voluntary pension funds and 1.4% from third-party sponsored pension liability funds. Porvenir derived the remaining 28.5% of its revenues from a combination of the profitability of its own investment portfolio, stabilization reserves and other income.

Other corporate information

Technology

We continuously invest in new technology and the renewal of equipment and infrastructure in order to serve customers effectively, improve our profitability and grow our business. We believe that proper management of technology is key to the efficient management of our business. Our technology architecture focuses on our customers and supports our business model.

Our subsidiaries and their consolidated operations currently maintain their own technological infrastructure and software. We believe that this technology provides us with an opportunity to seek potential additional synergies as we implement our overall technology model: assisting with the standardization and implementation of systems developed in our subsidiaries.

One of our most successful initiatives to date has been the coordination of banking branches and electronic channels within our Colombian banks through A Toda Hora, S.A., or "ATH," the administrator of our ATMs and the transactional services that flow through the *Red Grupo Aval*. Although these electronic channels have been fully implemented, we plan to continue to enhance their operations with new technology, especially through internet and mobile banking. The *Red Grupo Aval* coordinates connectivity between branches, technical support, webpages and transactional Internet, mobile banking, banking correspondence and payments and collections.

Our principal projects currently consist of the following:

- Technological architecture: We are pursuing a new technology model, which we expect will deploy new applications in different fields of business, seek to increase efficiency and enhance the competitive advantages of our entities; and
- Basic software activity: We are focusing on the standardization of some processes throughout our entities, such as Core Banking, ERP, MDM and mobile banking solutions

We incurred COP 136,488.6 million (U.S.$36 million) and COP 150,390.3 million (U.S.$39 million) of capital expenditures relating to information technology (software and hardware) in the years ended December 31, 2023 and 2022, respectively. We expect to invest approximately COP 156,691.8 million (U.S.$41million) in information technology in 2024.

Employees

The following table presents on a consolidated basis our breakdown of the employees, personnel provided by staffing service companies and outside contractors of Banco de Occidente and its subsidiaries at December 31, 2023.

	Banco de Occidente (1)		
	2023	2022	2021
Employees	14,898	15,548	16,157
Third-party contractors	2,495	2,437	2,796
Total	17,393	17,985	18,953

(1) 18.6% of 14,898 of Banco de Occidente's direct employees, or about 2,768 employees, are represented by unions and collective bargaining agreements that expire in December 2026.

Tangible Assets

We and our subsidiaries own properties for corporate purposes only. We have listed below the property holdings of our banking business at Property and equipment for own use, Equipment under operating lease, Right-of-use asset and Investment properties.

	At December 31, 2023	2022
	(in COP millions)	
Banco de Occidente	619,287	683,830
Fiduciaria de Occidente S.A.(1)	9,028	8,480
Ventas y Servicios S.A. (1)	22,625	14,979
Banco de Occidente (Panamá), S.A.(1)	2,942	5,469
Occidental Bank Barbados Ltd.(1)	170	179
Total	**654,052**	**712,938**

(1) Consolidated figures.

The following is the movement in the booking amount of tangible asset accounts (property and equipment for own use, operating leases and investment properties) for the years ended December 31, 2023 and 2022:

	For own use	Leased under operating leases	Investment Properties	Right-of-use assets	Total
			(in COP millions)		
Cost of Fair Value Balance as of December 31, 2022	**502,303**	**75,363**	**216,897**	**385,432**	**1,179,995**
Increase or decrease due to change in lease variables				30,845	30,845
Purchases	24,127	23,905	51,841	63,576	163,449
Addition for decommissioning costs	-	-	-	46	46
Withdrawals from sales (net)	(12,234)	-	(74,167)	(2,124)	(88,525)
Impairment charges (net)	(13,373)	-	-	(20,704)	(34,077)
Transfers from / to ANCMV	(113,151)	-	-	-	(113,151)
Transfers from / to Investment Properties	(128)	-	36	-	(92)
Adjustment for exchange differences	(1,809)	-	-	(495)	(2,304)
Other reclassifications	-	(2,290)	-	-	(2,290)
Change in fair value	-	-	19,328	-	19,328
Revaluation of investment properties	-	-	145	-	145
Balance as of December 31, 2023	385,735	96,978	214,080	456,576	1,153,369

	For own use	Leased under operating leases	Investment Properties	Right-of-use assets	Total
			(in COP millions)		
Cost of Fair Value					
Balance as of December 31, 2021	**577,433**	**47,657**	**171,419**	**358,510**	**1,155,019**
Increase or decrease due to change in lease variables				26,399	26,399
Purchases	32,180	33,993	57,518	45,545	169,236
Addition for decommissioning costs	-	-	-	44	44
Withdrawals from sales (net)	(77,755)	-	(55,064)	(1,519)	(134,338)
Impairment charges (net)	(6,647)	-	-	(43,959)	(50,606)
Transfers from / to ANCMV	(8,531)	-	-	-	(8,531)
Transfers from / to Investment Properties	(12,546)	-	11,492	-	(1,054)
Adjustment for exchange differences	(1,831)	-	-	412	(1,419)
Other reclassifications	-	(6,287)	-	-	(6,287)
Change in fair value	-	-	30,735	-	30,735
Revaluation of investment properties	-	-	797	-	797
Balance as of December 31, 2022	502,303	75,363	216,897	385,432	1,179,995

		For own use	Leased under operating leases	Investment Properties	Right-of-use assets	Total
Accumulated Depreciation:						
Balance as of December 31, 2022	$	(303,766)	(17,755)	-	(144,935)	(466,456)
Addition for decommissioning costs		(30,596)	(16,243)	-	(64,243)	(111,082)
Withdrawals from sales (net)		11,527	-	-	2,125	13,652
Impairment charges (net)		12,714	-	-	17,510	30,224
Transfers from / to ANCMV		31,184	-	-	-	31,184
Transfers from / to Investment Properties		92	-	-	-	92
Adjustment for exchange differences		1,085	-	-	210	1,295
Balance as of December 31, 2023	$	(277,760)	(31,708)	-	(189,333)	(498,801)

		For own use	Leased under operating leases	Investment Properties	Right-of-use assets	Total
				(in COP millions)		
Accumulated Depreciation:						
Balance as of December 31, 2021	$	(327,844)	(9,979)	-	(116,880)	(454,703)
Addition for decommissioning costs		(33,605)	(13,986)	-	(59,377)	(106,968)
Withdrawals from sales (net)		45,331	-	-	1,519	46,850
Impairment charges (net)		5,472	-	-	29,902	35,374
Transfers from / to ANCMV		3,260	-	-	-	3,260
Transfers from / to Investment Properties		1,055	-	-	-	1,055
Adjustment for exchange differences		2,565	-	-	(99)	2,466
Balance as of December 31, 2022	$	(303,766)	(17,755)	-	(144,935)	(466,456)

		For own use	Leased under operating leases	Investment Properties	Right-of-use assets	Total
				(in COP millions)		
Impairment losses:						
Balance as of December 31, 2022	$	(227)	(374)	-	-	(601)
Addition for decommissioning cost		(77)	(35)	-	-	(112)
Withdrawals from sales (net)		197	-	-	-	197
Balance as of December 31, 2023	$	(107)	(409)	-	-	(516)

		For own use	Leased under operating leases	Investment Properties	Right-of-use assets	Total
				(in COP millions)		
Impairment losses:						
Balance as of December 31, 2021	$	(294)	(157)	-	-	(451)
Addition for decommissioning costs		(1,400)	(217)	-	-	(1,617)
Withdrawals from sales (net)		265	-	-	-	265
Balance as of December 31, 2022	$	1,202	-	-	-	1,202

		For own use	Leased under operating leases	Investment Properties	Right-of-use assets	Total
				(in COP millions)		
Tangible assets, net:						
Balance as of December 31, 2021	$	**198,310**	**57,234**	**216,897**	**240,497**	**712,938**
Balance as of December 31, 2022	$	**107,868**	**64,861**	**214,080**	**267,243**	**654,052**

Legal proceedings and provisions

We are party to lawsuits and administrative proceedings incidental to the normal course of our business.

We record contingency provisions when the risk of loss is probable, in which case, we would consider settling.

In cases where we litigate a claim, we record a provision for our estimate of the probable loss based on historical data for similar claims and/or evidences in that claim. Due to the provisions we have established and the legal opinions we have received and/or opinion of our in-house lawyers, we do not believe that any liabilities related to such lawsuits or proceedings will have a material adverse effect on our financial conditions or results of operations. At December 31, 2023, Banco de Occidente and its subsidiaries have recorded COP 2,488 million in provisions.

Civil legal proceedings

Eight (8) civil lawsuits were filed against Banco de Occidente, arising from the development of its business. These civil lawsuits are mainly related to claims from customers who consider that: (i) checks were improperly paid from their accounts or (ii) without their authorization, funds were allowed to be withdrawn through electronic channels. There is also one (1) administrative investigation by state control and surveillance agencies, and labor lawsuits may represent a risk. As of December 31, 2023, these proceedings are provisioned for in the amount of COP 1,882 million.

Labor proceedings

Of the labor lawsuits filed against Banco de Occidente derived from the development of its business and that represent a risk, due to disagreements in the termination of the labor contract or the conditions of the contract, three proceedings are provisioned for with the total amount of COP 184 million as of December 31, 2023. On the other hand, the remaining 57 proceedings are not provisioned for due to an analysis of each case and the risk and probability rating by an external labor advisor.

Tax proceedings

Tax litigation involving Banco de Occidente and its subsidiaries, derived from the development of its business, and which represent a reasonable risk include: (i) an action for annulment and reestablishment of the right between the Tax Authority (*Dirección de Impuestos y Aduanas Nacionales*, or "DIAN") and Aloccidente, an entity merged with Banco de Occidente, is provisioned for COP 229 million and (ii) statements of objections for sending information as a collecting entity, provisioned for COP 280 million as of December 31, 2023.

Provisions

Other possible proceedings and their corresponding provisions for the periods ended December 31, 2023 and 2022, include the following:

Asset stripping provisions

Banco de Occidente and the subsidiary, Ventas y Servicios S.A. – NEXA BPO, established a provision for dismantling of assets, corresponding to the improvements made in the infrastructure of the leased offices as of December 31, 2022 and 2023. Dismantling is caused by the dismantling of improvements to leave the leased facilities in their original condition or as agreed in the contract. As of December 31, 2023, Banco de Occidente recorded a provision of COP 1,754 million, and Ventas y Servicios S.A. – NEXA BPO for COP 104 million; and as of December 31, 2022, Banco de Occidente recorded a provision for COP 1,754 million and Ventas y Servicios S.A. – NEXA BPO for COP 191 million.

Provisions for loan commitments

As of December 31, 2023, provisions for contingencies amounting to COP 58,251 million were included at the head office, of which 78.43% correspond to credit cards and 21.57% to letters of credit and bank guarantees. As of December 31, 2022, provisions for contingencies were included at the head office in the amount of COP 50,389 million, of which 53.55% corresponded to credit cards and the remaining 46.45% to letters of credit and bank guarantees.

Other provisions

Fiduciaria de Occidente S.A. for December 31, 2023 provisioned COP 1,102 million for a demand in Consorcio Fidufosyga; as of December 31, 2022 the balance recorded was COP 1,172 million.

BANKING REGULATION

Colombia

Colombian banking regulators

Pursuant to the Colombian Constitution, the Colombian Congress has the power to prescribe the general legal framework within which the government and other authorities may regulate the financial system. The Colombian Constitution also permits the Colombian Congress to authorize government intervention in the economy by statute. The agencies vested with the authority to regulate the financial system are the Board of Directors of the Colombian Central Bank, the Colombian Ministry of Finance, the Superintendency of Finance, the Superintendency of Industry and Commerce, *Fondo de Garantías de Instituciones Financieras*, or "FOGAFIN" and the Securities Market Self-Regulatory Organization.

Colombian Central Bank

The Colombian Central Bank exercises the customary functions of a central bank, including price stabilization, legal currency issuance, regulation of currency circulation, credit and exchange rate monitoring and administration of international reserves. Its board of directors is the regulatory authority for monetary, currency exchange and credit policies, and is responsible for the direction and execution of the Colombian Central Bank duties. The Colombian Central Bank also acts as a last resort lender to financial institutions.

Pursuant to the Colombian Constitution, the Colombian Central Bank is autonomous and independent from the government in the formulation of monetary policy and currency exchange and credit policies. Specifically, the Constitution provides administrative, technical, budgetary and legal autonomy for the Colombian Central Bank and its board of directors in respect of monetary, credit and foreign exchange matters. The Colombian Central Bank reports to the Colombian Congress. Its board of directors has seven members, one of whom is the Minister of Finance and Public Credit, one member is the General Manager of the Colombian Central Bank, and the other five members, who are full-time employees of the Colombian Central Bank, are appointed by the President of Colombia for four-year terms that can be extended.

Ministry of Finance and Public Credit

The Ministry of Finance designs, coordinates, regulates and executes economic policy, seeking to create an optimal administration of public finances for the economic and social development of the country. The Ministry of Finance leads government regulatory efforts regarding all aspects of financial, securities and insurance activities, pursuant to powers conferred by the Colombian Constitution. As part of its duties, the Colombian Government, led by the Ministry of Finance issues decrees related mainly to financial, taxation, customs, public credit and budgetary matters that may affect banking transactions in Colombia. In particular, the Ministry of Finance is responsible for regulations relating to financial institutions' capital adequacy, risk limitations, authorized transactions, disclosure of information and accounting.

Decree 4172 of 2011, established the Unit of Financial Regulation (*Unidad Administrativa Especial, Unidad de Proyección normativa y Estudios de Regulación Financiera),* an affiliated unit of the Ministry of Finance. The Unit of Financial Regulation is responsible for preparing and drafting any new financial, credit, securities, foreign exchange and insurance regulation to be issued by the Colombian Government.

Colombian Superintendency of Finance

The Superintendency of Finance was created as a result of the merger between the Superintendency of Banking and the Superintendency of Securities in 2005. All of the powers and responsibilities of the former Superintendency of Banking and Superintendency of Securities were assigned to the newly created Superintendency of Finance.

The Superintendency of Finance is a technical entity affiliated with the Ministry of Finance that acts as the inspection, supervision and control authority of persons involved in financial, insurance and securities exchange activities, and any other operations related to the management, use or investment of resources collected from the public. The Superintendency of Finance is responsible for supervising the Colombian financial system with the purpose of preserving its stability and trustworthiness, as well as promoting, organizing and developing the Colombian securities market and protecting the users of financial and insurance services and investors in general. The Superintendency of Finance is also responsible for monitoring and regulating the market for publicly traded securities in Colombia and for monitoring and supervising securities market participants, including the Colombian Stock Exchange brokers, dealers, mutual funds and issuers.

Financial institutions must obtain the authorization of the Superintendency of Finance before commencing operations. In addition, all local public offerings of securities require the prior approval of the Superintendency of Finance.

Violations of the financial system rules and regulations are subject to administrative, and in some cases, criminal sanctions. The Superintendency of Finance may inspect Colombian financial institutions on a discretionary basis and has the authority to impose fines on such institutions and their directors and officers for violations of Colombian laws or regulations, or such financial institutions' by-laws.

The Superintendency of Finance exerts its supervisory powers over the financial sector on a consolidated and comprehensive basis. The consolidated supervision extends to all financial institutions including banks operating in Colombia and their subsidiaries abroad, in the latter case to the extent permitted by the laws of the respective country of incorporation. For these purposes, the Superintendency of Finance has executed several memoranda of understanding with foreign financial sector regulators and is currently negotiating the execution of additional memorandums of understanding with other financial regulators, to promote an exchange of information and enhance its consolidated and comprehensive supervision.

According to Decree 2555 of 2010 and the Basic Accounting Circular, and in order to facilitate the Superintendency of Finance's supervision, financial institutions are required to consolidate the results of operations of all of their subsidiaries in order to present consolidated financial statements of the controlling entity and its subsidiaries, consolidated capitalization ratios and capital adequacy requirements of the group. As financial institutions, Banco de Occidente is required to comply with these requirements.

The Superintendency of Finance may also conduct onsite inspections of Colombian financial institutions and even of their subsidiaries located abroad, in the latter case, subject to the applicable laws of the subsidiary's country of incorporation.

Direct capital investments by Colombian financial institutions in foreign financial, brokerage or insurance companies, branches or agencies, require the prior authorization of the Superintendency of Finance, which must take into account the possibility of exercising comprehensive and consolidated supervision. Indirect capital investment (*i.e.*, through a subsidiary) in foreign financial, brokerage or insurance companies, branches or agencies, require prior authorization by the Superintendency of Finance if: (i) the initial investment equals or exceeds 10.0% of the investor's paid-in capital in a twelve month- period, (ii) additional investments equal or exceed 5.0% of the investor's paid in capital in a twelve month-period, or (iii) the financial regulatory authority of the country where the investment is to be made has not executed a memorandum of understanding with the Superintendency of Finance. Other indirect investments require only prior notice to the Superintendency of Finance.

Banco de Occidente and its Colombian financial subsidiaries are subject to the regulatory supervision of the Superintendency of Finance. Additionally, as an issuer of securities traded on the Colombian Stock Exchange, Banco de Occidente is subject to the oversight of the Superintendency of Finance. Banco de Occidente's foreign subsidiaries are subject to regulatory supervision of the relevant authorities in their respective jurisdictions.

Currently, no foreign subsidiaries are subject to the regulations or direct supervision of the Superintendency of Finance. However, the Superintendency of Finance requires Banco de Occidente to present information on its foreign subsidiaries and could require Banco de Occidente to undertake actions that would have an indirect effect on its foreign subsidiaries.

FOGAFIN

FOGAFIN was created in 1985 pursuant to Law No. 117. The primary function of FOGAFIN is to administer the deposit insurance system, with the objective of guaranteeing the deposits and savings held by the general public in Colombian financial institutions. See "—Troubled financial institutions—Deposit insurance." The other primary purposes for which FOGAFIN was formed were to support the banking industry, to facilitate the privatization of financial institutions by the Colombian government, and to liquidate financial institutions under receivership.

FOGAFIN has tools and mechanisms that enable it to administer and temporarily take equity stakes in troubled financial institutions in order to allow it to determine whether a financial institution is viable or requires liquidation.

Securities market self-regulatory organization

Self-regulation in the capital markets was formally introduced in Colombia by Law No. 964 of 2005, and the securities market self-regulatory organization (*Autorregulador del Mercado de Valores*), or "SRO," was created in June 2006.

The SRO has the power to supervise, sanction and regulate the entities subject to self-regulation (*i.e.*, including securities intermediaries and any entity that voluntarily submits itself to self-regulation).

The SRO's supervisory powers entitle it to review compliance with applicable laws and regulations and impose sanctions in the case of violations. The SRO may also propose regulation aimed at various matters, including conflicts of interest and improving the integrity and quality of the capital markets.

All capital market intermediaries, including Banco de Occidente, must become members of the SRO and are subject to its regulations.

Superintendency of Industry and Commerce

According to Law No. 1340 of 2009, as amended, the Superintendency of Industry and Commerce is the competent national authority for all antitrust matters in every sector of the economy, including the financial sector.

As such, the Superintendency of Industry and Commerce is responsible for advancing administrative investigations of antitrust violations to financial and non-financial corporations, and has the power to impose corresponding sanctions.

The Superintendency of Industry and Commerce is responsible for approving economic mergers, acquisitions and integrations between and among enterprises, except for mergers, acquisitions or integrations between financial entities. The Superintendency of Finance is the authority responsible for approving mergers, acquisitions and integrations between financial institutions. For those approvals, the Superintendency of Finance must obtain a prior written opinion by the Superintendency of Industry and Commerce.

Regulatory framework for Colombian financial institutions

The basic regulatory framework for the operations of the Colombian financial sector is set forth in the Financial Statute, as amended and supplemented, as well as in the Decree 2555 of 2010, the Decree 1068 of 2015, the Resolution 1 of 2018 and the Resolution 4 of 2006 issued by the board of directors of the Colombian Central Bank, in each case as amended and supplemented.

The Financial Statute (*Estatuto Orgánico del Sistema Financiero*) defines the structure of the Colombian financial system and establishes various business entities, including (1) financial institutions (which are further categorized into banks, finance corporations, finance companies and finance cooperatives), (2) financial services entities, (3) capitalization corporations, (4) insurance companies and (5) insurance intermediaries.

The Financial Statute also provides that no financial, banking or credit institution may operate in Colombia without the prior approval of the Superintendency of Finance. Subject to prior approval of the Superintendency of Finance, foreign banks may operate in Colombia through their subsidiaries established and incorporated in Colombia. Under Law No. 1328 of 2009, foreign banks, are permitted to operate through their "branches" and are not required to incorporate a Colombian subsidiary. These branches must comply with the same minimum capital requirements applicable to a Colombian subsidiary of a foreign bank.

The main role of banks, finance corporations and financing companies is to receive deposits. Banks place funds back into circulation by means of loans or any active credit operation; finance corporations place funds into circulation by means of active credit operations or investments, with the purpose of promoting the creation or expansion of enterprises; and financing companies place funds back into circulation by means of active credit operations, with the purpose of fostering the sale of goods and services including the development of leasing operations.

Each credit institution must be separately authorized before it may develop and provide financial services. Furthermore, the activities of credit institutions are subject to limitations and restrictions, including limitations and restrictions relating to the extension of credit, risk concentration, investments, conditional operations, foreign currency loans and negotiations, and the administration of third-party funds. One of the principal restrictions on financial activities is that banks may not acquire or hold products, merchandise, shares of corporations, income bonds, or other similar securities, except (1) when the bank has received those goods or securities as collateral for loans it has made or (2) with respect to shares, when they are issued by companies where banks are permitted to hold investments (mainly financial affiliates). Banks are also subject to other limitations, including limitations on lending activities.

Laws No. 510 of 1999, No. 546 of 1999, No. 795 of 2003 and No. 1328 of 2009 substantially modified the control, regulation and surveillance powers of the Superintendency of Finance. In addition, Law No. 510 of 1999 and Law No. 1328 of 2009 streamlined the procedures and powers for FOGAFIN.

The main purpose of Law No. 510 of 1999 was to increase the solvency and stability of Colombia's financial institutions by establishing rules regarding their incorporation, as well as the permitted investments of credit institutions, insurance companies and investment companies. Law No. 546 of 1999 was enacted in order to regulate the system of long-term home loans.

Law No. 795 of 2003 was enacted with the purpose of broadening the scope of activities to be performed by financial institutions and to update Colombian regulations with the principles of the Basel II framework. Law No. 795 of 2003 also increased the minimum capital requirements needed to incorporate a financial institution (see "— Minimum capital requirements") and authorized the Superintendency of Finance to take precautionary measures with respect to financial institutions whose capital falls below certain thresholds. For example, in order to avoid a temporary taking of possession by the Superintendency of Finance, troubled financial institutions must submit a restructuring program to the Superintendency of Finance.

Law No. 1328 of 2009, as amended, provided a new set of rights and responsibilities for customers of the financial system and a set of obligations for financial institutions, in order to minimize disputes. The law provides a bill of rights for consumers of financial services and products, including the right to receive clear, complete and reliable information about the services and products offered by financial institutions. These rights were further enhanced by Law No. 1748 of 2014, which requires financial institutions to disclose the interest rates and total costs of services and products offered to consumers. Law No. 1328 of 2009 also broadened the scope of permitted business activities by regulated entities. Following its adoption, credit institutions were allowed to operate leasing businesses and banks were allowed to extend loans to third parties so that borrowers may acquire control of other companies. Furthermore, Decree 2555 of 2010 establishes rules applicable to financial securities and insurance activities.

Pursuant to articles 62 and 63 of Law No. 1430 of 2010, as amended, the Superintendency of Finance must observe how financial institutions behave with regards to the pricing of their services and must report its findings to the Colombian government every six months. Based on such report, the Colombian government may assess whether there is "insufficient competition in the relevant market of financial services" and reach a decision regarding whether to use the following special remedial powers granted by Law No. 1430:

- fixing prices of financial services;
- determining minimum and maximum price caps for financial services; or
- establishing an obligation for the financial institution to inform the Superintendency of Finance or the Colombian Superintendency of Industry and Commerce, as the case may be, the methodologies used by such institution to determine tariffs or prices.

Law No. 1735 of 2014 created a new type of financial entity, the Specialized Electronic Deposit and Payment Institution (*Sociedades Especializadas en Depósitos y Pagos Electrónicos*), in order to promote financial inclusion and increase penetration of the banking sector. As a new deposit-taking entity, these Specialized Electronic Deposit and Payment Institutions are regulated financial services providers subject to regulation and supervision and can be incorporated by a natural person, mobile network operator and/or another non-bank company. These entities are only authorized to engage in remote cash deposit or withdrawal operations through electronic deposit accounts and transactional services such as remittances, transfers, and payments. Electronic deposits held by these Specialized Electronic Deposit and Payment Institutions are covered by deposit insurance.

In order to implement and enforce the provisions related to Colombia's financial system, the Superintendency of Finance issues periodic circulars and resolutions. External Circular 029 of 2014, as amended, consolidates all of the rules and regulations applicable to financial institutions, including rules and regulations relating to the management, operations, investments, lending activities and money laundering prevention activities of financial institutions. External Circular 100 of 1995, or the "Basic Accounting Circular," as amended, consolidates all of the regulations applicable to the accounting and financial rules of financial institutions. Furthermore, the Basic Accounting Circular regulated the assessment of credit institutions' investments, risk management, financial statements, information disclosure and inter-banking credits.

Violations of Laws No. 510 of 1999, No. 546 of 1999, No. 795 of 2003 or No. 1328 of 2009, as well as of specific provisions of the Financial Statute and their relevant regulations, are subject to administrative sanctions and, in some cases, criminal sanctions.

Modifications to the regulatory framework for Colombian financial institutions based on the Basel III accords

Although the Colombian government is actively working on implementing the Basel III accords, the country is not yet in full compliance with Basel III. To prepare for its implementation, the Ministry of Finance, through the Unit of Financial Regulation, in consultation with the Superintendency of Finance, amended and supplemented Decree 2555 of 2010 through Decree 1771 of 2012, Decree 904 of 2013, Decree 1648 of 2014, Decrees 73 and 2392 of 2015, Decree 1477 of 2018 and Decree 1421 of 2019 (the "Basel III Decrees"). Pursuant to these decrees, new capital components were included within the assets to be recognized as Common Equity Tier One Capital, Additional Tier One Capital and Tier Two Capital. Under Decree 2392 of 2015, as amended by Decree 1477 of 2018 and Decree 1421 of 2019, credit institutions are permitted to issue debt instruments that comply with certain regulatory requirements in order to include their outstanding principal amount as a component of Common Equity Tier One Capital, Additional Tier One Capital or Tier Two Capital, in accordance with said instrument. These regulatory requirements include, among others, the inclusion of provisions of perpetuity, or permanence, depending on the instrument, loss absorption mechanism for Tier One Capital and loss absorption mechanisms for Tier Two Capital. In the case of Tier Two Capital, the outstanding principal amount amortizes on a straight-line, annual basis, during the five years immediately prior to their final maturity.

In August 2018, the Ministry of Finance issued Decree 1477 of 2018 and Decree 1421 of 2019 establishing the last implementation of Basel III regarding capital adequacy requirements for Colombian financial institutions, including the adoption of:

- equity cushions for Common Equity Tier 1 (CET1): conservation cushion (an additional 1.5% of the asset risk weighting) and local systemic relevance cushion (an additional 1.0% of the asset risk weighting);
- the basic solvency ratio at 4.5%, and the additional solvency ratio at 6%;
- the aggregate unweighted leverage ratio at 3%; and
- stringent methodologies in the determination of the credit risk.

Decree 1477 of 2018 became effective on August 6, 2018. The new standards, as amended by Decree 1421 of 2019, however, were implemented gradually during a period of four years, and became fully effective on January 2024.

Modifications to the regulatory framework for Colombian financial institutions in connection with financial conglomerates

On September 21, 2017, the Colombian Congress enacted Law No. 1870 of 2017 to enhance the regulation and supervision of financial conglomerates.

Law No. 1870 defines a financial holding as any legal person or special purpose vehicle that exercises the first level of control or significant influence over the entities that comprise the financial conglomerate. Law No. 1870 also establishes that foreign financial holding that certifies being subject to a prudential regulation regime and to a comprehensive and consolidated supervision is exempted from the dispositions of Law No. 1870. On the contrary, when a foreign financial holding is not subject to a prudential regulation regime and to a comprehensive and consolidated supervision equivalent to the one exercised by the Superintendency of Finance, the Superintendency of Finance may request any information that it deems necessary to exercise a comprehensive and consolidated supervision over the financial institutions constituted in Colombia in the understanding that failure to disclose information may result in the revocation of the license of the financial institutions constituted in Colombia.

Regulations under Law No. 1870 were implemented by Decree 246 of 2018, Decree 774 of 2018 and Decree 1486 of 2018.

Decree 246 of 2018 establishes the comprehensive and consolidated supervision exclusion criteria. The Superintendency of Finance may, based on a justifiable decision, exclude from comprehensive and consolidated supervision any legal entity or investment vehicle that belongs to a financial conglomerate if, pursuant to the nature and amount of their activities, such entity does not represent a significant interest for the comprehensive and consolidated supervision objectives set by Law No. 1870, and the size of such entity is not significant *vis-à-vis* the total size of the financial conglomerate, or the interconnection and exposure level of such entity does not have a significant impact on the financial conglomerate.

Decree 774 of 2018, which establishes the capital requirements for financial conglomerates, provides that the Technical Capital (as defined in "Description of the Notes—Certain Definitions") cannot be less than the adequate capital (*patrimonio adecuado*). The financial conglomerate, however, is responsible for the capital of the financial conglomerate. This decree became effective on May 8, 2018.

Decree 1486 of 2018 exempts certain entities within a financial group from complying with the financial conglomerates regime. In addition, the decree establishes the obligation of the financial holding to identify and manage conflicts of interest of the financial conglomerate and its affiliates, and to identify, measure, control and manage the risks inherent to financial conglomerates. This decree became effective on August 6, 2018.

Furthermore, the Superintendency of Finance has issued certain external circulars to regulate compliance and supervision of these provisions, including External Circulars 014 of 2018, 012 of 2019, 013 of 2019 and 030 of 2020.

Grupo Aval is a financial conglomerate under these regulations, and we are part of the Grupo Aval conglomerate for these purposes, and accordingly we are indirectly subject to them.

Key interest rates

Colombian commercial banks, finance corporations and financing companies are required to report data to the Colombian Central Bank on a weekly basis regarding the total volume (in pesos) of certificates of deposit issued during the previous week and the average interest rates paid for certificates of deposit with maturities of 90 days. Based on such reports, the Colombian Central Bank calculates the fixed term deposit rate "DTF", which is published at the beginning of the following week for use in calculating the interest rates payable by financial institutions. The DTF is the weighted average interest rate paid by commercial banks, finance corporations, and financing companies for certificates of deposit with maturities of 90 days. For the week of April 15, 2024, to April 21, 2024, the DTF was 10.55% EA.

The Colombian Central Bank also calculates the interbank rate (*Interés Bancario de Referencia*), or "IBR,"-using the median of the quotations submitted, which serves as a benchmark for overnight interbank loans and through an interest rate derivative for one-month, three-month, six-month, and twelve-month periods, based on quotations submitted each business day by eight participating banks to the Colombian Central Bank.

Article 884 of the Colombian Commercial Code provides for a limit on the amount of interest that may be charged in commercial transactions. The limit is 1.5 times the current banking interest rate (*Interés Bancario Corriente*), calculated as the average of the interest ordinarily charged by banks within a set period of time. The current banking interest rate is certified by the Superintendency of Finance. As of December 31, 2023, the banking interest rate for small business loans was 31.19% and for all other loans was 25.04%.

Capital adequacy requirements

Capital adequacy requirements for Colombian financial institutions (as set forth in Decree 2555 of 2010, as amended and supplemented by the Basel III Decrees) are based on the Basel Committee standards. The regulations establish five categories of assets, which are each assigned different risk weights, and require that a credit institution's technical capital (as defined below) be at least 9.0% of that institution's total risk-weighted assets.

Pursuant to Decree 2555 of 2010, as amended and supplemented by the Basel III Decrees, technical capital for Colombian credit institutions, consists of the sum of (i) Common Equity Tier One Capital, (ii) Additional Tier One Capital which together with Common Equity Tier One Capital comprise Tier One Capital and (iii) Tier Two Capital. Tier One Capital and Tier Two Capital as defined herein may differ to the manner in which those terms are used in other jurisdictions.

A credit institution's Technical Capital must be at least 9.0% of that institution's total risk-weighted assets and must also comply with a measure of "core solvency" for the Common Equity Tier One Capital, which requires higher quality capital set at a minimum of 4.5% of risk-weighted assets. However, each credit institution must also comply with (i) a minimum additional basic solvency ratio, calculated by dividing the Common Equity Tier One Capital and Additional Tier One Capital, net of deductions, by risk weighted assets, of 6%; (ii) a capital conservation buffer of 1.5%; (iii) a systemically important financial institutions buffer of 1%; and (iv) a combined buffer equivalent to the sum of the aforementioned buffers as of January 1, 2024. These ratios apply to credit institutions individually and on a consolidated basis.

In addition, credit institutions must comply with a minimum leverage ratio of 3%, which is defined as the sum of the Common Equity Tier One Capital after deductions and the Additional Tier One Capital, divided by the leverage value. The leverage value is the sum of all net assets, the net exposures in all repo (*reporto*), simultaneous transactions (*operaciones simultáneas*) and temporary transfer of securities (*trasnferencia temporal de valores*), the credit exposures in all derivative instruments, and the exposure value of contingencies.

Pursuant to Decree 2555 of 2010, the Superintendency of Finance must grant prior approval of the eligibility of a debt, equity or hybrid instrument in order to be classified as Common Equity Tier One Capital, Additional Tier One Capital or Tier Two Capital.

Common Equity Tier One Capital consists mainly of the following:

- Outstanding and paid-in capital stock classified as Common Equity Tier One Capital by the Superintendency of Finance subject to the conditions set forth in the regulation.
- Legal reserves taken from liquid profits.
- Shares held as a guarantee by FOGAFIN when the entity is in compliance with a recovery program aimed at bringing the financial entity back into compliance with capital adequacy requirements.
- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Ordinary Basic Capital by the Superintendency of Finance.
- Non-controlling interest, subject to the conditions set forth in the applicable regulation.
- Capital surplus.
- Capital stock paid in prior to its issuance by the entity, provided, however, that the stock remains unissued for a maximum term of four (4) months. After such time frame, it will no longer be considered as comprising the technical capital.
- Subordinated bonds held by FOGAFIN when they comply with certain requirements stated in the regulations.
- Any other instrument issued or secured by FOGAFIN.
- Retained earnings and occasional reserve.
- Minimum contributions that cannot be reduced, pursuant to bylaws.
- Other comprehensive income.

Items deducted from Common Equity Tier One Capital consist of the following:

- Any prior or current period losses.
- Direct and indirect investments in shares, mandatory convertible bonds, subordinated bonds that may be convertible into shares or subordinated debt instruments issued by other Colombian or foreign financial institutions (excluding subsidiaries), including cumulative translation adjustments and excluding appraisals, subject to the conditions set forth in the regulation.
- Deferred income taxes, if positive.
- Intangible assets and capital gain.

- Reacquired stock, subject to the conditions set forth in the regulations.
- Unamortized value of the actuarial computation of pension liabilities.
- Asset revaluation.

Additional Tier One Capital includes, among others:

- Outstanding and paid-in capital stock classified as Additional Basic Capital by the Superintendency of Finance subject to the conditions set forth in the regulation.
- The value of paid-in stock dividends when the relevant class of stock has been classified as part of the Additional Basic Capital by the Superintendency of Finance.
- Non-controlling interest, subject to the conditions set forth in the applicable regulation.
- Debt instruments that the Superintendency of Finance recognized as part of the additional basic capital.

Tier Two Capital consists of other reserves and retained earnings (which are added to the Common Equity Tier One Capital net of deductions and the Additional Tier One Capital to calculate technical capital) includes:

- Mandatory convertible bonds effectively subscribed and paid, subject to the conditions set forth in the regulation.
- Subordinated payment obligations that the Superintendency of Finance classifies as part of the Additional Capital.
- Non-controlling interest, subject to the conditions set forth in the applicable regulation.
- The value of the general provisions made by the financial entity, in an amount no greater than 1.25% of the risk-weighted assets.
- Debt instruments that the Superintendency of Finance recognized as part of the additional capital.

The following table sets forth Banco de Occidente's reported and as-adjusted consolidated capital adequacy information at December 31, 2023, 2022 and 2021. The reported figures are calculated using the methodology prescribed by the Superintendency of Finance, which requires that we subtract investments in non-consolidated entities from our regulatory capital.

	At December 31,		
	2023	**2022**	**2021**
	(in COP billions, except ratios)		
Share capital	5	5	5
Reserves and retained earnings	4,996	4,791	4,359
Other comprehensive income	176	(65)	210
Net income for the period	474	452	580
Non-controlling interests	12	-	-
Deductions	**(598)**	**(764)**	**(1,178)**
Unconsolidated financial sector investments	-	(227)	(671)
Goodwill and other intangibles	(595)	(533)	(448)
Deferred tax assets	-	-	(54)
Other	(3)	(4)	(5)
CET1	**5,065**	**4,419**	**3,977**
Hybrid instruments recognized as additional primary capital	-	-	-
Other	-	-	-
AT1	-	-	-
Tier I	**5,065**	**4,419**	**3,977**
Subordinated bonds	649	835	465
Plus/minus others	-	-	-
Tier II capital	**649**	**835**	**465**
Other deductions from technical capital	-	-	-
Technical capital	**5,714**	**5,254**	**4,441**
Risk-weighted assets	41,324	37,592	30,662

Value-at risk	218	273	328
Regulatory value at risk (1)	2,426	3,028	3,640
Operational risk	236	227	150
Regulatory operational risk (1)	2,625	2,525	1,671
Risk-weighted assets including regulatory value at risk and operational risk	46,375	43,145	35,973
CET1 solvency ratio	**10.92%**	**10.24%**	**11.05%**
AT1 capital solvency ratio	**0.00%**	**0.00%**	**0.00%**
Tier 1 capital solvency ratio	**10.92%**	**10.24%**	**11.05%**
Tier II solvency ratio	**1.40%**	**1.94%**	**1.29%**
Total solvency ratio (2)	**12.32%**	**12.18%**	**12.35%**

(1) Unrealized gains/losses on securities available-for-sale do not flow through the statement of income until such securities are disposed of and the gain or loss is realized.

(2) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance. See "—Capital adequacy requirements."

At December 31, 2023, our technical capital ratio was 12.32%, exceeding the requirement of the Colombian government and the Superintendency of Finance by 219 basis points.

The Basic Accounting Circular contains provisions relating to liquidity risk, interest rate risk, foreign exchange rate risk and market risk. Colombian banks are required to calculate a value at risk calculation, or "VaR", based on a methodology provided by the Superintendency of Finance. VaR is used in assessing a bank's solvency. Future changes in VaR requirements could have a material effect on our operations in the future.

Our combined loan portfolio, net of provisions, is 73.1% weighted as risk-weighted assets at December 31, 2023. Provisions corresponding to our operations are determined by measuring credit risk. For this purpose, credit extensions are rated according to their risk level ("A," "B," "C," "D" or "E"); the Superintendency of Finance has established minimum provision levels for each rating.

Investment Appraisal Rules

Entities subject to the supervision of the Superintendency of Finance appraise their investments in accordance with Decree 2555 of 2010 and the rules issued by the Superintendency of Finance for this purpose, contained in the Basic Accounting Circular. In accordance with appraisals regulations, appraisals must be performed by an independent appraisal price provider (*proveedor de precios para valoración*) authorized by the Superintendency of Finance which are authorized to create and issue appraisal methodologies and provide professional services for the calculation, determination and provision of information for investment appraisal. Entities subject to the supervision of the Superintendency of Finance have to rely on these independent providers, instead of performing the appraisals themselves.

Mandatory investments

Colombian banking institutions are required to invest in agricultural development bonds (*Títulos de Desarrollo Agropecuario* or "TDAs") issued by Finagro, a government entity, according to External Resolution 3 of 2000 of the Colombian Central Bank, as amended. The Colombian Central Bank requires that each bank maintain a total investment in these bonds equal to 5.61% of its checking and saving deposits, plus 4.25% of its term deposits with a maturity of up to 18 months. Finagro can issue four different types of agricultural development bonds: two in Class A and two in Class B. Class A bonds based on DTF with an interest rate of 4 percentage points below the DTF interest rate (DTF-4), and Class A-IBR bonds with an interest rate of 3.67 percentage points below the IBR interest rate (IBR-3.67)%. On the other hand, Class B bonds based on DTF with an interest rate of 2 percentage points below the DTF interest rate (DTF-2), and Class B-IBR bonds with an interest rate of 1.6 percentage points below the IBR interest rate (IBR-1.71)%. If the base interest rates DTF and/or IBR are lower in absolute terms than any of the four margins defined above, the profitability of the TDA—whether Class A and/or B based on DTF and/or IBR—will have a floor profitability of 0.0%. Banks are required to invest 50.0% of the total mandatory investment in Class A TDAs and 50.0% in Class B TDAs.

In order to raise funds to alleviate the economic and social impact of the COVID-19 pandemic, the Colombian Government issued Legislative Decree 562 of 2020, which established the obligation for credit institutions to invest in Internal Public Debt Securities called Solidarity Securities (TDS). The investment in TDS were made directly by credit institutions, through the Colombian Central Bank as administrator of those securities and will be paid under market conditions, specifically, at the current rate of short term internal public debt securities. The proceeds received from the investment in TDS were incorporated as a source of funds for the FOME. TDS are denominated in Colombian Pesos and will pay a fixed interest rate set at the lowest of: (i) the rate of the most recent short-term treasury bond auction, or (ii) the simple average of the last four short-term treasury bond auctions.

Under government discretion, authorities may extend the scope of current regulations or require additional disbursements on current or new types of mandatory investments.

Inactive and abandoned deposits that have been transferred to government entities pursuant to applicable law are excluded from the mandatory investment requirements.

Minimum capital requirements

Article 80 of the Financial Statute, as amended by Law No. 795 of 2003, establishes minimum incorporation capital requirements for different financial institutions. When a financial institution fails to comply with the minimum required capital after a cure period granted by law, it may be intervened by the Superintendency of Finance, by virtue of which it may be liquidated, merged into another institution or its corporate form may be converted into another category of financial institution, notwithstanding the fact that the institution may be subject to fines imposed by the Superintendency of Finance.

The minimum incorporation capital requirement for banks on an unconsolidated basis for 2022 was COP 107,849,000 million, and for 2021 is COP 102,110,000 million. In the past, we have consistently satisfied this incorporation capital requirement. At December 31, 2023, our incorporation capital was COP 121,999,000 million.

Capital investment limit

All investments in subsidiaries and other authorized capital investments, other than those carried out in order to fulfill legal provisions, may not exceed 100.0% of the total aggregate of the capital, equity reserves and the equity revaluation account of the respective bank, financial corporation or financing company, excluding unadjusted fixed assets and including deductions for accumulated losses.

Foreign currency position requirements

According to Section I of External Resolution 1 of 2018 issued by the Board of Directors of the Colombian Central Bank, as amended and supplemented, a financial institution must comply with certain thresholds referring to foreign currency position (*posición propia en moneda extranjera*), foreign currency position in cash (*posición propia de contado*) and gross leverage position (*posición bruta de apalancamiento*).

External Resolution 1 of 2018 of the Colombian Central Bank, as amended and supplemented, provides guidelines for foreign currency positions of financial institutions, including the following:

- foreign currency position is the difference between such institution's foreign currency-denominated rights and liabilities (including any off-balance sheet items), realized or contingent, including those that may be sold in Colombian legal currency. The average of a bank's foreign currency position for three business days cannot exceed the equivalent in foreign currency of 20.0% of the bank's technical capital. Currency exchange intermediaries such as Banco de Occidente are permitted to hold a three business days' average negative foreign currency position not exceeding the equivalent in foreign currency of 5.0% of its technical capital (with penalties being payable after the first business day). In calculating the foreign currency position, External Circular DODM 398 of 2019 enacted by the Colombian Central Bank excludes (i) liabilities derived from transfers and creditor contingencies for transfers that are denominated in pesos or indexed to pesos; and (ii) rights and liabilities derived from operations denominated in foreign currency that are agreed at the exchange rate of the maturity date of such operation. At December 31, 2023, we had a consolidated foreign currency position of U.S.$8.9 million, in compliance with these regulatory guidelines;

- foreign currency position in cash is defined as the difference between all foreign currency-denominated assets and liabilities. The foreign currency position in cash for exchange intermediaries such as Banco de Occidente does not have any minimum or maximum requirements, as per the External Circular DODM 398 of 2019 enacted by the Colombian Central Bank. There are no limits on the average of a bank's foreign currency position in cash for three business days. In calculating the foreign currency position in cash, External Circular DODM 398 of 2019 enacted by the Colombian Central Bank excludes (i) liabilities derived from transfers and creditor contingencies for transfers that are denominated in pesos or indexed to pesos; and (ii) rights and liabilities derived from operations denominated in foreign currency that are agreed at the exchange rate of the maturity date of such operation. Currency exchange intermediaries are permitted to hold a three business days' average negative foreign currency position in cash not exceeding the equivalent in foreign currency of 20.0% of its technical capital (with penalties being payable after the first business day). At December 31, 2023, we had a foreign currency position in cash of U.S.$198 million, in compliance with these regulatory guidelines; and

- gross position of leverage, defined as (1) the value of term contracts denominated in foreign currency, plus (2) the value of transactions denominated in foreign currency to be settled in cash within one or more days, and (3) the value of the exchange rate risk exposure associated with exchange rate options and derivatives. The gross leverage position for exchange intermediaries such as Banco de Occidente does not have any minimum or maximum requirements, as per the External Circular DODM 398 of 2019 enacted by the Colombian Central Bank. There are no limits on the average of a bank's gross position of leverage for three business days. In calculating the gross position of leverage, Resolution 1 of 2018 and External Circular DODM 398 of 2019 enacted by the Colombian Central Bank excludes (i) any foreign exchange transactions that intermediaries of the FX Market perform as local suppliers of liquidity of foreign currency using the systems of compensation and liquidation of currencies when there is a breach of payment by a participant; (ii) financing operations obtained by intermediaries of the FX Market to perform liquidity supply operations in foreign currency; and (iii) rights and liabilities derived from operations denominated in foreign currency that are agreed at the exchange rate of the maturity date of such operation. At December 31, 2023, we had a consolidated gross position of leverage of U.S.$5,813 million, in compliance with these regulatory guidelines.

Also, External Resolution 1 of 2018 of the Board of Directors of the Colombian Central Bank provides mandatory foreign exchange exposure limits for foreign currency positions of financial institutions, on a consolidated basis, including the following:

- the average of a bank's foreign currency positive position for three business days cannot exceed the equivalent in foreign currency of 40.0% of the bank's technical capital (on a consolidated basis); and
- the average of a bank's foreign currency negative position for three business days cannot exceed the equivalent in foreign currency of 40.0% of the bank's technical capital (on a consolidated basis).

Reserve requirements

Commercial banks are required by the Colombian Central Bank to satisfy reserve requirements with respect to deposits and other cash demands. These reserves are held by the Colombian Central Bank in the form of cash deposits. According to External Resolution 05 of 2008, as amended, the reserve requirements for Colombian banks are measured bi-weekly and the amounts depend on the class of deposits.

Since 2008, the reserves of credit institutions ranged between zero and 11.0%. For example, credit institutions had to maintain reserves of 11.0% for current accounts deposits and saving accounts deposits, reserves of 4.5% for term deposits with a maturity of less than 18 months, and no reserves for term deposits with a maturity of more than 18 months.

As part of the Colombian Central Bank measures to address any potential liquidity shortage in the Colombian financial system, on April 14, 2020 the Colombian Central Bank issued External Resolution 09 of 2020, effective as of April 22, 2020, by virtue of which certain reserve requirements were lowered. For example, credit institutions must now maintain reserves of 8.0% for current accounts deposits and saving accounts deposits, reserves of 3.5% for term deposits with a maturity of less than 18 months, and no reserves for term deposits with a maturity of more than 18 months.

Credit institutions may maintain these reserves in their accounts at the Colombian Central Bank in readily available funds.

Foreign currency loans

Colombian residents may only obtain foreign currency loans from non-residents or from Colombian financial institutions that are foreign exchange intermediaries. Foreign currency loans must be registered with the Colombian Central Bank prior to the first disbursement through a foreign exchange intermediary. Additionally foreign currency loans must be either transferred through foreign exchange intermediaries (such as Colombian financial institutions) or deposited in offshore compensation accounts (including specially designated accounts at foreign banks held by Colombian residents and registered with the Colombian Central Bank).

Under regulations issued by the Colombian Central Bank, every Colombian resident and institution borrowing funds in foreign currency is generally required to post with the Colombian Central Bank non-interest bearing deposits for a specified term; however the size of the required deposit is currently zero.

In addition, according to Article 47 of Regulation 1 of 2018, in certain cases such deposits would not be required, including for foreign currency loans to finance Colombian investments abroad or for short-term export loans. Moreover, according to Article 8-1(n) of Regulation 1 of 2018, foreign currency loans obtained from Colombian currency exchange intermediaries (*i.e.*, Colombian banks) would not be required to post such deposits as long as the foreign financing is used for the purposes included in Article 8-1(n) of Resolution 1 of 2018, which include financing their authorized lending activities in a foreign currency or in local currency (provided the FX exposure is hedged with a derivative) with a tenor equal to, or shorter than, the tenor of the foreign financing. Article 8-1(n) of Regulation 1 of 2018 also provides that, among other things, Colombian banks are authorized to issue debt securities abroad, including for the purpose of financing their authorized lending activities in a foreign currency (provided the FX exposure is hedged with a derivative) with a tenor equal to, or shorter than, the tenor of the foreign financing.

Pursuant to Law No. 9 of 1991, the Board of Directors of the Colombian Central Bank is entitled to impose conditions and limitations on the incurrence of foreign currency indebtedness in order to avoid pressure in the foreign exchange market.

Law No. 1607 of 2012 also established that loans obtained abroad by banks incorporated under the laws of Colombia when the creditor is a non-Colombian tax resident or is not domiciled in Colombia are not deemed to be held in Colombia and interest payments are not considered national source income for income tax purposes.

Restrictions on foreign investment in Colombia

Colombia's foreign investment statute regulates the manner in which non-residents are permitted to invest in Colombia and participate in the Colombian securities market. Among other requirements, Colombian law requires foreign investors to register foreign exchange transactions associated to foreign residents with the Colombian Central Bank and obtain authorization for certain types of investments. Certain foreign exchange transactions, including those between residents and non-residents, must be made through authorized foreign exchange market participants.

Non-residents are permitted to hold portfolio investments in Colombia, through either a registered stock brokerage firm, a trust company or an investment firm. Investors would only be allowed to transfer dividends abroad after the foreign investment registration procedure with the Colombian Central Bank has been completed. The failure of a non-resident investor to report or register foreign exchange transactions with the Colombian Central Bank relating to investments in Colombia on a timely basis may prevent the investor from remitting dividends, or an investigation that may result in a fine, may be commenced.

Provision for loan losses for unconsolidated financial statements

Under Colombian Banking IFRS, calculation of provisions for loan losses in the unconsolidated financial statements of Colombian credit institutions differs from the way in which such provisions are calculated in their consolidated financial statements. Unconsolidated financial statements of credit institutions must follow the Superintendency of Finance guidelines relating to provisions for loan losses established in the Basic Accounting Circular, as amended, which refer to the adoption of a Credit Risk Administration System (*Sistema de Administración de Riesgo de Crédito*), or "SARC," by credit institutions.

The SARC system adopted by each credit institution must contain policies and procedures defining the manner in which the institution assesses, evaluates, classifies, grades, controls and covers credit risk. Management must adopt policies and procedures to ensure adequate risk management in connection with the establishment of provisions and of lending and continuous monitoring standards.

Under the current model of provisions for loan losses, loans must be classified and graded in five different categories, from "A" to "E" as established by the Superintendency of Finance. Loans classified in category "A" are considered "normal" or "ordinary," with a regular credit risk. Loans classified in category "B" are those considered to have an acceptable risk. In category "C," institutions must include loans with an appreciable risk, while in category "D," loans with a significant or material credit risk. Finally, loans that are not able to be recovered, or that have a reduced chance of being recovered, must be classified in category "E." Each bank must follow this system.

The Superintendency of Finance's guidelines specify the criteria for classifying loans, including type of loan (*i.e.*, corporate, retail, residential or microcredit loans), age of loan, term of default and variation of the credit risk of the debtor (by determining repayment capability and payment record). Credit institutions are also required to apply specific provisions to particular categories of loans, which are calculated as a percentage of the outstanding balance.

For residential loans and microcredit loans a general provision for loan losses of 1.0% of the principal amount must be established for each residential and microcredit loan.

In addition to the general provision, individual provisions for loan losses must be established.

The following table presents the minimum individual provision for residential loan losses, as established by the Superintendency of Finance:

Credit category	**Percentage of provision over the guaranteed portion of the loan**	**Percentage of provision over the non-guaranteed portion of the loan**
A	1.0	1.0
B	3.2	100.0
C	10.0	100.0
D	20.0	100.0
E	30.0	100.0

The following table presents the minimum individual provision for microcredit loan losses:

Credit grade	**Minimum Provision Percentage[(1)]**	**Minimum Provision Percentage[(2)]**
A	0.0	1.0
B	1.0	2.2
C	20.0	0.0
D	50.0	0.0
E	100.0	0.0

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(1) Provision percentage that will be applied over the balance due on the loan, after discounting the value of acceptable guarantees, taking into account the rules provided in Annex 1 of Chapter II of Basic Accounting Circular.

(2) Provision percentage that will be applied over the balance due on the loan without discounting the value of acceptable guarantees.

In any case, the minimum individual provision for credit losses corresponds to the sum of:

- The provision percentage applicable to the balance due, net of the value of acceptable guarantees; and

- The provision percentage applicable to the entire balance due on the loan.

In the case of retail and corporate loans, Annex 3 to Chapter II of the Basic Accounting Circular (as amended by External Circular No. 32 of 2015) issued by the Superintendency of Finance, establishes that financial institutions which provide retail and corporate loans may prepare lending internal models which classify and qualify all retail and corporate loans granted by said entity, in order to constitute non-performing loan provisions (that includes countercyclical parameters) reflecting the classification and qualification set in the model.

Under this regulation, each financial institution may submit its own internal models for the review (and non-objection opinion) of the Superintendency of Finance. However, if an entity does not propose such internal models or if they are objected to by the Superintendency of Finance, the reference models contained in the Basic Accounting Circular must be applied to their lending activities.

Provision for loan losses for consolidated financial statements

With respect to consolidated financial statements of Colombian credit institutions, the calculation of provisions for impairment under Colombian Banking IFRS is similar to the way in which such provisions are treated under Colombian Banking IFRS.

With respect to the entire loan portfolio, in accordance with IAS 39, financial institutions must evaluate at the end of each accounting period if there exists objective evidence of the impairment of a loan measured in accordance with the amortized cost methodology. Impairment indicators include significant economic difficulties faced by the borrower, payment default and the probability that the borrower will seek protection from creditors. If impairment is determined, a provision for impairment is charged to income and calculated as follows:

- For loans deemed individually significant and impaired, an individual analysis is effected in accordance with IAS 39, which takes into consideration the amortization schedule, collateral and information from credit bureaus. A loan is considered impaired when, based on historic and current information and events, it is concluded that a probability exists that the lender will be unable to collect in full the amounts owed as per the loan agreement including interest and commissions. When a loan has been identified as impaired, the value of the loss is measured as the difference between the book value of the loan and the present value of expected future flows (taking into consideration the condition of the borrower), discounted using the interest rate initially established on the loan or the present value of the collateral that guarantees the loan (after deducting the estimated selling costs of the collateral) when it is concluded that the fundamental source of repayment is the sale of the collateral. For the calculation of provisions for loans considered individually significant, based on their guarantee, estimates of the fair value of such guarantee are established using independent expert appraisers.

- For those loans which are not individually significant and for loans individually significant but not impaired, a collective assessment is effected, with loans grouped together on the basis of segments having similar characteristics, and using statistical assessment techniques based on the analysis of historical losses to determine an estimate of percentage of losses which have been incurred in such assets as of the date of the financial statements, but which have not been identified on an individual basis.

To calculate incurred losses for loan portfolios analyzed collectively, statistical models are utilized which take into consideration four fundamental factors: exposure, probability of default, loss identification period and loss given default.

The calculation process includes analyses of specific, historical and subjective components. The methodologies utilized include the following elements:

- a detailed periodical analysis of the loan portfolio,
- a credit classification system by risk levels,
- a periodical review of the summary of provisions for impairment,
- identification of loans to be evaluated individually due to impairment,
- consideration of internal factors such as our size, organizational structure, loan portfolio structure, loan administration process, analysis of overdue portfolio and experiences of historical losses,
- consideration of risks inherent to different types of loans, and
- consideration of external factors, including local, regional, national and economic factors.

Lending limits

Currently applicable rules regarding legal lending limits set forth in Decree 2555 of 2010 provide that a financial institution may not lend to a single borrower an amount in excess of 10.0% of such institution's Technical Capital (as defined in "Description of the Notes—Certain Definitions") if the only collateral for such obligations is the borrower's assets. However, financial institutions may lend to a single borrower an amount up to 25.0% of such institution's technical capital as long as such obligations are secured by eligible collateral sufficient to secure a risk exceeding 5.0% of such equity, in accordance with Decree 2555 of 2010 and the financial institution's guidelines.

Furthermore, a financial institution may lend to a single borrower an amount up to 25.0% of such institution's technical capital when financing fourth generation road concessions (*cuarta generación de concesiones viales*) under public-private partnerships (*asociaciones público privadas*), as specified in Law No. 1508 of 2012, provided that the borrowing public-private partnership complies with the eligibility criteria set forth in the National Council for Economic and Social Policy ("CONPES") documents CONPES 3760 of August 20 of 2013 or other CONPES documents approved in accordance with such CONPES 3760.

Pursuant to Decree 2555 of 2010, a bank may not make a loan to any shareholder that holds directly more than 10.0% of its share capital for one year after such shareholder reaches the 10.0% threshold. In no event may a loan to a shareholder holding, directly or indirectly, 20.0% or more of a bank's share capital exceed 20.0% of a bank's technical capital. In addition, no loan to a single financial institution may exceed 30.0% of a bank's technical capital, with the exception of loans funded by Colombian development banks for which no limit exists. Loans secured by a stand-by letter of credit issued by a foreign bank may be granted up to an amount equivalent to 40.0% of the bank's technical capital, provided that if the stand-by letter of credit issuer is a related party to the Colombian financial institution, the loan may not exceed 30.0% of a bank's technical capital.

If a financial institution exceeds these limits, the Superintendency of Finance may impose a fine equal to up to twice the amount by which any such loan exceeded the limit and, in some cases, there may be criminal sanctions.

Decree 2555 of 2010 sets a maximum limit for risk concentrated in one single party, equivalent to 30.0% of a bank's technical capital, the calculation of which includes loans, leasing operations and equity and debt investments.

In August 2022 the Ministry of Finance issued Decree 1533 of 2022, amending the applicable regulations regarding bank exposures and lending limits applicable to financial institutions and other entities surveilled by the Superintendency of Finance. The new regulations regarding legal lending limits will be effective in August 2025. Furthermore, the Superintendency of Finance issued on February 01, 2024 the instructions for compliance and supervision of the new rules on legal lending limits by means of External Circular 003 of 2024.

The new applicable regulations regarding lending limits, which will entry into force in August 2025 provide that a bank's large exposure is an exposure with a counterparty or connected group of counterparties (as defined in the applicable regulation) that is equal or greater than 10% of such bank's Tier One Capital (as defined in "Description of the Notes—Certain Definitions"). These large exposures must be disclosed to the Superintendency of Finance. Furthermore, the new regulations provide a bank may not hold an exposure of 25% of its Tier One Capital with a counterparty or connected group of counterparties. The regulation provides specific rules regarding (i) exposures with shareholders, (ii) exposures related to the specialized financing of projects, (iii) admissible collateral for large exposures, among others.

The Colombian Central Bank also has the authority to establish maximum limits on the interest rates that commercial banks and other financial institutions may charge on loans.

Ownership and Management Restrictions

Banco de Occidente is organized as a stock company (*sociedad anónima*). Banco de Occidente's corporate existence is subject to the rules applicable to commercial companies, principally the Colombian Code of Commerce, which requires stock companies (such as Banco de Occidente) to have at least five shareholders at all times and provides that no single shareholder may own 95.0% or more of our subscribed capital stock. Article 262 of the Colombian Code of Commerce prohibits our subsidiaries from acquiring our stock.

Pursuant to the Financial Statute (as amended by Law No. 795 of 2003), any transaction resulting in an individual or corporation holding 10.0% or more of any class of capital stock of any Colombian financial institution is subject to the prior authorization of the Superintendency of Finance. For that purpose, the Superintendency of Finance must evaluate the proposed transaction based on the criteria and guidelines specified in Law No. 510 of 1999, as amended by Law No. 795 of 2003. Transactions entered into without the prior approval of the Superintendency of Finance are null and void and cannot be recorded in the institution's stock ledger. These restrictions apply equally to Colombian residents as well as foreign investors.

Colombian financial institutions that are issuers of securities to the public must comply with special rules regarding the composition of their board of directors. In particular, at least 25.0% of the board members of the board of directors must be independent. To be considered independent, the board members must not be:

- employees or directors of Banco de Occidente;
- shareholders of Banco de Occidente that directly or indirectly address or control the majority of the voting rights or that may determine the majority composition of the management boards;
- shareholders or employees of entities that render certain services to Banco de Occidente in cases in which the service provider receives 20.0% or more of its income from Banco de Occidente;
- employees or directors of a non-profit organization that receives donations from Banco de Occidente in excess of certain amounts;
- directors of other entities in whose board of directors one of the legal representatives of Banco de Occidente participates; and
- any other person that receives from Banco de Occidente any kind of economic consideration (except as for the considerations received by the board members, the auditing committee or any other committee of the board of directors).

Intervention powers of the Superintendency of Finance —Bankruptcy considerations

Pursuant to the Colombian Banking Law, the Superintendency of Finance has the power to intervene in the operations of a bank in order to prevent it from, or to control and reduce the effects of, a bank failure.

The Superintendency of Finance may intervene in a bank's business (1) prior to the liquidation of the bank, by taking precautionary measures in order to prevent the bank from being taken over by the Superintendency of Finance, or (2) to take possession of the bank to either administer the bank or order its liquidation, depending on the severity of the situation.

The purpose of taking possession is to allow the Superintendency of Finance to decide (1) whether the entity-should be liquidated, (2) whether it is possible to place it in a position to continue doing business in the ordinary course, or (3) whether other measures may be adopted to secure better conditions so that depositors, creditors and investors may obtain the full or partial payment of their credits.

If the Superintendency of Finance takes possession of a bank, FOGAFIN must appoint a special agent (who must be accepted by the Superintendency of Finance) to administer the affairs of the bank during such process and until the bank is ordered to be liquidated or the entity is re-established to continue doing business in the ordinary course.

During the period of the Superintendency of Finance's possession (which period ends when the liquidation process begins), Colombian banking laws prevent any creditor of the bank from (1) initiating any procedure for the collection of any amount owed by the bank, (2) enforcing any judicial decision rendered against the bank to secure payment of any of its obligations, (3) placing a lien or attachment on any of the assets of the bank to secure payment of any of its obligations, or (4) making any payment, advance or compensation or assuming any obligation on behalf of the bank, with the funds or assets that may belong to it and are held by third parties, except for payments that are made by way of set-off between regulated entities of the Colombian financial and insurance systems.

In the event that the bank is liquidated, the Superintendency of Finance must, among other measures, provide that all term obligations of the bank are due and payable at the date when the order to liquidate becomes effective.

During the liquidation process bank deposits and other types of saving instruments will be excluded from the liquidation process. Claims of creditors, as a general rule, rank as follows: (i) the first class of credits includes mainly court expenses incurred in the interest of all creditors, wages and other obligations related with employment contracts and tax authorities' credits regarding national and local taxes; (ii) the second class of credits generally comprises credits secured by a security interest on movable assets; (iii) the third class of credits includes the credits secured by real estate collateral, such as residential loans; (iv) the fourth class of credits contains some other credits of the tax authorities against the debtor that are not included in the first class of credits and credits of suppliers of raw materials and input to the debtor; and (v) finally, the fifth class of credits includes all other credits without any security interest or privilege; provided however, that among credits of the fifth class, subordinated credits shall be ranked junior to the external liabilities (*pasivos externos*) senior only to capital stock. Each category of creditors will collect in the order indicated above, whereby distributions in one category will be subject to completing full distribution in the prior category.

Troubled financial institutions—Deposit insurance

Subject to specific limitations, FOGAFIN is authorized to provide equity and/or secured loans to troubled financial institutions, and to insure deposits of commercial banks and certain other financial institutions. In 1998 and 1999, to address the adverse effects of the economic crisis at the time, certain regulations were adopted, among others, Law No. 546 of 1999 (*Ley de Vivienda*) and Law No. 550 of 1999 (*Ley de Reactivación Económica*).

To protect the customers of commercial banks and certain financial institutions, Resolution 1 of 1988 of FOGAFIN, as amended, requires mandatory deposit insurance. Under this resolution, banks must pay an annual premium of 0.3% of total funds received on savings accounts, current accounts and certificates of deposit, among others. If a bank is liquidated, the deposit insurance will cover the funds deposited by an individual or corporation with such bank, up to a maximum of COP 50 million, regardless of the number of accounts held.

Newer regulations, such as Law No. 1870 and Decree 521 of 2018, provide an alternative mechanism for the payment of deposit insurance when a financial institution has been subject to a forced liquidation order by the Superintendency of Finance. Under these regulations, financial institutions may purchase assets and assume liabilities of the financial institution under liquidation (including all the liabilities derived from deposits insured by the deposit insurance), or such assets and liabilities may be transferred to special purpose entities denominated as bridge banks, in order to assure the continuity of critical functions of the financial entity in liquidation and the availability of cash to customers from their deposits with such entity. Bridge banks that receive assets and liabilities from a financial institution under liquidation are required to manage the process of disposing of assets and liabilities within a specified period of time, seeking to maintain their value. Decree 521 became effective on March 15, 2018, and granted six months to the Superintendency of Finance to provide instructions to implement the new regulations, and to FOGAFIN to set the conditions, requirements and procedures to access this alternative.

Anti-money laundering provisions

The regulatory framework to prevent and control money laundering is contained in, among others, the Financial Statute and External Circular 029 of 2014 issued by the Superintendency of Finance, as well as Law No. 599 of 2000 (the Colombian Criminal Code).

Colombian laws adopt the latest guidelines related to anti-money laundering and other terrorist activities established by the Financial Action Task Force on Money Laundering, or "FATF." Colombia, as a member of the GAFI-SUD (a FATF style regional body) follows all of FATF's 40 recommendations and eight special recommendations.

Anti-money laundering provisions have been complemented with provisions aimed at deterring terrorism financing. For that purpose, by means of External Circular 029 of 2014, as amended, the Superintendency of Finance has issued regulations requiring the implementation by financial institutions of a system of controls for money laundering and terrorism financing.

The requirements include "know your customer" rules and procedures to protect financial institutions from being used directly by shareholders and executives in money laundering activities, for channeling funds for terrorist activities, or for the concealment of assets from such activities; those rules and procedures set forth detailed instructions for monitoring these risks.

External Circular 029 of 2014, issued by the Superintendency of Finance and applicable to issuers of securities in the capital markets, other than financial entities, provides rules and guidelines regarding the prevention of money laundering and terrorism financing.

Finally, the Colombian Criminal Code introduced criminal rules and regulations to prosecute all matters related to financing terrorism and money laundering. The criminal rules and regulations cover the omission of reports on cash transactions, mobilization or storage of cash, and the lack of controls.

Regulatory framework for non-financial subsidiaries

Financial entities can only invest on non-financial institutions or any type of local or foreign companies, provided that (i) such companies provide administrative and technical services to support financial institutions operations or (ii) such companies' exclusive corporate purpose is to develop and/or apply innovations and technologies of their investors which are financial entities (i.e., *sociedades de innovación y tecnología financiera* under Decree 2443 of 2018). Subsidiaries that are not part of the financial sector are governed by the laws and regulations of the Colombian Civil Code and the Colombian Code of Commerce, as well as any regulations issued by the Colombian Superintendency of Industry and Commerce and the Colombian Superintendency of Corporations or any other type of special regulations that may be applicable to the commercial and industrial activities carried out by these subsidiaries.

Regulation on guarantees over personal property

On August 20, 2013, the Colombian Congress enacted Law No. 1676 with the purpose of increasing the public access to credit by providing a new regulation on guarantees over personal property. Law No. 1676, as implemented by Decree 1074 of 2015 and Decree 1835 of 2015, as amended, introduced substantial modifications to Colombian regulation on guarantees over personal property, including: (a) the creation of a unified guarantees public registry, (b) the ability for creditors to directly realize the collateral in accordance with certain requirements, such as an appraisal granted by an independent expert, (c) the ability of creditors to enforce their rights over the collateral upon insolvency of the debtor outside of the insolvency proceeding, provided that the personal property is not essential for the business continuity of the insolvent debtor, and (d) an upgrade of priority upon liquidation.

Regulation on electronic deposits and payments

Law No. 1735 of 2014 created a new type of financial institution with the sole purpose of offering electronic deposits and payments (*Sociedades Especializadas en Depósitos y Pagos Electrónicos* or "SEDPEs") in order to promote financial inclusion. Decree 2555 of 2010 establishes the regulations applicable to SEDPEs operations, including know-your-customer requirements. SEDPEs are entities that may collect public funds through deposits, without using these funds for granting and/or paying credits.

Regulation on payroll loans

On April 27, 2012, the Colombian Congress enacted Law No. 1527, as amended recently by Law No. 1902 of 2018, which consolidated the then existing regulatory framework on payroll deduction loans. Payroll loans are secured by an irrevocable order or authorization from the clients to their respective employers or to the entity that pays their salary or other financial benefits arising from their employment to directly pay the loan. As opposed to the prior regulatory regime, employers may currently freely determine the financial institution granting the relevant financial product or service. Likewise, Law No. 1527 of 2012, as amended, provides that the employer is jointly and severally liable for the employee's payment obligation and that payroll loans operators must have in place a SARLAFT system.

Prepayment of credit operations without penalty

On July 9, 2012, the Colombian Congress enacted Law No. 1555, allowing consumers of financial services to prepay obligations denominated in pesos owed to financial institutions without incurring in any penalty. Law No. 1555 also requires that financial institutions disclose the possibility of such prepayment to borrowers prior to the extension of any loan.

Law No. 1555 does not apply to (i) residential loans, for which prepayment is always allowed according to Law No. 546 of 1999 or (ii) loans having a balance that exceeds 880 times the legal monthly minimum wage.

Data Protection Law

On October 17, 2012, Law No. 1581 introduced a new data protection regime that applies to any person that administers databases in Colombia. Law No. 1581, as implemented by Decree 1377 of 2013 and Decree 886 of 2014, provides a set of principles (legality, freedom, truth or quality, transparency, access, confidentiality, etc.) that apply to financial institutions in the administration of their databases. In addition, Law No. 1266 of 2008 established certain parameters related to management of financial, credit and commercial databases and archives applicable to us.

Regarding the management of financial, credit, and commercial databases and archives, we, as a financial institution and source of information, must comply with Law No. 1266 of 2008 as well. Additionally, there is a general prohibition on transferring personal data to other countries that do not provide adequate levels of data protection according to the standards set by the Colombian Superintendency of Industry and Commerce. This prohibition does not apply to transfers of data that are inherent to banking and securities activities under applicable law.

Regulation on derivatives transactions

Law No. 964 of 2005, Decree 2555 of 2010 and the Basic Accounting Circular provide that financial institutions, when entering into derivatives transactions, must use agreements that abide by certain requirements, such as defined terms, interpretation criteria, representations and warranties, early termination events, events of default, effects on early termination and effects upon default, among others. Colombian financial institutions rely on (i) the master agreements published by the International Swaps and Derivatives Association (ISDA) for their cross- border derivatives transactions; and on (ii) the local master agreement for derivatives transactions (*contrato marco local para instrumentos financieros derivados*) published by the Colombian association for banking institutions (*Asobancaria*) which follows most of the ISDA agreement provisions, when entering into local derivatives transactions, both of which comply with the requirements set forth in applicable regulations.

The Board of Directors of the Colombian Central Bank has also significantly simplified cross-border derivatives transactions reporting obligations applicable to Colombian financial institutions and has recently amended regulations applicable to credit derivatives entered into between Colombian residents and foreign authorized counterparties.

Risk management systems

Commercial banks, including Banco de Occidente, must have risk administration systems to meet the Superintendency of Finance minimum standards for compliance and to avoid and mitigate the following risks: (i) credit; (ii) liquidity; (iii) market; (iv) operational; and (v) money laundering and terrorism. For further description of risk management systems please see "Bank Risk Management."

Generally, commercial banks are required to assign risk-weightings to their assets based on 0.0%, 25.0%, 50.0% and 100.0% ratios depending on their risks. Standards to evaluate risk have been established and different ratings are awarded (A, B, C, D and E) to each credit asset depending on the level of risk.

Depending on the rating assigned, a different amount of provisions is required, as established by the Superintendency of Finance in Chapter XXXI of the Basic Accounting Circular.

With respect to liquidity and market risks, commercial banks must follow the provisions of the Basic Accounting Circular, which defines criteria and procedures for measuring a bank's exposure to interest rate risk, foreign exchange risk and market risk. Under such regulations, banks must send to the Superintendency of Finance information on the net present value, duration and interest rate of its assets, liabilities and derivative positions. Since January 2002, Colombian banks have been required to calculate, for each position on the statement of financial position, a volatility rate and a parametric VaR, which is calculated based on net present value, modified duration and a risk factor computed in terms of a basis points change. Each risk factor is calculated and provided by the Superintendency of Finance.

With respect to operational risk, commercial banks must assign a rating, according to principles provided by the Basic Accounting Circular, to each of their operative lines (such as, among others, corporate finance, issue and negotiation of securities, commercial banking and asset management) in order to record the risk events that may occur and cause fraud, technology problems, legal and reputational problems and problems associated with labor relations at the bank.

Changes to accounting standards

There are new accounting standards that will go into effect relating to the classification, measurement and recognition of financial assets and liabilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent IASB IFRS Pronouncements."

Net Stable Funding Ratio (NSFR) Indicator

Following the recommendations of the Basel Committee, the Superintendency of Finance issued External Circular 019 of 2019 with the intention of encouraging the raising of funds that ensure stability to face eventual liquidity crises.

This regulation favors term funding from various sources within the banking business and penalizes or discourages funds from other financial institutions or public funds.

MANAGEMENT

Board of Directors

The Board of Directors of Banco de Occidente is composed of nine principal members without alternate members, each of whom serves one-year terms and may be re-elected. The term for the current directors expires on March 31st, 2025.

The current members of the Board of Directors were appointed at a shareholders' meeting held on March 20th, 2024. The following table presents the names of the current members of the Board of Directors.

Board members	
José Carlos Santander Palacios	Eduardo Herrera Botta
Ricardo Villaveces Pardo	Mauricio Iragorri Rizo
Iván Felipe Mejía Cabal	Eduardo Duque Suarez
Felipe Ayerbe Muñoz	Maria Fernanda Mejia
Mauricio Gutiérrez Vergara	

Currently, the Board members are in possession proceedings with the Superintendency of Finance according to banking regulation.

Biographical information of the principal members of our Board of Directors is set forth below. Ages displayed are as of April 2024.

José Carlos Santander Palacios, age 78, has been a member of the Board of Directors of Banco de Occidente since March 2019. He previously served as a member of the Board of Directors of Fiduciaria de Occidente, Corficolombiana and Leasing de Occidente, among other entities. He holds a degree in Economics from Universidad América.

Ricardo Villaveces Pardo, age 75, has served as an independent member of the Board of Directors of Banco de Occidente since 1991. He is also a member of the Audit Committee and an alternate member of the Corporate Governance Committee. Mr. Villaveces Pardo holds a degree in Industrial Engineering from the Universidad de los Andes.

Iván Felipe Mejía Cabal, age 77, has served as an independent member of the Board of Directors of Banco de Occidente since 1996. He is also a member of the Audit Committee and the Nomination and Remuneration Committee. He currently serves as a member of the Board of Directors of Ingenio Providencia, Cámara de Comercio de Palmira and Industrias de Envases.

Felipe Ayerbe Muñoz, age 73, has served as an independent member of the Board of Directors of Banco de Occidente since 1993. He is also a member of the Audit Committee and the Corporate Governance Committee. He currently serves as a member on the Board of Directors of Plásticos Flexibles, Productos Coldecom and Almacenes Éxito. He holds a degree in Law from Universidad de los Andes, as well as post-graduate specializations in Commercial Law from the Universidad Nacional de Colombia and in Comparative Law from New York University.

Mauricio Gutiérrez Vergara, age 66, has served as a member of the Board of Directors of Banco de Occidente since 2008. He is also a member of the Finance Committee and the Credit Committee. He is currently Director of the Sports Traumatology Postgraduate Program at the Imbanaco Medical Center and belongs to the Board of Directors of the Sociedad Colombiana de Cirugía Ortopedia y Traumatología (SCCOT). He is Vice President of the Board of la Sociedad Latinoamericana de Artroscopia, Rodilla y Deporte. He is also a member of the Finance Committees of the Imbanaco Medical Center and Promédico. Mr. Gutiérrez Vergara holds a Doctor of Medicine degree from Universidad Javeriana in Bogotá, with specializations in Arthroscopic Surgery from New York University and Orthopedics and Traumatology from Universidad Javeriana.

Eduardo Herrera Botta, age 66, has served as an independent member of the Board of Directors of Banco de Occidente since December 2015. He currently serves as President of SUPERTEX S.A. and belongs to the Board of Directors of Grupo Fanalca, Alianza Fiduciaria, Imecauca, Zona Franca Palmaseca, Ciudad Limpia, RF Comunicaciones and ANDI. He holds a degree in Industrial Engineering from Pontificia Universidad Javeriana in Bogotá and a master's degree in Administration and Finance and a specialization in Marketing from EAFIT – Medellín.

Mauricio Iragorri Rizo, age 58, has served as an independent member of the Board of Directors of Banco de Occidente since June 2014. He is currently General Manager of Mayaguez S.A. and previously served in the roles of Factory Engineer, Head of Costs, Deputy Operations Manager and Commercial Manager. Mr.

Iragorri Rizo holds a degree in Industrial Engineering from the University of Georgia and completed the CEOs Management Program at the Kellogg School of Management.

Eduardo Duque Suárez, age 58, has served as a member of the Board of Directors of Banco de Occidente since March 2024. Mr. Duque Suárez has practical experience in corporate and retail banking, corporate finance, and investment banking in Latin American markets. He has held leadership positions and defined client strategy, as well as roles in risk management, control, and compliance. Currently, Mr. Duque Suárez serves as Vice President of Risk at Grupo Aval Acciones y Valores S.A. Mr. Duque Suárez holds a degree in Economics and a MSc in Economics from Universidad de los Andes.

Maria Fernanda Mejía, age 64, has served as a member of the Board of Directors of Banco de Occidente since March 2024. Ms. Mejía has a background in external auditing and also serves on the Board of Directors of Coexito S.A.S., Instituto Tobías Emanuel, Fundación Casa de Colombia, and Corporación Educativa Popular—Liceo de la Amistad. Ms. Mejía holds an accounting degree from the Universidad Javeriana de Cali.

Executive officers

The executive officers of Banco de Occidente are responsible for the day-to-day management of our company. The executive officers serve until removed.

The following table lists the names and positions of our executive officers and the presidents.

Certain of our executive officers are also members of the boards of directors of our subsidiaries.

Name	Position
Banco de Occidente	
Gerardo Silva Castro	Chief Executive Officer
Ivan Mauricio Ricardo Arias	Vice President of Commercial Banking
Mauricio Maldonado Umaña	Vice President of Finance and Strategy
Julián Sinisterra Reyes	Vice President of Retail Banking
Pedro Luis Villegas Ramirez	Vice President of Operations and Technology
Iván Mauricio Cepeda Díaz-Granados	Vice President of Credit
Johnny Leyton Fernández	Vice President of Risk & Collections
Eduardo Alfonso Correa Corrales	Vice President of Human Resources
Ricardo Alberto Virguez García	Auditor
Juan Pablo Barney	Treasurer
Douglas Berrío Zapata	General Counsel

Biographical information of our executive officers and key employees who are not directors is set forth below.

Ages displayed are as of April 2024.

Gerardo Silva Castro, age 67, has served as CEO of Banco de Occidente since August 2023. Mr. Silva Castro has over 25 years of experience working in the financial sector in different management positions. At Banco de Occidente, he previously served as Vice President of Business, Official and Intermediate Banking, beginning in 1994, and Vice President of Companies, beginning in 2014. He currently serves on the Board of Directors of Corficolombiana, Anif and Asobancaria. He holds a degree in Civil Engineering from Universidad Javeriana de Bogotá and a master's degree in Business Administration from Babson College. He has completed programs with the Universidad Icesi de Ejecutivo de Alto Gobierno Municipal and with the Centro de Liderazgo y Gestión Transformative Business Leadership.

Ivan Mauricio Ricardo Arias, age 43, has served as the Vice President of Commercial Banking at Banco de Occidente since August 2023. Mr. Ricardo Arias has over 20 years of experience working in the financial sector in different management positions. He previously served as Corporate Banking Zonal Manager and Business and SME Banking Vice President at Banco de Occidente from 2020 until 2023. He holds a degree in Economics and International Negotiation from Universidad Icesi and a master's degree in Finance from Grenoble Ecole de Management. He has also completed a program in senior management at Universidad de los Andes and a program in advanced management at the Instituto de Empresa.

Mauricio Maldonado Umaña, age 46, serves as the Vice President of Finance and Strategy at Banco de Occidente. He previously served as the Vice President of Strategy and Finance at Grupo Aval Acciones y Valores S.A. from May 2012 to September 2018. He also previously served as Engagement Manager at McKinsey & Company and as Investment Banking Director at Corficolombiana. Mr. Maldonado Umaña has served as a member of the Board of Directors of Banco Popular S.A., Promigas S.A. ESP, and Casa de Bolsa S.A. He holds a degree in Industrial Engineering from Universidad de los Andes and a master's degree in Business Administration from the University of Chicago Booth School of Business.

Julián Sinisterra Reyes, age 60, serves as the Vice President of Retail Banking at Banco de Occidente. During his career, he has held various positions in the financial sector, including Vice President of Credit Cards and Vice President of Channels at Banco de Bogotá. He has also previously served as Vice President of Commerce and Marketing at Copa Airlines and Vice President of Cell Phones at Samsung Electronics Colombia. Mr. Sinisterra Reyes is currently a member of the Board of Directors of Ventas y Servicios S.A. and Redeban. He holds a degree in Business Administration from Universidad Icesi.

Pedro Luis Villegas Ramirez, age 57, serves as the Vice President of Operations and Technology at Banco de Occidente. He has previously worked with Organización Corona, Banco de Occidente, Grupo Aval Acciones y Valores S.A, Credibanco Visa, Experian Datacredito and Digit. Mr. Villegas Ramirez has also previously served as a member of the Board of Directors of Servibanca S.A., Ventas y Servicios S.A. and Incocrédito. He holds a degree in Electrical Engineering from Universidad Pontificia Bolivariana de Medellín, along with a specialization in Telematics from Universidad de los Andes. He also has a master's degree in Business Administration from Universidad de la Sabana.

Iván Mauricio Cepeda Díaz-Granados, age 59, serves as the Vice President of Credit at Banco de Occidente. He has experience in financial, commercial, granting and credit risk issues obtained through his time at Fiduciaria La Previsora, Corredores Asociados, Banco de Bogotá, Citibank and Scotiabank Colpatria S.A. Mr. Cepeda Díaz-Granados has a degree in Civil Engineering and a master's degree in Business Administration from Universidad de los Andes.

Johnny Leyton Fernández, age 63, serves as the Vice President of Risk & Collections at Banco de Occidente. He joined Banco de Occidente in 1988 and has previously acted as Director of Programming and Control – Banco de Occidente Building Project, Director of the Autonomous Office Project, Director of Real Estate and Manager of the Real Estate Division. He also currently serves as a member of the Board of Directors of Fiduciaria de Occidente. Mr. Leyton Fernandez holds a degree in Civil Engineering form Universidad del Valle with a specialization in Finance from Icesi University.

Eduardo Alfonso Correa Corrales, age 70, serves as the Vice President of Human Resources and Administration at Banco de Occidente. He joined Banco de Occidente in 1980 and has previously served as Deputy Director of the Organization and Methods Division, Director of the Projects Department, Director of Banking Engineering, Deputy Manager of the Organization and Methods Division, Operations Support Manager and Manager of the Human Resources Division. He also currently serves as a member of the Board of Directors of Sales and Services and of the Employees Fund of Banco de Occidente. Mr. Correa Corrales holds a degree in Industrial Engineering from Universidad de los Andes de Bogotá.

Ricardo Alberto Virguez García, age 47, serves as the Auditor at Banco de Occidente. He has over 20 years of professional experience in the financial sector oriented to the evaluation of risks and controls relating to internal control and auditing systems. Over the course of his career, he has been a member of the audit teams of Banco Santander Colombia S.A., CorpBanca Helm S.A. and Banco Santander de Negocios Colombia S.A. In the last five years, he has been a member of the audit teams of Grupo Aval companies, including Banco de Bogotá S.A., Almaviva S.A. and Fiduciaria Bogotá S.A. Mr. Virguez García has also acted as an independent consultant at the organizational, operational, administrative and risk management levels in companies in various industries. He holds a degree in Industrial Engineering with specializations in Finance and Capital Markets.

Juan Pablo Barney, age 49, serves as the Treasurer of Banco de Occidente. He has over 25 years of experience in Colombian capital markets and has previously acted in treasury roles at Banco de Crédito del Perú, Conavi, Correval S.A. and Banco Bilbao Vizcaya Argentaria, S.A. Mr. Pablo Barney has been at Banco de Occidente for over 14 years.

Douglas Berrío Zapata, age 67, serves as the General Counsel of Banco de Occidente. He has been at Banco de Occidente since 1988 and was appointed General Counsel in 1992. He currently serves as a member of the Board of Directors of Fiduciaria de Occidente, Concesionaria Vial de los Andes, Fondo de Pensiones Porvenir, Banco de Occidente (Panamá) and Occidental Bank and Trust Barbados. He holds a degree in Law with specializations in Socioeconomics and Commercial Law from Pontificia Universidad Javeriana in Bogotá. Mr. Berrío Zapata has also acted as a professor at different universities teaching courses, including Commercial Law, Introduction to Law, Banking Legislation and Introduction to Banking.

Audit Committee

Our audit committee advises the Board of Directors generally on internal control matters, and it specifically undertakes to:

- review financial statements prior to their submission to the Board of Directors and to the General Shareholders' meeting;
- ensure that the preparation, presentation and disclosure of financial information complies with the provisions of applicable regulations, verifying that necessary controls are in place;
- supervise the internal auditor to verify if its actions address the internal control needs of the company and to identify limitations with respect to its duties;
- review all internal control reports of the company and supervise compliance with such reports by the company's management;
- propose, for the Board of Directors' approval, the structure, procedures and methodologies necessary for the proper functioning of the internal control system and prepare the report that the Board must present to General Shareholders' meeting with regard to these topics;
- assess the entity's internal control structure in order to determine if the procedures in place reasonably protect the entity's assets as well as the assets of third parties that the entity manages or has custody of, and whether there are controls in place to ensure that transactions are being adequately authorized and recorded;
- issue its opinion on the independence of the external auditor, based on standards set forth by Colombian regulations;
- issue its opinion every six-months on related party transactions;
- monitor the company's levels of risk exposure at least every six-months and propose mitigation measures as needed;
- propose to the board of directors control systems to prevent, detect and adequately respond to the risk of fraud and improper conduct by company employees;
- provide assistance to our Board of Directors in fulfilling its responsibilities with respect to compliance with legal and regulatory requirements, the powers and limits assigned to the different positions and areas related to the administration of internal control system, including risk management;
- make recommendations to the General Shareholders' meeting concerning the engagement of the independent accounting firm;
- issue reports to the Board of Directors on matters deemed relevant;
- analyze the operation of the information systems, their reliability and integrity for making decisions;
- define procedures to consolidate all information from the control bodies, for its presentation to the Board of Directors;
- present to the Board of Directors for its consideration any modifications to the rules of procedure; and
- any other tasks set forth by the Board of Directors.

Pursuant to regulations of the Superintendency of Finance, the Audit Committee has a charter approved by the Board of Directors, which sets forth the main aspects related to the operation of such committee, including, among others, its composition and duties.

Risk Committee

Our risk committee assists the Board of Directors in fulfilling its supervisory responsibilities regarding the bank's control over risk management. It specifically undertakes to:

- monitor the Banco de Occidente’s risk profile and appetite, evaluate its coherence with the business plan, capital and liquidity levels, and inform the board of directors about the main results and issue corresponding recommendations when necessary. In carrying out this function, the committee may analyze and assess the ordinary risk management within Banco de Occidente in terms of limits, risk profile (expected loss), profitability, and capital map (risk capital), and review the adequacy of economic and regulatory capital, where applicable, for each company and its allocation to different lines of business and/or products;

- advise the Board of Directors on operations, events, or activities, including entry into new markets, that may (i) affect the entity's exposure and risk profile, (ii) constitute deviations from the business plan, risk appetite, and internal and regulatory limits, or (iii) compromise the business's viability. As part of the risk limit and risk report review, the committee may also make relevant recommendations to the Board of Directors and the audit committee;

- review the risk management policies at least once a year and propose to the board of directors for their respective approval any necessary adjustments. As part of this review, the committee may review and assess the integrity and adequacy of the bank's risk management function and propose Banco de Occidente’s Risk Policy to the Board of Directors;

- advise the Board of Directors on the state of risk culture within the entity;

- evaluate the adequacy of the business continuity plan and contingency plans;

- report to the Board of Directors on the analysis of the monthly reports received from the individual(s) responsible for the risk management function;

- inform the General Shareholders’ Meeting about matters within its competence raised by shareholders;

- analyze and evaluate the Banco de Occidente’s risk control systems and tools;

- formulate any necessary improvement initiatives regarding the infrastructure and internal control and risk management systems;

- present, report, and/or propose to the Board of Directors the following matters:

    a. Proposals for delegation standards for the approval of various types of risks to be assumed by this or other lower levels of the organization.

    b. With the support of the relevant internal areas of Banco de Occidente, operations that it must authorize when they exceed the powers granted to other levels of the Banco de Occidente.

    c. Operations that it must authorize by law, regulation, internal or external provision.

- evaluate and follow the indications issued by supervisory authorities in the exercise of their function;

- promote the adaptation of risk management in Banco de Occidente to an advanced model that allows the configuration of a risk profile in line with strategic objectives and monitoring of the degree of risk assumed to that profile; and

- systematically evaluate the strategy and general risk policies in the company, translated into the establishment of limits by types of risk and business, with the level of disaggregation established by business, business groups or economic, clients, and areas of activity.

Appointments, Compensation and Corporate Governance Committee

Our Appointments, Compensation and Corporate Governance Committee (CNRGC) evaluates and supports the company by overseeing decision-making functions associated with the appointment and remuneration of members of the Board of Directors and senior management. It also oversees compliance with corporate governance rules, periodically reviewing our compliance measures and principles and proposing recommendations. It specifically undertakes to:

- report the company’s activities, when required, to the General Shareholders' Meeting and address concerns raised by shareholders within its competence;
- periodically evaluate the competencies, knowledge, and experience of the members of the Company's Board of Directors, and, when deemed necessary, propose the appointment or removal of a board member;
- review and present the objective criteria by which the company hires and remunerates members of the Board of Directors and assess the suitability of candidates
- report, when appropriate, on the independence qualification of candidates for board membership, for submission to the General Shareholders' Meeting by the board of directors or directly by shareholders;
- in cases of reelection or ratification of board members, determine if it is necessary to formulate a proposal containing an evaluation of the proposed member's work and effective dedication to the position during the last period;
- when deemed necessary, call attention to cases where members of the Board of Directors may negatively affect the functioning of the board or the company's reputation, especially in situations of incompatibility, disqualification, or legal prohibition;
- when needed, propose the succession policy for board members, senior management and other key executives;
- evaluate candidates and, when deemed necessary, propose the appointment and removal of the President of the company if another body within the bank does not do so;
- propose, when considered appropriate, the objective criteria by which the company hires and remunerates its key executives;
- propose and ensure compliance with the remuneration policy for board members, senior management, and other key executives (to be approved by the General Meeting);
- propose to the board of directors, within the framework of the remuneration policy approved by the General Shareholders’ Meeting, the individual amount of remuneration for board members including the Chairman of the Board, and Executive Members, if any, for performing functions other than those of board members, and other conditions of their employment contracts;
- supervise compliance with the remuneration policy of board members and other administrators, and the transparency of their remuneration when deemed necessary and another body within the entity does not do so;
- prepare the Annual Report on the remuneration of board members and, if applicable, of senior management;
- support the Chairman of the Board in conducting the annual evaluation of the Board, reviewing the results of the process, and bringing forward recommendations for its better functioning;
- suggest updates to the Human Resources Policy of the company when needed;
- ensure that shareholders and the market have access to complete, accurate, and timely information on the company that must be disclosed;
- if requested by the board of directors, present a report so that the compliance with its meetings and/or schedules during the period can be reviewed and evaluated, as well as the filing of documents for the appointment, independence, and appointment of Directors;

- support senior management in coordinating the induction process for new board members and promoting training and updating of them on topics related to the competencies of the Board of Directors when requested;
- ensure that corporate governance practices, business and administrative conduct and behavior, comply with the provisions of the Good Governance Code, as well as Country Code's best business practices survey and other internal and regulatory standards;
- present proposals for modifications, updates, and repeals of provisions related to the Statutes and Good Governance Code;
- monitor negotiations carried out by members of the Board of Directors and Administrators in regards to shares issued by the company and their performance in the securities market;
- address complaints presented by shareholders and investors or through Banco de Occidente's auditor related to the non-application of the company's corporate governance policies within the common ten (10) days following filing; and
- monitor, as far as possible, the Bank's website to ensure that it is updated with public information and in accordance with the law.

PRINCIPAL SHAREHOLDERS

Our only class of outstanding share capital consists of our common shares. Grupo Aval controls and is the beneficial owner of 72.27% of our issued and outstanding share capital at the date of this offering memorandum. Beneficial ownership generally includes voting or investment power over securities as determined under SEC rules. Percentage of beneficial ownership is based on 155,899,719 of our aggregate share capital outstanding as of December 31, 2023, comprising 72.27% common shares. At April 10, 2024, Mr. Luis Carlos Sarmiento Angulo was the beneficial owner of 97.8% of Grupo Aval's common shares outstanding and 45.4% of Grupo Aval's preferred shares outstanding and additionally beneficially owned 13.3% of the common shares of Banco de Occidente.

The principal shareholder, as a common shareholder, does not have any different or special voting rights in comparison to any other common shareholder.

The following table presents the share ownership of Banco de Occidente as of the date of this offering memorandum.

	Banco de Occidente ownership
	(in percentages)
Grupo Aval	72.3
Inversiones Escorial SAS	6.1
Ivan Felipe Mejia Cabal	5.0
Actiunidos SAS	4.5
Other investors (1)	12.1
Total	**100.0**

(1) Based on publicly available information, we have identified a group of investors who have maintained ownership of record of at least 1% in the equity of Banco de Occidente over a significant period of time.

RELATED PARTY TRANSACTIONS

We currently engage in, and expect from time to time in the future to engage in, financial and commercial transactions with "related parties" (within the meaning of the SEC rules). Unless otherwise indicated below, such transactions are conducted on an arm's-length basis in the ordinary course of business, on terms that would apply to transactions with third parties.

In accordance with IAS 24, a related party is a person or entity that is related to the entity preparing its financial statements, which may exercise control or joint control over the reporting entity, exercise significant influence over the reporting entity, or be regarded as a member of key management personnel of the reporting entity or of a parent of the reporting entity. The definition of related party includes: persons and/or relatives related to the entity (key management personnel), entities that are members of the same group (parent company and subsidiary), associates or joint ventures of the entity or of within the same group entities.

In accordance with the foregoing, the related parties for Grupo Aval and subsidiaries, Fiduciaria de Occidente S.A., Occidental Bank Barbados Ltd, Banco de Occidente (Panamá), S.A. and Ventas y Servicios S.A.—NEXA BPO, are classified in the following categories:

1. Individuals who exercise control or joint control over the Parent, i.e., who own more than a 50% interest in the reporting entity; additionally, includes close relatives who could be expected to influence or be influenced by that person.
2. Key management personnel, this category includes the Members of the Board of Directors and President of Grupo Aval, Fiduciaria de Occidente S.A., the General Manager of Ventas y Servicios S.A.—NEXA BPO, Occidental Bank Barbados Ltd. and Banco de Occidente (Panamá), S.A., plus the key management personnel of these entities, which are the persons who participate in the planning, direction and control of such entities.
3. Companies belonging to the same group, this category includes the controlling company, subsidiaries or other subsidiaries of the same controlling company of Grupo Aval.
4. Associated Companies and Joint Ventures: companies in which Grupo Aval has significant influence, which is generally considered when it owns between 20% and 50% of their capital.
5. This category includes entities that are controlled by individuals included in categories 1 and 2.
6. This item includes entities in which the persons included in items 1 and 2 exercise significant influence.

	Categories					
	December 31, 2023					
	1	2	3	4	5	6
	Individuals with control over Banco de Occidente	Key Management Personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by persons included in category 1 and 2	Entities that are have significant influence by persons included in category 1 and 2
	(in COP millions)					
Assets						
Elective and its equivalents	-	-	1,696	-	-	-
Financial assets in investments	-	-	-	113,931	-	-
Financial assets in credit operations	20	19,585	553,728	65,984	441,531	7,206
Accounts receivable	-	205	26,307	457	144,219	66
Other assets	-	1,065	26,300	-	233	-
Liabilities						
Deposits	141,699	69,872	1,423,443	19,455	342,812	7,820
Accounts payable	18	3,965	50,105	-	9,653	-
Financial obligations	-	133	70,051	-	59,325	-
Other liabilities	-	-	1,630	-	-	-
December 31, 2022						

	Categories					
	December 31, 2022					
	1	2	3	4	5	6
	Individuals with control over Banco de Occidente	Key Management Personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by persons included in category 1 and 2	Entities with significant influence by persons included in category 1 and 2
	(in COP millions)					
Assets						
Cash and cash equivalents	-	-	8,129	-	-	-
Financial assets in investments	-	-	-	103,796	-	-
Financial assets in credit operations	14	16,986	331,057	21,603	326,530	-
Accounts receivable	-	189	25,937	927	112,019	-
Other assets	-	208	16,731	-	968	-
Liabilities						
Deposits	182,872	60,416	1,002,228	78,738	288,440	2,376
Accounts payable	292	2,977	30,273	-	53	-
Financial obligations	-	130	54,465	-	58,107	-
Other liabilities	-	21	1,905	-	-	-

Certain members of our board of directors and key management own shares of Banco de Occidente that were acquired in the open market, which represent less than 10% of our total outstanding shares. See "Principal Shareholders." We do not, and have not, offered or granted any share options to any of our directors or employees.

Loans granted by us to related parties

Key management of Banco de Occidente and Grupo Aval, and their respective affiliates, who meet our credit eligibility requirements may subscribe to loans in the ordinary course of business, on market terms and conditions available to the general public, with us or any other Grupo Aval subsidiary bank.

All outstanding loans with our related parties are made in the ordinary course of business and on terms and conditions, including interest rates and collateral, not materially different from those available to the general public and did not involve more than the normal risk of collectability or present other unfavorable features.

Other transactions with Grupo Aval and its subsidiaries

We coordinate our electronic channels within our branches, Porvenir and with other Grupo Aval banks through A Toda Hora S.A., a subsidiary of Banco AV Villas.

We also participate in the *Red Grupo Aval* network, which coordinates connectivity between branches, technical support, webpages and transactional Internet, mobile banking, non-banking correspondence and payments and collections.

Porvenir has entered into service agreements with us and Banco de Bogotá, Banco Popular and Banco AV Villas to maintain an operating presence in certain of our and their respective branches. The agreements provide for a collection service for Porvenir's customers, allowing them to use each bank's branch network to transfer money to Porvenir's mandatory and voluntary pension funds and severance funds, without any charges or fees to the customer. It also requires Porvenir and each bank to monitor and record any cash transactions and comply with anti- money laundering and terrorism financing regulations. These agreements do not have a definite termination date and can be terminated at any time by providing notice to the other party. The agreements were concluded on an arms-length basis.

Other transactions with Mr. Sarmiento Angulo and his affiliates (outside of Grupo Aval)

In addition to his beneficial ownership in Grupo Aval, at December 31, 2023, Mr. Sarmiento Angulo beneficially owned 72.27% of Banco de Occidente, see "Principal Shareholders."

Like all shareholders of Banco de Occidente, Mr. Sarmiento Angulo receives dividends prorated to his shareholding interest in Banco de Occidente.

Insurance services

Banco de Occidente and its subsidiaries offer insurance products affiliated with Seguros de Vida Alfa, or "Vida Alfa," and Seguros Alfa S.A., or "Alfa," through their bancassurance lines.

Seguros de Vida Alfa S.A.

Seguros de Vida Alfa, or "Vida Alfa," is the leading insurance company in Colombia. Vida Alfa offers mandatory life insurance that protects financial obligations, providing coverage for death from any cause and total and permanent disability. The insurance provider is selected by Banco de Occidente through a competitive bidding process once every two years.

As of April 2024, Vida Alfa has been provided by Banco de Occidente with the following:

- Vehicle loans
- Residential loans
- Credit card
- Non-residential leasing

The premiums under this insurance policy are deducted by Banco de Occidente from monthly loan payments and transferred to Vida Alfa on behalf of the individual customer.

Vida Alfa also provides:

- Life insurance, as a sole provider
- Workers' compensation for all employees of Banco de Occidente and its subsidiaries

Seguros Alfa S.A.

Seguros Alfa S.A., or "Alfa," a property and casualty insurance affiliate of Sarmiento Angulo Group, provides:

- Surety bonds and property insurance for Banco de Occidente and subsidiaries
- Alfa has in the past, provided bankers blanket bond coverage to Banco de Occidente and subsidiaries and reinsured under prevailing market conditions.

Other

The following companies are beneficially owned by Mr. Sarmiento Angulo, and may continue to, provide services to us and our subsidiaries for amounts that are immaterial: Construcciones Planificadas S.A. (office renovations), Vigía S.A. (security services), and Corporación Publicitaria S.A. (advertising). For additional information on related party transactions, see Note 30 to the Audited Consolidated Financial Statements.

DESCRIPTION OF THE NOTES

As used below in this "Description of the Notes" section, the "Bank" means Banco de Occidente S.A., a *sociedad anónima* organized and existing, and authorized to conduct business as a banking establishment (*establecimiento bancario*) under the laws of the Republic of Colombia, and its successors. The Bank will issue the Notes (as defined herein) described in this listing prospectus under an indenture to be dated as of May 13, 2024 (the "Indenture") to be executed between the Bank and The Bank of New York Mellon, as trustee (the "Trustee"), transfer agent and security registrar, and The Bank of New York Mellon acting through its London Branch, as paying agent. The terms of the Notes include those set forth in the Indenture. You may obtain a copy of the Indenture from the Bank at its address set forth elsewhere in this listing prospectus and, for so long as the Notes are admitted to listing on the Official List of the Luxembourg Stock Exchange (the "LSE") and to trading on the Euro MTF Market, at the office of the paying agent in Luxembourg.

The following is a description of the material terms and provisions of the Notes. The following description does not purport to be a complete description of all the terms of the Notes and is subject to the detailed provisions of, and qualified in its entirety by reference to, the Indenture. You can find definitions of certain terms used in this description under the heading "—Certain Definitions."

General

The 10.875% Tier Two Capital Subordinated Notes due August 13, 2024 (the "Notes") are being issued by the Bank as subordinated debt instruments (*bonos subordinados*) under the laws of Colombia (with the effects set forth in Article 2.1.1.1.6, 2.1.1.1.9 and 2.1.1.1.13 of Decree 2555). The Notes are not treated under the banking laws and regulations of Colombia as bank deposits, and Holders are not required to open accounts with the Bank. Holders will not have recourse to deposit insurance or any other protections afforded to depositors in financial institutions under the laws of any jurisdiction. The Notes are treated under Colombian and New York law as debt instruments.

According to Colombian banking laws, banks are permitted to issue subordinated debt, including the Notes, and to include the outstanding aggregate principal amount of such subordinated debt as a component of Tier Two Capital, upon classification from the SFC, provided that: (i) the instrument creating or evidencing such subordinated debt or pursuant to which the same is outstanding expressly provides that, in the event of the Bank's liquidation, such subordinated debt will rank junior in right of payment to the prior payment in full of all of the Bank's existing and future Senior Liabilities; (ii) the instrument is not secured, insured nor has any contractual provision providing for a different degree of subordination or any other change in the nature of the instrument; (iii) such subordinated debt has a term to maturity equal to or greater than five (5) years; (iv) there are no optional prepayments or any other rights conferred upon the creditors of such subordinated debt that reduce such term to less than five (5) years; (v) for the five (5) years following its Issuance Date, the instrument may only be redeemed, repurchased or prepaid provided that: (a) the Bank obtains prior approval of the SFC and any other then applicable Governmental Authority of Colombia and (b) after such redemption, repurchase or prepayment, the Bank complies with all minimum capital requirements, solvency ratios and applicable capital buffers under applicable Colombian laws and regulations, or otherwise, the Bank issues new instruments that qualify as Common Equity Tier One Capital, Additional Tier One Capital or Tier Two Capital of the Bank in an amount of such redemption, repurchase or prepayment and on conditions that are sustainable for the earning capacity of the Bank; (vi) the Bank may only redeem, prepay or repurchase the Notes before the five (5) year term only under a Regulatory Event or Tax Event, as defined herein, after obtaining approval from the SFC; (vii) the Notes are not financed by the Bank or its affiliates, and (viii) the Notes contain a loss absorption mechanism in compliance with Decree 2555 (see "—Loss Absorption)".

Technical Capital is defined in article 2.1.1.1.5 of Decree 2555 and paragraph 2.3 of Chapter XIII-16 of External Circular as the sum of Tier One Capital, which consists of different types of capital, such as Capital Stock, capital reserves and certain types of indebtedness, and Tier Two Capital, which includes subordinated debt which satisfies the requirements set forth above, such as the Notes, less deductions provided for in the applicable Banking Regulations.

Principal, Maturity and Interest

The Notes will mature on August 13, 2034. The Notes will be redeemed at 100% of their face value at maturity. The Notes will bear interest on their principal amount from and including the Issue Date, to but excluding, August 13, 2029 (the "Reset Date"), at the rate of 10.875% per year. During the period from and including the Reset Date to, but excluding, the date of maturity or earlier redemption date of the Notes, the

Notes will bear interest on their principal amount at a rate per year that will be equal to the sum of (i) the Treasury Rate on the Reset Date and (ii) 640.8 basis points. The Treasury Rate will not be defined based on the Bank's credit solvency. On the Reset Date, the Bank shall provide to the holders of the Notes (with a copy to the Trustee) a notice setting forth the interest rate as of the Reset Date. Interest on the Notes will be payable semi-annually on August 13 and February 13 of each year (each, an "interest payment date"), commencing on August 13, 2024. Interest on the Notes will be paid on the dates specified above to the Holders of record at the close of business on July 29 or January 29 (whether or not a Business Day), as the case may be, immediately preceding the relevant interest payment date. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months. If any interest payment date or final maturity date is a day that is not a Business Day, the related payment of the principal and interest will be made on the next succeeding Business Day as if it were made on the date the payment was due, and no interest will accrue on the amounts so payable for the next period from and after the interest payment date or the final maturity date, as the case may be, to the next succeeding Business Day.

The Notes will be issued in registered form, without interest coupons, and in minimum denominations of U.S.$50,000 and integral multiples of U.S.$1,000. Each book-entry note will be represented by one or more notes deposited with and registered in the name of the nominee of the common depositary for the accounts of Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme ("Clearstream"). Beneficial interests in the Notes will be limited to persons that have accounts with Euroclear and Clearstream or persons that may hold interests through such participants. Beneficial interests in the Notes and transfers thereof will be subject to the restrictions on transfer and certification requirements summarized below. See "—Book-Entry System; Delivery and Form."

The Bank will pay the principal of and interest on the Notes and any Additional Amounts (as defined below) in U.S. Dollars.

An aggregate principal amount of Notes equal to U.S.$175,000,000 is being issued in this offering. The Bank may issue additional Notes having identical terms and conditions (other than issue date, issue price and in certain cases, first interest payment date) to the Notes being issued in this offering (the "Additional Notes"). Any Additional Notes will be part of the same issue as the Notes being issued in this offering and will be treated as one class with the Notes being issued in this offering, including for purposes of voting, redemptions and offers to purchase and, upon classification from the SFC, capital classification. Holders of Additional Notes would have the right to vote together with Holders of the Notes issued hereby as one class. For purposes of this "Description of the Notes," references to the Notes include Additional Notes, if any.

Additional Amounts

All payments made by the Bank under or with respect to the Notes will be made free and clear of and without withholding or deduction for or on account of any present or future Taxes imposed or levied by or on behalf of any Taxing Authority in any jurisdiction in which the Bank is organized or is otherwise resident for tax purposes or any jurisdiction from or through which payment is made (each a "Relevant Taxing Jurisdiction"), unless the Bank is required to withhold or deduct Taxes by law or by the interpretation or administration thereof. If the Bank is required to withhold or deduct any amount for or on account of Taxes imposed by a Relevant Taxing Jurisdiction, from any payment made under or with respect to the Notes, the Bank will pay such additional amounts ("Additional Amounts") as may be necessary so that the net amount received by each Holder (including Additional Amounts) after such withholding or deduction (including withholding or deduction with respect to Additional Amounts payable hereunder) will equal the amount the Holder would have received if such Taxes had not been withheld or deducted; provided, however, that no Additional Amounts will be payable with respect to any Tax:

(1) to the extent such Taxes are imposed by reason of any present or former connection between the Holder and the Relevant Taxing Jurisdiction (including being a citizen or resident or national of, or carrying on a business or maintaining a permanent establishment in, or being physically present in, the Relevant Taxing Jurisdiction) other than the mere holding of the Notes or enforcement of rights thereunder or the receipt of payments in respect thereof;

(2) to the extent such Tax is imposed due to the failure to satisfy any certification, identification or other reporting requirements whether imposed by statute, treaty, regulation or administrative practice, provided, however, that the Bank has delivered a request to the Holder to comply with such requirements at least 30 days prior to the date by which such compliance is required;

(3) to the extent such Taxes are imposed due to the failure by the Holder to present the Notes (where presentation is required) for payment within 30 days after the date such payment was due and payable or was duly provided for, whichever is later, provided that the Bank will pay Additional

Amounts to which a Holder would have been entitled had the Notes been surrendered on the last day of such 30-day period;

(4) where such Taxes are an estate, inheritance, gift, value added, use or sales Tax or any similar Tax; or

(5) where the Holder could avoid such Tax by requesting that a payment on the Notes be made by, or is able to avoid such tax by presenting the relevant Notes for payment to, another paying agent in the European Union;

(6) where such withholding or deduction of Taxes is imposed under Section 1471(b) of the Internal Revenue Code of 1986, as amended (the "*Code*") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto; or

(7) any combination of items (1) through (6) above.

In addition, Additional Amounts will not be payable if the registered holder of a Note is a fiduciary, a partnership or any other person other than the sole beneficial owner of, or Person ultimately entitled to obtain an interest in, such Notes had been the Holder and such beneficiary or settlor with respect to a fiduciary, a member of a partnership or the beneficial owner of such payment would not be entitled to the payment of Additional Amounts by reason of clauses (1) to (7) above if it had been the registered holder of such Note. In addition, Additional Amounts will not be payable with respect to any Taxes which are payable otherwise than by withholding from payments of, or in respect of principal of, or any interest or other amounts payable on or with respect to, the Notes.

Whenever in the Indenture or in this "Description of the Notes" there is mentioned, in any context, the payment of amounts based upon the principal amount of the Notes or of principal, interest or of any other amount payable under or with respect to any of the Notes, such mention shall be deemed to include mention of the payment of Additional Amounts to the extent that, in such context, Taxes are, were or would be payable in respect thereof.

Within 30 days after any request, the Bank will provide the Trustee with documentation satisfactory to the Trustee evidencing the payment of Additional Amounts.

The Bank will pay any present or future stamp, court or documentary taxes, or any other excise or property taxes, charges or similar levies which arise in any jurisdiction from the execution, delivery or registration of the Notes or any other document or instrument referred to therein, or the receipt of any payments with respect to the Notes, excluding any such taxes, charges or similar levies imposed by any jurisdiction other than a jurisdiction in which the Bank is organized or is otherwise resident for tax purposes or any jurisdiction in which a paying agent is located, but not excluding those resulting from, or required to be paid in connection with, the enforcement of the Notes or any other such document or instrument following the occurrence of any Event of Default with respect to the Notes.

Methods of Receiving Payments on the Notes

The Bank will make payments of principal of and interest on the Notes and any Additional Amounts represented by global securities by wire transfer of U.S. dollars at the specified office or agency of one or more paying agents; provided that all such payments with respect to the Notes represented by one or more global notes registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream, as applicable, will be made by wire transfer of immediately available funds to the account specified by the Holder or Holders thereof.

Payments with respect to the principal of premium, if any, and interest on any Notes represented by a global note registered in the name of or held by a nominee of a common depositary for Euroclear and Clearstream on the applicable record date will be payable by the Trustee to or at the direction of such nominee in its capacity as the registered holder of the global note representing such Notes under the Indenture. Under the terms of the Indenture, the Bank and the Trustee, the paying agents, the security registrar and the transfer agents may treat the persons in whose names the Notes, including the global notes, are registered as the owners thereof for the purpose of receiving payment thereon and for any and all other purposes whatsoever. Accordingly, neither the Bank nor the Trustee, any paying agent, security registrar or transfer agent has or will have any responsibility or liability for the payment of such amounts to owners of beneficial interests in respect of a global note (including principal, premium, if any, liquidated damages, if any, and interest). Payments by the participants and the indirect participants to the owners of beneficial interests in respect of a global note will be governed by standing instructions and customary industry practice and will be the responsibility of the participants or the indirect participants in Euroclear or Clearstream.

Neither we nor the Trustee or any paying agent, security registrar or transfer agent will have any responsibility for the performance by Euroclear or Clearstream or their respective participants or indirect participants of their respective obligations under the rules and procedures governing their operations.

Notices

Notices to be given to Holders of a global note will be given to the nominee of the common depositary for the accounts of Euroclear and Clearstream in accordance with their applicable procedures. If Notes are issued in individual definitive form, notices will be sent by mail to the respective addresses of the Holders as they appear in the security register maintained by the security registrar, and the Bank will consider such a notice to be given at the time it is mailed. Neither the failure to give any notice to a particular Holder, nor any defect in a notice given to a particular Holder, will affect the sufficiency of any notice given to another Holder.

In addition, so long as the Notes are listed on the LSE for trading on the Euro MTF Market and the rules of such exchange so require, notices will also be published in a leading newspaper having general circulation in Luxembourg (which is expected to be *Luxemburger Wort*) or on the website of the LSE (www.bourse.lu). Any such notice will be deemed to have been delivered on the date of first publication.

Subordination of Notes

The payment of all obligations on or relating to the Notes will, in the event of liquidation or as otherwise set forth in the Indenture, be subordinated in right of payment to the prior payment in full in cash or cash equivalents of all outstanding obligations due in respect of Senior Liabilities of the Bank, whether outstanding on the Issue Date or incurred, assumed or guaranteed after that date.

The Notes will constitute unsecured and subordinated obligations of the Bank and will rank *pari passu* with all other unsecured and subordinated Indebtedness of the Bank, if any, that complies with the Tier Two Capital requirements set forth in Decree 2555, other than subordinated Indebtedness that, under its terms, is designated as junior to the Notes. Pursuant to Colombian banking laws, and upon classification by the SFC, the Notes will constitute Tier Two Capital "subordinated debt instrument" (*instrumento de deuda*) in compliance with the requirements of Decree 2555.

Upon any distribution to creditors of the Bank in a total or partial liquidation or dissolution of the Bank, in the event that the SFC institutes an Intervention Measure to the Bank and determines to liquidate the Bank, or in a takeover (*Toma de Posesión*) relating to the Bank or its property, in an assignment for the benefit of creditors or any marshaling of the assets and liabilities of the Bank, the creditors holding Senior Liabilities will be entitled to receive payment in full of all obligations due in respect of such Senior Liabilities (including interest after the commencement of any takeover proceeding at the rate specified in the applicable Senior Liabilities) before the Holders of the Notes will be entitled to receive any payment with respect to the Notes.

As a result of the subordination provisions described above in the event of a liquidation of the Bank, the Notes will be senior only to subordinated instruments constituting Tier One Capital and the Bank's Capital Stock, and accordingly, Holders may recover less ratably than creditors of the Bank who are creditors of Senior Liabilities and holders of *pari passu* subordinated debt of the Bank that does not include a Write-Down feature (as described below).

Loss Absorption

Subject to applicable laws in Colombia and regulations in effect, if: (i) there is a reduction in the Bank's Basic Individual Solvency Ratio or the Bank's Basic Consolidated Solvency Ratio, whichever occurs first, below 4.5%; or (ii) the SFC, in its discretion, otherwise so determines in writing (each of the foregoing, a "Write-Down Event"), the outstanding principal, accrued and unpaid interest, and any other amounts due on the Notes will be automatically and permanently reduced, <u>pro</u> <u>rata</u> with reductions in the outstanding principal, accrued and unpaid interest and any other amounts due on other subordinated Tier Two Capital Indebtedness of the Bank, if any, as to which a Write-Down Event has occurred, if any, to the extent permitted by the SFC (other than subordinated Indebtedness that, under its terms, is designated as junior to the Notes) so that after such reduction (x) the Bank's Basic Individual Solvency Ratio is restored to 6%, (y) the Bank's Basic Consolidated Solvency Ratio is restored to 6%, and/or (z) the Bank is in compliance with any other order of the SFC to restore the Bank's Basic Individual Solvency Ratio or Basic Consolidated Solvency Ratio to 6%, as applicable (a "Write-Down"); <u>provided</u> that, the principal amount of the Notes may not be written down below zero. The amount by which the outstanding principal amount, accrued and unpaid interest, and any other amounts due on the Notes is reduced upon the occurrence of a Write-Down Event is referred to as the "Permanent Reduction Amount".

In the event that the Write-Down is insufficient to restore the Bank's Basic Individual Solvency Ratio or the Basic Consolidated Solvency Ratio to the required levels, the principal amount of the Notes will be fully amortized and reduced to zero.

Under the Banking Regulations, a Write-Down will be triggered prior to the issuance by the SFC or any other Governmental Authority of Colombia of an order for the capitalization or net-worth enhancement (*fortalecimiento patrimonial*) of the Bank with public funds. The exercise of any Write-Down power by the SFC may be imposed without any prior notice by the SFC of its decision to exercise such power with respect to the Notes.

The Bank shall notify the holders of the Notes in writing (with a copy to the Trustee) of any Write-Down Event and of any related Write-Down within two (2) Business Days following such Write-Down Event or Write-Down. Such notice shall be accompanied by an Officers' Certificate of the Bank certifying, among others, the occurrence of a Write-Down Event and the method of calculation of the Permanent Reduction Amount. On the applicable reduction date, the principal amount of the Notes shall be decreased as specified in such notice and the amounts of accrued and unpaid interest and any other amounts due on the Notes as of such reduction date shall be decreased, in each case to the extent specified in such notice. Following such reduction date, interest will accrue on the reduced principal amount of the Notes after giving effect to the Write-Down.

The Trustee shall not be liable with respect to (i) any aspect of a Write-Down Event (or the Bank's failure to deliver any notice of such events to the holders of the Notes) or the related Write-Down, (ii) the adequacy of the disclosure of these provisions herein or any other offering material in respect of the Notes or for the direct or indirect consequences thereof or (iii) any other requirement of the Bank contained herein related to a Write-Down Event or the Write-Down. For the avoidance of doubt, the Bank's obligation to indemnify the Trustee in accordance with the Indenture shall survive any Write-Down.

A Write-Down Event and the subsequent reduction of the outstanding principal, accrued and unpaid interest, and any other amounts on the Notes shall not be an Event of Default. Any Holder of Notes will be deemed to have (i) irrevocably waived its right to claim or receive from, the Bank, the repayment of any amount that has been reduced as a result of the Write-Down Event, irrespective of whether such amount has become due and payable prior to the date on which the Write-Down Event occurred; (ii) to have agreed that effective upon, and following a Write-Down, the registered holders of the Notes and any beneficial owners shall not have the right to give a direction to the Trustee with respect to the Write-Down Event and any related Write-Down; (iii) to have acknowledged that a Write-Down Event and any related Write-Down may occur without any further action on the part of such holders of the Notes or the Trustee; and (iv) authorized, directed and requested Euroclear or Clearstream and any direct participant in Euroclear or Clearstream or other intermediary through which it holds such Notes to take any and all necessary action, if required, to implement the Write-Down without any further action or direction on the part of such holder or the Trustee.

Optional Redemption – Optional Redemption Period

During the Optional Redemption Period, which will occur at least five (5) years after the Issue Date, and subject to (a) the prior approval of the SFC and/or any other then applicable Governmental Authority of Colombia, and (b) after the relevant redemption, compliance by the Bank with all minimum capital requirements, solvency ratios and applicable capital buffers under applicable Colombian laws and regulations, or otherwise, issuance by the Bank of new instruments that qualify as Common Equity Tier One Capital, Additional Tier One Capital or Tier Two Capital of the Bank in an amount of such redemption and on conditions that are sustainable for the earning capacity of the Bank, the Bank may at its option redeem the Notes in whole or in part, upon giving not less than 10 nor more than 60 days' notice to the Holders of the Notes (with a copy to the Trustee), at a redemption price equal to 100% of the principal amount of the Notes being redeemed plus any accrued and unpaid interest on the principal amount of the Notes being redeemed up to, but excluding, the date of such redemption, plus Additional Amounts, if any (subject to the right of Holders of record on the relevant record date to receive interest due on the relevant interest payment date).

Optional Redemption – Regulatory Event

If a Regulatory Event occurs, subject to (a) compliance with applicable Colombian laws and regulations then in effect and (b) the prior written approval of the SFC and/or any other then applicable Governmental Authority of Colombia, the Bank may give the holders of all the affected Notes (with a copy to the Trustee) irrevocable notice of redemption of such affected Notes on a specified prepayment date (which shall be not less than 30 days nor more than 60 days after the date of such notice) and stating that all of the affected Notes shall be redeemed at 100% of the principal amount of the Notes being redeemed plus any accrued and unpaid interest on the principal amount of the Notes being redeemed up to, but excluding, the date of such redemption, plus Additional Amounts, if any.

"*Regulatory Event*" means (individually or collectively with one or more prior changes or amendments) any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) or treaties of Colombia, which change or amendment becomes effective on or after the Issue Date, as a result of which the Notes will no longer comply with the criteria to be classified as Tier Two Capital pursuant to applicable Colombian capital regulations (other than pursuant to article 2.1.1.1.13 letter (c) of the Decree 2555, which as of the Issue Date provides that starting on the date that is five (5) years before the scheduled maturity of the Notes, the principal amount of the Notes that account as Tier Two Capital shall be reduced by annual amortization using the straight-line method). The Bank's determination that any amendment or change in laws constitutes a Regulatory Event shall be evidenced by an Officers' Certificate of the Bank supported by an Opinion of Counsel having recognized expertise in the field of capital banking regulation in Colombia, both of which shall be delivered to all Holders of the Notes prior to or concurrently with the relevant redemption notice in respect of such Regulatory Event.

Optional Redemption – Tax Event

If a Tax Event occurs, subject to (a) compliance with applicable Colombian laws and regulations then in effect and (b) the prior written approval of the SFC and/or any other then applicable Governmental Authority of Colombia, the Bank may give the holders of all the affected Notes (with a copy to the Trustee) irrevocable notice of redemption of such affected Notes on a specified prepayment date (which shall be not less than 30 days nor more than 60 days after the date of such notice) and stating that all of the affected Notes shall be redeemed at 100.0% of the principal amount of the Notes being redeemed plus any accrued and unpaid interest on the principal amount of the Notes being redeemed up to, but excluding, the date of such redemption, plus Additional Amounts, if any, except in the case of an affected Note if the Holder of such affected Note reject such prepayment of such Note by notice to the Bank (with a copy to the Trustee) within 20 days.

"*Tax Event*" means (individually or collectively with one or more prior changes) any change in or amendment to the laws (or any rules or regulations thereunder) of a Relevant Taxing Jurisdiction, or any treaties or related agreements to which the Relevant Taxing Jurisdiction is a party (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after the Issue Date or, if later, the date on which the applicable Relevant Taxing Jurisdiction became a Relevant Taxing Jurisdiction, that provides a change in the tax treatment of interest payable by the Bank on the Notes, and as a consequence of which (i) the Bank has or will become obligated to pay Additional Amounts or (ii) there is more than an immaterial risk that interest payable by the Bank on the Notes is not or will not be deductible by the Bank in whole or in part for Colombian income tax purposes, and in each case of (i) or (ii) such obligation cannot be avoided by the Bank taking reasonable measures available to it. The Bank's determination that any amendment or change in laws constitutes a Tax Event shall be evidenced by an Officers' Certificate of the Bank supported by an Opinion of Counsel having recognized expertise in the field of capital banking regulation in Colombia, both of which shall be delivered to all Holders of the Notes prior to or concurrently with the relevant redemption notice in respect of such Tax Event.

In connection with a redemption following the occurrence of a Regulatory Event or Tax Event, the Bank must provide the Trustee an Officers' Certificate and an opinion of an independent legal counsel of nationally recognized standing in such regulatory or tax matters, as applicable, stating that the conditions set forth in the Indenture for such exercise have been met including, among other things, that: (i) all governmental approvals necessary for the Bank to effect the redemption have been obtained and are in full force and effect or specifying any such necessary approvals that as of the date of such opinion have not been obtained; (ii) in the case of a redemption following the occurrence of a Regulatory Event, that a Regulatory Event has occurred; and (iii) in the case of a redemption following the occurrence of a Tax Event, that (A) the Bank has become obligated to pay the Additional Amounts as a result of a Tax Event; and (B) the Bank cannot avoid payment of the Additional Amounts by taking reasonable measures available to it.

Certain Covenants

The Indenture will contain, among others, the following covenants:

Use of Proceeds.

The Bank shall apply the proceeds from the sale of the Notes (a) to pay fees, costs and expenses in connection with the offering of the Notes, and (b) for general corporate purposes of the Bank.

Mergers, Consolidations, Etc.

The Bank will not consolidate with or merge into, or sell, lease, convey or transfer, in one transaction or a series of transactions, all or substantially all of the Bank's assets to any other Person unless:

(i) the Bank obtains any and all regulatory approvals in connection therewith;

(ii) the surviving entity, if other than the Bank, is organized and existing under the laws of an Eligible Jurisdiction and assumes under a supplemental indenture all of the obligations under the Notes and the Indenture;

(iii) immediately prior to or after giving effect to such transaction (and treating all liabilities assumed as a result of such transaction as having been incurred by it at the time of such transaction), no Default or Event of Default shall exist; and

(iv) the Bank or the surviving entity will have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel, in form and substance satisfactory to the Trustee, each stating that such consolidation, merger, sale, assignment, conveyance, transfer, lease or other disposition, and if a supplemental indenture is required in connection with such transaction, such supplemental indenture, complies with the requirements of the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied and that the Indenture and the Notes constitute legal, valid and binding obligations of the surviving entity, enforceable in accordance with their term.

Scope of Business.

The Bank shall not make any substantial change to the general nature of its business and operations from that carried on at the Issue Date, including those reasonably ancillary thereto, nor engage in any line of business not permitted under the Banking Regulations.

Maintenance of Office or Agency

The Bank shall maintain an office or agency in the Borough of Manhattan, The City of New York, where notices to and demands upon the Bank in respect of the Notes and the Indenture may be served. Initially this office will be the corporate trust office of the Trustee, and the Bank will agree not to change the designation of such agent without prior notice to the Trustee and designation of a replacement agent in the Borough of Manhattan, The City of New York; *provided however*, that the corporate trust office of the Trustee shall not be deemed an office or agent of the Bank for purposes of service of legal process.

Provision of Financial Statements and Reports

So long as any Notes are outstanding, the Bank will furnish to the Trustee:

(1) Within 120 days following the end of each of the Bank's fiscal years, an English version (or accompanied by an English translation thereof) of the Bank's consolidated audited income statements, balance sheets, statements of shareholders equity and cash flow statements and the related notes thereto, in each case of the Bank and its Subsidiaries and for the such fiscal year and prepared in accordance with the Colombian Banking IFRS, together with an audit report thereon by the Bank's independent auditors and with corresponding notes to the financial statements in English; and

(2) Within 55 days following the end of the first three fiscal quarters in each of the Bank's fiscal years, an English version (or accompanied by an English translation thereof) of the Bank's quarterly reports containing unaudited consolidated balance sheets, statements of income, statements of shareholders equity and statements of cash flows and the related notes thereto, in each case of the Bank and its Subsidiaries and for the quarterly period then ended and the corresponding quarterly period in the prior fiscal year and prepared in accordance with Colombian Banking IFRS, and with corresponding notes to the financial statements in English.

In addition, if and so long as the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market and the rules of the LSE so require, copies of such reports and information furnished to the Trustee will also be made available at the specified office of the paying agent in Luxembourg.

The Trustee shall have no duty to review or analyze reports delivered to it. Delivery of such reports, information and documents to the Trustee shall be for informational purposes only and the Trustee's receipt of such reports, information and documents shall not constitute actual or constructive notice or knowledge of any information contained therein or determinable from information contained therein, including the Bank's compliance with any of the covenants contained in the Indenture (as to which the Trustee will be entitled to conclusively rely upon an Officers' Certificate).

Further Actions

The Bank will, at its own cost and expense, satisfy any condition or take any action (including the obtaining or effecting of any necessary consent, approval, authorization, exemption, filing, license, order, recording or registration) at any time required, as may be necessary or as the Trustee may reasonably request, in accordance with applicable laws and/or regulations, to be taken, fulfilled or done in order to (i) enable the Bank to lawfully enter into, exercise its rights and perform and comply with its obligations under the Indenture and the Notes, as the case may be; (ii) ensure that its obligations under the Indenture and the Notes are legally binding and enforceable; (iii) make the Indenture and the Notes admissible in evidence in the courts of the State of New York and Colombia; (iv) preserve the enforceability of, and maintain the Trustee's rights under, the Indenture; and (v) respond to any reasonable requests received from the Trustee to enable the Trustee to facilitate the Trustee's exercise of its rights and performance of its obligations under the Indenture and the Notes, including exercising and enforcing its rights under and carrying out the terms, provisions and purposes of the Indenture and the Notes.

Events of Default

Each of the following is an "Event of Default:"

(1) failure by the Bank to pay interest or Additional Amounts, if any, on any of the Notes when it becomes due and payable and the continuance of any such failure for more than 3 Business Days, except in a Write-Down Event that affects the payment of such interest or Additional Amounts; provided that such failure shall not constitute an Event of Default if the Bank cures such default within 30 days;

(2) failure by the Bank to pay the principal on any of the Notes when it becomes due and payable, whether at stated maturity or otherwise, except in a Write-Down Event that affects the payment of such principal; provided that such failure shall not constitute an Event of Default if the Bank cures such default within 7 Business Days;

(3) to the extent permitted by applicable Colombian laws, the Bank or any Significant Subsidiary pursuant to or within the meaning of any Bankruptcy Law:

(a) commences a voluntary case;

(b) consents to the entry of an order for relief against it in an involuntary case;

(c) consents to the appointment of a Custodian of it or for all or substantially all of its assets;

(d) makes a general assignment for the benefit of its creditors; or

(e) is subject to any other Intervention Measure or Preventive Measure;

(4) to the extent permitted by applicable Colombian laws, a court or other Governmental Authority of competent jurisdiction enters an order or decree under any Bankruptcy Law that:

(a) is for relief against the Bank or any Significant Subsidiary as debtor in an involuntary case;

(b) appoints a Custodian of the Bank or any Significant Subsidiary or a Custodian for all or substantially all of the assets of the Bank or any Significant Subsidiary; or

(c) orders the liquidation of the Bank or any Significant Subsidiary, and the order or decree remains unstayed and in effect for 60 days.

If the Bank fails to make payment of principal of the Notes, or the Bank fails to make payment of interest or Additional Amounts, if any, on the Notes for more than 3 Business Days (and, in the case of payment of principal, such failure to pay continues for 7 Business Days or, in the case of payment of interest or Additional Amounts, such failure to pay continues for 30 days), each Holder has the right to demand and collect under the Indenture and the Bank will pay to the Holders the applicable amount of such due and payable principal, accrued interest and Additional Amounts, if any, on the Notes; provided, however, that to the extent that the SFC has adopted an Intervention Measure in connection with the Bank, under the Bankruptcy Law, the Holders would not be able to commence proceedings to collect amounts owed outside the intervention proceeding.

As long as Colombia's applicable insolvency laws provide for restrictions on or sanctions associated with the ability of the Holders, directly or indirectly, to exercise the right to declare an Event of Default under clauses (3) or (4) above, (i) nothing in such clauses shall prevent the commencement of any reorganization or insolvency proceeding in Colombia, whether voluntary or involuntary, in respect of the Bank or any of its Colombian Subsidiaries, (ii) prohibit the Bank or any of its Colombian Subsidiaries from entering into a reorganization proceeding in Colombia, or (iii) cause an unfavorable effect (*efecto desfavorable*) upon the Bank or any of its Colombian Subsidiaries.

There is no right of acceleration in the case of a Default in any payment on the Notes (whether when due or otherwise) or the performance of any of the Bank's other obligations under the Indenture or the Notes. Notwithstanding the immediately preceding sentence, the Holders shall have the right to accelerate the payments due under the Notes during the occurrence of an Event of a Default; provided that there shall have been a change, amendment or modification to Colombian banking laws that would permit such right without disqualifying the Notes from Tier Two Capital status and the Holders exercise such right in accordance with applicable Colombian banking law. Subject to the subordination provisions of the Notes, if any Event of Default occurs and is continuing, the Trustee may pursue any available remedy (excluding acceleration, except as provided herein) to collect the payment of principal and interest on the Notes or to enforce the performance of any provision under the Indenture. See "Risk Factors—Risks Relating to the Notes—Holders of notes will not have the right to accelerate the notes."

The Trustee is not to be charged with knowledge of any Default or Event of Default (other than a payment default under clauses (1) or (2) above) or knowledge of any cure of any Default or Event of Default unless an authorized officer of the Trustee with direct responsibility for the Indenture has received written notice of such Default or Event of Default by the Bank or any Holder.

Satisfaction and Discharge

The Indenture will be discharged and will cease to be of further effect (except as to rights of registration of transfer or exchange of Notes, which shall survive until all Notes have been canceled) as to all outstanding Notes when:

(a) either:

(1) all the Notes that have been authenticated and delivered (except lost, stolen or destroyed Notes which have been replaced or paid and Notes for whose payment money has been deposited in trust or segregated and held in trust by the Bank and thereafter repaid to the Bank or discharged from this trust) have been delivered to the Trustee for cancellation; or

(2) all Notes not delivered to the Trustee for cancellation otherwise have become due and payable and the Bank has irrevocably deposited or caused to be deposited with the Trustee trust funds in trust in an amount of money sufficient to pay and discharge all principal and accrued interest on the Notes not theretofore delivered to the Trustee for cancellation, and the Bank has delivered irrevocable instructions to the Trustee to apply the deposited money toward the payment of the Notes at maturity;

(b) the Bank has paid all sums payable by it under the Indenture; and

(c) the Bank has delivered an Officers' Certificate and an Opinion of Counsel stating that all conditions precedent to satisfaction and discharge have been complied with.

Transfer and Exchange

A Holder will be able to register the transfer of or exchange Notes only in accordance with the provisions of the Indenture. The security registrar may require a Holder, among other things, to furnish appropriate endorsements and transfer documents and to pay any taxes and fees required by law or permitted by the Indenture. Without the prior consent of the Bank, the Registrar is not required to register the transfer or exchange of a Note between a record date and the next succeeding interest payment date.

The Notes will be issued in registered form and the registered Holder will be treated as the owner of such Note for all purposes.

Purchase of Notes

To the extent permitted by applicable laws and/or regulations, and in compliance with Article 2.1.1.1.9 (c) of Decree 2555, as described in clause (v) of the second paragraph Description of the Notes – General, the Bank may purchase Notes at any price in the open market, in privately negotiated transactions or otherwise. Notes so purchased by the Bank may be held, resold in accordance with the Securities Act, or any exemption therefrom, or surrendered to the Trustee for cancellation. See "–Description of the Notes; General– (v)".

Amendment, Supplement and Waiver

Subject to certain exceptions, the Indenture or the Notes may be amended with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of at least a majority in aggregate principal amount of the Notes then outstanding, and any existing Default under, or compliance with any provision of, the Indenture may be waived (other than any continuing Default in the payment of the principal or interest on the Notes) with the consent (which may include consents obtained in connection with a tender offer or exchange offer for Notes) of the Holders of a majority in aggregate principal amount of the Notes then outstanding; provided, that without the consent of each Holder affected, no amendment or waiver may:

(1) reduce, or change the maturity of, the principal of any Note;

(2) reduce the rate of or extend the time for payment of interest on any Note;

(3) change the currency or place of payment of principal of or interest on the Notes;

(4) modify or change the definitions affecting the subordination of the Notes or any provision of the Indenture (including the covenants in the Indenture) in a manner that adversely affects the Holders;

(5) reduce the percentage of Holders necessary to consent to an amendment or waiver to the Indenture or the Notes;

(6) impair the rights of Holders to receive payments of principal of or interest on the Notes;

or

(7) make any change in these amendment and waiver provisions.

Notwithstanding the foregoing, the Bank and the Trustee may amend the Indenture or the Notes without the consent of any Holder to cure any ambiguity, defect or inconsistency, to provide for uncertificated notes in addition to or in place of certificated notes, to provide for the assumption of the Bank's obligations to the Holders in the case of a merger, consolidation or sale of all or substantially all of the assets in accordance with "—Certain Covenants— Mergers, Consolidations, Etc.," to add to the covenants of the Bank, or to surrender any right or power under the Indenture conferred upon the Bank, for the benefit of the Holders, to conform the text of the Indenture or the Notes to any provision in this "Description of the Notes," to provide for the issuance of Additional Notes and to set forth the terms thereof, to add to the rights of the Holders, to provide for the acceptance of a successor trustee, and to make any change that does not adversely affect the rights of any Holder.

No Personal Liability of Directors, Officers, Employees and Stockholders

No director, officer, employee, incorporator or stockholder of the Bank will have any liability for any obligations of the Bank under the Notes or the Indenture or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes. The waiver may not be effective to waive liabilities under the federal securities laws. It is the view of the SEC that this type of waiver is against public policy.

Concerning the Trustee

The Bank of New York Mellon has been appointed by the Bank as the Trustee under the Indenture and as security registrar and The Bank of New York Mellon acting through its London Branch has been appointed by the Bank as paying agent with regard to the Notes. The Indenture contains certain limitations on the rights of the Trustee, should it become a creditor of the Bank, to obtain payment of claims in certain cases, or to realize on certain assets received in respect of any such claim as security or otherwise. The Trustee will be permitted to engage in other transactions; however, if it acquires any conflicting interest (as defined in the Indenture), it must eliminate such conflict or resign.

The Holders of a majority in principal amount of the then outstanding Notes will have the right to direct the time, method and place of conducting any proceeding for exercising any remedy available to the Trustee, subject to certain exceptions. The Indenture provides that, in case an Event of Default occurs and is not cured, the Trustee will be required, in the exercise of its power, to use the degree of care of a prudent person in similar circumstances in the conduct of his own affairs. The Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request of any Holder, unless such Holder shall have offered to the Trustee security and indemnity satisfactory to the Trustee in its sole discretion. The Indenture does not require the Trustee to submit to the jurisdiction of any non-U.S. court or enforce remedies outside of the United States. A co-Trustee may be appointed for such purposes.

Unclaimed Amounts

Subject to relevant abandoned or unclaimed property laws, any money deposited with the Trustee or paying agent or held by the Bank, in trust, for the payment of principal, premium, interest or any Additional Amounts, that remains unclaimed for two (2) years after such amount becomes due and payable shall be paid to the Bank or its request or, if held by the Bank, shall be discharged from such trust. The Holder will look only to the Bank for payment thereof, and all liability of the Trustee, paying agent or of the Bank shall thereupon cease. However, the Trustee or paying agent may at the expense of the Bank cause to be published once in a newspaper in each place of payment, or to be sent to Holders, or both, notice that the money remains unclaimed and any unclaimed balance of such money remaining, after a specified date, will be repaid to the Bank.

No Sinking Fund

The Notes will not be entitled to the benefit of a sinking fund.

Listing

In the event that the Notes are admitted to listing on the Official List of the LSE and to trading on the Euro MTF Market, the Bank will use its commercially reasonable efforts to maintain such listing, provided that if, as a result of the European Union regulated market amended Directive 2001/34/EC (the "Transparency Directive") or any legislation implementing the Transparency Directive the Bank could be required to publish financial information either more regularly than it otherwise would be required to or according to accounting principles which are materially different from the accounting principles which it would otherwise use to prepare its published financial information, or the Bank determines that it is unduly burdensome to maintain a listing on the LSE, the Bank may delist the Notes from the Euro MTF Market in accordance with the rules of the LSE and may seek, but it is not required to seek, an alternative admission to listing, trading and/or quotation for the Notes on a different section of the LSE as the Bank may decide. Although the Bank cannot assure Holders as to the liquidity that may result from a listing on the LSE, delisting the Notes from the LSE may have a material effect on the ability of Holders of the Notes to resell the Notes in the secondary market.

Ratings

The Bank will use commercially reasonable efforts to maintain a rating on an international scale from at least one Rating Agency, which efforts shall include, but are not limited to, paying all fees of such Rating Agency and responding to reasonable requests for information from such Rating Agency from time to time in order to permit such Rating Agency to maintain a rating with respect to the Notes.

Governing Law; Submission to Jurisdiction

The Indenture and the Notes will be governed by, and construed in accordance with, the laws of the State of New York.

The Trustee, the Bank and the Holders (by their acceptance of the Notes) will waive any right to trial by jury in any action, proceeding or counterclaim arising out of or relating to the Indenture or the Notes or any transaction related hereto to the fullest extent permitted by applicable law.

The Bank consents to the non-exclusive jurisdiction of any court of the State of New York or any United States Federal court sitting, in each case, in the Borough of Manhattan, New York, New York, United States of America, and any appellate court from any court thereof, and to the courts of its own corporate domicile, in respect of actions brought against it as a defendant, and waives, to the maximum extent permitted by law, any immunity from the jurisdiction of such courts over any suit, action or proceeding that may be brought in connection with the Indenture or the Notes and any right to which it may be entitled on account of place of residence or domicile.

The Bank will agree that service of all writs, claims, process and summons in any suit, action or proceeding against it or its properties, assets or revenues with respect to the Indenture and the Notes or any suit, action or proceeding to enforce or execute any judgment brought against the Bank in any court of the State of New York, or any United States Federal court sitting, in each case, in the Borough of Manhattan, New York, New York, United States of America, may be made upon Banco de Bogotá S.A., New York Agency with an office at 375 Park Avenue, Suite 3407, New York, New York 10152, and it will irrevocably appoint Banco de Bogotá S.A., New York Agency as its agent to accept such service of any and all such writs, claims, process and summonses.

Currency Rate Indemnity

U.S. Dollars are the sole currency of account and payment for all sums payable by the Bank under or in connection with the Indenture and the Notes. Therefore, the Bank has agreed that, if a judgment or order made by any court for the payment of any amount in respect of any Notes is expressed in a currency other than U.S. dollars, the Bank will indemnify the Trustee and/or relevant Holder against any deficiency arising from any variation in rates of exchange between the date as of which the denomination currency is notionally converted into the judgment currency for the purposes of the judgment or order and the date of actual payment. Any amount received or recovered in a currency other than U.S. Dollars (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the winding-up or dissolution of the Bank or otherwise) by Trustee and/or any Holder in respect of any sum expressed to be due to it from the Bank will only constitute a discharge of the Bank to the extent of the U.S. Dollar amount that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). This indemnity will constitute a separate and independent obligation from the Bank's other obligations under the Indenture, will give rise to a separate and independent cause of action, will apply irrespective of any indulgence granted from time to time and will continue in full force and effect notwithstanding any judgment or order for a liquidated sum or sums in respect of amounts due under the Indenture or the Notes.

Certain Definitions

Set forth below is a summary of certain of the defined terms used in the Indenture and the Notes. Reference is made to the Indenture and/or the Notes, as applicable, for the full definition of all such terms.

"*Additional Tier One Capital*" means additional tier one capital (*patrimonio básico adicional*) as defined in articles 2.1.1.1.6, 2.1.1.1.8 and 2.1.1.1.12 of Decree 2555 or any other Colombian law or regulation regulating the "*Patrimonio Básico Adicional*" in effect from time to time.

"*amend*" means to amend, supplement, restate, amend and restate or otherwise modify; and "*amendment*" shall have a correlative meaning.

"*Banking Regulations*" means any regulations or directives issued by the Ministry of Finance and Public Credit (*Ministerio de Hacienda y Crédito Público*), the SFC or the central bank (*Banco de la República de Colombia*) or any other authority having the power to regulate the banking sector in Colombia, as amended or replaced from time to time.

"*Bankruptcy Law*" means the U.S. Bankruptcy Code or the provisions of the Financial Statute concerning intervention (*toma de posesión*), administrative liquidation and bankruptcy of financial institutions, the Decree 2555, and any other Colombian law or regulation regulating the insolvency of financial entities from time to time.

"*Basic Consolidated Solvency Ratio*" means, in respect to the consolidated capital of the Bank, the ratio of (a) the consolidated amount of Common Equity Tier One Capital net from all applicable deductions, to (b) the consolidated amount of credit, market and operational risk weighted assets, in each case as determined in accordance with Decree 2555, the External Circular and Colombian Banking IFRS.

"*Basic Individual Solvency Ratio*" means, in respect to the capital of the Bank, the ratio of (a) the amount of Common Equity Tier One Capital net from all applicable deductions, to (b) the amount of credit, market and operational risk weighted assets, in each case as determined in accordance with Decree 2555, the External Circular, and Colombian Banking IFRS.

"*Business Day*" means a day other than a Saturday, Sunday or other day on which banking institutions in New York or Colombia are authorized or required by law to close.

"*Capital Stock*" means any and all classes of shares that a Colombian financial institution is authorized to issue under applicable Colombian laws including, but not limited to, common shares, non-voting preferred shares, privileged shares and *acciones representativas de capital garantía* set forth in Decree 2555 and issued in favor of Fogafin.

"*Colombian Banking IFRS*" means the International Financial Reporting Standards, as issued by the International Accounting Standards Board and adopted in Colombia in accordance with Law 1314 of 2009, Decree 2420 of 2015, Decree 2496 of 2015, Decree 2131/2016, Decree 2170 of 2017 and Decree 2483 of 2018, in each case of Colombia and the related regulations of the SFC, as in effect from time to time.

"*Common Equity Tier One Capital*" means the "*patrimonio básico ordinario*," as the same is defined in Articles 2.1.1.1.6, 2.1.1.1.7, 2.1.1.1.10 and 2.1.1.1.11 of Decree 2555 or any other Colombian law or regulation regulating the "*patrimonio básico ordinario*" in effect from time to time.

"*Custodian*" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

"*Decree 2555*" means Decree 2555 of 2010, as amended and supplemented from time to time, of Colombia.

"*Default*" means (i) any Event of Default or (ii) any event, act or condition that, after notice or the passage of time or both, would be an Event of Default.

"*Eligible Jurisdiction*" means Colombia, the United States, Bermuda, the British Virgin Islands, the Cayman Islands, Panama, any country member of the Organization for Economic Co-operation and Development, any country member of the G-20, or any member state of the European Union, and any political subdivision of any of the foregoing.

"*Exchange Act*" means the U.S. Securities Exchange Act of 1934, as amended.

"*External Circular*" means the External Circular 100 of 1995 of Colombia (*Circular Básica Contable y Financiera*) issued by the SFC.

"*Financial Statute*" means Decree 663 of 1993, as amended and supplemented from time to time, of Colombia.

"*Fitch*" means Fitch Inc., a subsidiary of Fimalac, S.A., and any successor to its rating agency business.

"*Fogafin*" means the *Fondo de Garantías de Instituciones Financieras* of Colombia.

"*Holder*" means any registered holder, from time to time, of the Notes, which shall initially be the respective nominee of Euroclear or Clearstream, as applicable.

"*Indebtedness*" means, with respect to any Person, without duplication: (i) money borrowed and premiums (if any) and accrued interest in respect thereof, (ii) liabilities under or in respect of any acceptance or credit, (iii) the principal and premium (if any) and any accrued and unpaid interest in *respect* of any bonds, notes, debentures, debenture stock, loan stock, certificates of deposit or other securities whether issued for cash or in whole or in part for a consideration other than cash, (iv) all obligations issued or assumed as the deferred purchase price of property, all conditional sale obligations and all obligations under any title retention agreement (but excluding trade accounts payable in the ordinary course of business), and (v) any other obligation that would appear or be treated as indebtedness upon a balance sheet if such Person prepared it in accordance with Colombian Banking IFRS as applicable to financial institutions.

"*Intervention Measure*" means any of the measures described in article 114 of the Financial Statute, as amended from time to time, that allow the SFC to take possession of a financial institution, Decree 2555, and any other Colombian law or regulation regulating the administrative takeover of a financial institution.

"*Issue Date*" means May 13, 2024, the date on which the Notes are originally issued.

"*Moody's*" means Moody's Investors Service, Inc. and any successor to its rating agency business.

"*Officer*" means any of the following of the Bank: the Chief Executive Officer, the Chief Financial Officer, the President, any Vice President, the Treasurer or the Secretary.

"*Officers' Certificate*" means a certificate signed by two Officers.

"*Opinion of Counsel*" means a written opinion of counsel, who may (except as otherwise expressly provided in the Indenture) be an employee of, or counsel to, the Bank. Such opinion shall be in form and substance satisfactory to the Trustee.

"*Optional Redemption Period*" means the period from (and including) the fifth anniversary of the Issue Date to (and including) the Reset Date.

"*Person*" means any individual, corporation, partnership, limited liability company, joint venture, incorporated or unincorporated association, joint-stock company, trust, unincorporated organization or government or other agency or political subdivision thereof or other entity of any kind.

"*Preventive Measure*" means any of the measures described in article 113 of the Financial Statute, as amended from time to time, that the SFC can take with respect to a financial institution prior to and in order to avoid having to take an Intervention Measure under Decree 2555 and any other Colombian law or regulation regulating such type of measures.

"*principal*" means, with respect to the Notes, the principal of, and premium, if any, on the Notes.

"*Reset Date*" means August 13, 2029.

"*SEC*" means the U.S. Securities and Exchange Commission.

"*Rating Agency*" means, initially, any of S&P, Moody's and Fitch or, if any of S&P, Moody's or Fitch shall not make a rating on any series of Notes publicly available (other than due to the Bank's failure to (i) provide such Rating Agency with such reports and other information or documents as such Rating Agency shall reasonably request to monitor and continue to assign ratings to the Notes, (ii) pay customary fees to such Rating Agency in connection therewith or (iii) take any other action reasonably requested by such Rating Agency in connection therewith), a nationally recognized statistical rating organization (or two or three such organizations, as the case may be), as such term is defined in Section 3(a)(62) of the Exchange Act, selected by the Bank which shall be substituted for any or all of S&P, Moody's or Fitch, as the case may be, and their respective successors.

"*S&P*" means Standard & Poor's Ratings Services, a division of McGraw-Hill Companies, Inc., and any successor to its rating agency business.

"*Securities Act*" means the U.S. Securities Act of 1933, as amended.

"*Senior Liabilities*" means any liabilities to third parties that constitute external debt of the Bank (*pasivo externo*) under Colombian banking laws and accounting principles whether outstanding on the Issue Date or thereafter created, incurred or assumed, unless, the instrument creating or evidencing the same or pursuant to which the same are outstanding complies with the subordination requirements set forth under Decree 2555. Under Colombian banking laws and accounting principles, "external debt" (*pasivo externo*) means, in the case of the Bank, any and all liabilities to third parties, including deposits, as reflected in the financial statements of the Bank from time to time or any and all liabilities to third parties in the event of liquidation.

"*SFC*" means the Superintendence of Finance of Colombia.

"*Significant Subsidiary*" means each of the Bank's Subsidiaries representing 10% or more of the Bank's Total Assets.

"*Subsidiary*" means, as to any Person, any other Person in which such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such second Person, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such first Person or one or more of its Subsidiaries or such first Person and one or more of its Subsidiaries (unless such partnership or joint venture can and does ordinarily take major business actions without the prior approval of such Person or one or more of its

Subsidiaries). Unless the context otherwise clearly requires, any reference to a "*Subsidiary*" is a reference to a Subsidiary of the Bank.

"*Taxes*" means any taxes, duty, levy, impost, assessment or other governmental charge (including penalties, interest and any other liabilities related thereto).

"*Taxing Authority*" means any government or political subdivision or territory or possession of any government or any authority or agency therein or thereof having power to tax.

"*Technical Capital*" means, in respect of a Colombian bank, the "*Patrimonio Técnico*" of such bank, comprised of Tier One Capital and Tier Two Capital, as the same is defined in article 2.1.1.1.5 of Decree 2555 or any other Colombian law or regulation regulating the *Patrimonio Técnico*.

"*Tier One Capital*" means, as of any date of determination, the sum of the Common Equity Tier One Capital and Additional Tier One Capital.

"*Tier Two Capital*" means, as of any date of determination, the "*Patrimonio Adicional*," as the same is defined in articles 2.1.1.1.6, 2.1.1.1.9 and 2.1.1.1.13 of Decree 2555 or any other Colombian law or regulation regulating the *Patrimonio Adicional* in effect from time to time.

"*Tier Two Capital Indebtedness*" means, as of any date of determination, an "*Instrumento de Deuda*" that is classified by the SFC as Tier Two Capital in compliance with the requirements of Decree 2555.

"*Total Assets*" means the total assets of the Bank as of any given date, in accordance with the Colombian Banking IFRS, by reference to the most recent financial statements of the Bank provided to the Trustee.

"*Treasury Rate*" means the yield calculated by the Bank after 4:15 p.m., New York time, on the second Business Day preceding the Reset Date as follows: (i) the yield for the five-year constant maturity on the latest Business Day that appears in the statistical release published by the Board of Governors of the Federal Reserve System designated as "Selected Interest Rates (Daily) – H.15" (or any successor designation or publication) ("H.15") under the caption "Treasury Constant Maturities – Nominal," as selected by the Bank; or (ii) if H.15 is no longer published or regularly available, the rate per annum equal to the semi-annual equivalent yield to maturity of the United States Treasury security, as selected by the Bank with a maturity closest to the Reset Date and, if two or more have the same maturity, such that is trading closest to par, and that is otherwise consistent with customary financial practice, assuming a price for such Reset Date equal to the average of the bid and asked prices for such United States Treasury (expressed, in each case, as a percentage of its principal amount) quoted in writing to the Bank utilizing a source customarily used in the financial markets at 3:30 p.m., New York time, on the second Business Day preceding the Reset Date.

Book-Entry System; Delivery and Form

The Notes are being offered and sold in connection with the initial offering thereof as an offshore transaction to persons other than "U.S. persons," as defined in Regulation S under the Securities Act, in reliance on Regulation S. Following the initial offering of the Notes, the Notes may be resold (a) to the Bank or any of its Subsidiaries, (b) outside the United States in compliance with Rule 903 or 904 of Regulation S, (c) pursuant to an exemption from registration under the Securities Act (if available) or (d) pursuant to an effective registration statement under the Securities Act, in each case in accordance with all applicable securities laws of the states of the United States and other jurisdictions. See "Transfer Restrictions."

The Global Notes

Notes offered and sold in offshore transactions to non-U.S. persons in reliance on Regulation S under the Securities Act will initially be issued in the form of one or more registered notes in global form, without interest coupons. The Regulation S global note will be deposited upon issuance with, or on behalf of, a nominee of a common depositary for Euroclear and Clearstream for credit to the respective accounts of the purchasers.

Except as set forth below, the Regulation S global note, also referred to in this section as the "global notes," may be transferred, in whole and not in part, solely to another nominee of a common depositary for Euroclear and Clearstream for credit to the respective accounts of the purchasers. Beneficial interests in respect of the global notes may not be exchanged for Notes in physical, certificated form (referred to as "certificated notes") except in the limited circumstances described below.

The Notes will be subject to certain restrictions on transfer and will bear a restrictive legend as set forth under "Transfer Restrictions."

All interests in the global notes may be subject to the procedures and requirements of Euroclear or Clearstream. In addition, transfers of global notes between participants in Euroclear or participants in Clearstream will be effected by Euroclear and Clearstream pursuant to customary procedures and subject to the applicable rules and procedures established by Euroclear or Clearstream and their respective participants.

Certificated Notes

If (i) both Euroclear and Clearstream are closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announce an intention permanently to cease business, (ii) the Bank, at its option, notifies the Trustee in writing that it elects to cause the issuance of certificated notes under the Indenture, (iii) upon the request of any holder subsequent to the occurrence of any Default under the Indenture or (iv) upon the occurrence of certain other events as provided in the Indenture, then, upon surrender of the global notes by the relevant nominee of the common depositary, certificated notes will be issued to each person that is the beneficial owner of the Notes represented by the global notes. Upon any such issuance, the Trustee is required to register such certificated notes in the name of such person or persons (or the nominee of any thereof) and cause the same to be delivered thereto.

Neither the Bank nor the Trustee, any paying agent, security registrar or transfer agent, nor any of their respective agents or affiliates shall be liable for any delay by the common depository, Euroclear or Clearstream, any participant or indirect participant in Euroclear or Clearstream in identifying the beneficial owners of the related Notes and each such person may conclusively rely on, and shall be protected in relying on, instructions from such common depositary for all purposes (including with respect to the registration and delivery, and the respective principal amounts, of the Notes to be issued).

Replacement of Notes

In case of mutilated, destroyed, lost or stolen Notes, application for replacement thereof may be made to the Trustee or us. Any such Note shall be replaced by the Trustee in compliance with such procedures, on such terms as to evidence and indemnification as the Trustee and we may require and subject to any applicable law or regulation. All such costs as may be incurred in connection with the replacement of any Notes shall be borne by the applicant. Mutilated Notes must be surrendered before new ones will be issued.

TAX CONSIDERATIONS

Certain Colombian taxation considerations

The following summary contains a description of the principal Colombian income tax considerations in connection with the purchase, ownership and sale of the notes, but does not purport to be a comprehensive description of all Colombian tax considerations that may be relevant to a decision to purchase the notes. This summary does not describe any tax consequences arising under the laws of any state, locality or taxing jurisdiction other than those of Colombia.

This summary is based on the tax laws of Colombia as in effect on the date of this offering memorandum, as well as regulations, rulings and decisions in Colombia available on or before such date and now in effect. All of the foregoing is subject to changes that could apply retroactively and could affect the continued validity of this summary.

Prospective purchasers of the notes should consult their own tax advisors as to Colombian tax consequences of the purchase, ownership and sale of the notes, including, in particular, the application of the tax considerations discussed below to their particular situations, as well as the application of state, local, foreign or other tax laws.

Pursuant to current Colombian tax law, non-Colombian entities and individuals who are not residents of Colombia are subject to Colombian income tax, but only on Colombian-source income. Colombian entities for income tax purposes (as explained below) and individuals who are residents in Colombia for tax purposes are subject to income tax on both foreign and Colombian income.

Under Colombian law, Colombian entities for income tax purposes are those that: (i) are incorporated under the laws of Colombia; (ii) have their legal seat in Colombia; or (iii) have their effective place of management in Colombia (the Colombian Tax Code provides the specific criteria and requirements to be considered as an entity effectively managed from Colombia).

Payments of principal to holders of the Notes will not be subject to Colombian withholding taxes, seen as said amounts will not constitute income.

As for interest payments, Section 25-a(3) as amended by Law No. 1607 of 2012, and Section 266(3) as amended by Law No. 1607 of 2012, of the Colombian Tax Code provide that interest income derived from indebtedness granted from outside of Colombia to local banks, is not considered Colombian source income for Colombian tax purposes and such indebtedness is not deemed to be held in Colombia. Furthermore, Section 266(6) added by Law No. 1430 of 2010, provides that debt securities issued by a Colombian issuer and traded outside of Colombia (traded in a foreign exchange system) are not deemed to be held in Colombia.

Based on the above, under current Colombian law, and according to the line of interpretation set by the Colombian Tax Office in Ruling 032227 of 2016, payments of interest on the notes to holders of the notes who are neither resident nor domiciled in Colombia are not subject to Colombian income tax, and no income tax will be withheld from payments by us to the non-resident holders of the notes, given that non-resident holders are subject to income tax only for revenues deemed national source income. Payments of interest on the notes to holders of the notes who are residents or domiciled in Colombia are subject to Colombian income tax. The principal repayment is not subject to income tax or income tax withholdings in Colombia.

In addition, and given that the notes will be deemed to be a loan possessed abroad, gains realized on the sale or other disposition of the notes will not be subject to Colombian income tax or withholdings as long as the holder of the notes is not a Colombian resident for tax purposes or is not domiciled in Colombia for tax purposes.

Residency and domicile for Colombian tax purposes

As stated above, non-Colombian entities and individuals who are not residents of Colombia are subject to Colombian income tax, but only on Colombian-source income. Both Colombian entities for tax purposes and Colombian individuals who are resident in Colombia for tax purposes, are subject to income tax on both foreign and Colombian sources of income. Foreign entities whose effective place of management is located in Colombia are considered as Colombian entities for tax purposes. Therefore, such qualification implies that both foreign and Colombian source income obtained by such foreign entities is subject to income tax in Colombia.

Non-resident Individuals and entities with a Significant Economic Presence will be subject to Corporate Income Tax on their income from the sale of goods and/or services provided to clients located in

Colombian territory. The Colombian Tax Code provides the specific requirements to be considered subject with a Significant Economic Presence.

An entity is considered a Colombian entity if it is incorporated under the laws of Colombia, has its domicile in the country or has its effective place of management in Colombia. The Colombian Tax Code provides the specific criteria and requirements to be considered as an entity effectively managed from Colombia.

In turn, an individual is deemed to be a tax resident of Colombia if he or she meets any of the following criteria:

Such person physically stays in Colombia for more than 183 calendar days within any given 365 consecutive day term;

Such person has been serving the Colombian Government in a foreign state and that person has been exempt from taxes during such service by virtue of the Vienna Conventions on diplomatic relations;

Such person is a Colombian national residing abroad and any of the following conditions are met:

(1) Such person has a spouse or permanent companion, or dependent children, who are residents of Colombia, or

(2) 50% or more of such person's total income is sourced in Colombia, or

(3) 50% or more of such person's assets are managed in Colombia, or

(4) 50% or more of such person's assets are deemed to be possessed in Colombia, or

(5) Such person has been summoned by the Colombian Tax Office to provide proof of residency in another country (other than Colombia) and has failed to provide such evidence, or

(6) Such person is a resident of a country deemed a tax haven under Colombian law.

In any of the six cases immediately above, the Colombian national should not be considered as a tax resident if:

(1) 50% or more of the individual's annual income is sourced in the jurisdiction where he or she is a resident, or

(2) 50% or more of such individual's assets are located in the jurisdiction where he or she is a resident.

Changes to tax laws and regulations, and interpretations thereof, can affect holders' tax burden by increasing tax rates, creating new taxes, limiting tax deductions, and eliminating tax incentives and tax-exempt income.

PLAN OF DISTRIBUTION

Subject to the terms and conditions contained in a purchase agreement between us and the initial purchasers, we have agreed to sell to the initial purchasers, and the initial purchasers have agreed to purchase from us, the principal amount of the notes that appears opposite its name in the table below.

Initial Purchasers	Principal Amount of Notes
BBVA Securities Inc.	U.S.$87,500,000
Merrill Lynch International	U.S.$87,500,000
Total	U.S.$175,000,000

The initial purchasers are offering the notes, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the notes, and other conditions contained in the purchase agreement, such as the receipt by the initial purchasers of officer's certificates and legal opinions. The initial purchasers reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part. Each initial purchaser may offer and sell the notes through any of its affiliates.

We have agreed to indemnify each initial purchasers against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that such initial purchaser may be required to make in respect of any of these liabilities.

The notes have not been and will not be registered under the Securities Act or any state securities laws. Each initial purchasers have agreed that it will offer or sell the notes only outside the United States pursuant to Regulation S under the Securities Act. See "Transfer Restrictions."

In addition, until 40 days after the commencement of this offering, an offer or sale of notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act.

New issue of securities

The notes are a new issue of securities with no established trading market. Application will be made to list the notes on the official list of the Luxembourg Stock Exchange for trading on the Euro MTF Market. However, we cannot assure you that the application will be approved. The initial purchasers may make a market in the notes after completion of the offering, but will not be obligated to do so, and may discontinue any market-making activities at any time without notice. Neither we nor the initial purchasers can provide any assurance as to the liquidity of the trading market for the notes or that an active public market for the notes will develop. If an active public trading market for the notes does not develop, the market price and liquidity of the notes may be adversely affected.

No sales of similar securities

We have agreed that we will not, for a period of 45 days after the date of this offering memorandum, without the prior written consent of the initial purchasers, offer, sell, contract to sell or otherwise dispose of any debt securities substantially similar to the notes offered hereby, except for the notes sold to the initial purchasers pursuant to the purchase agreement.

Stabilization transactions

In connection with the offering of the notes, the initial purchasers may engage in over-allotment and stabilizing transactions but are not required to do so. Over-allotment involves sales in excess of the offering size, which creates a short position for the initial purchasers. Stabilizing transactions involve bids to purchase the notes in the open market for the purpose of pegging, fixing or maintaining the price of the notes. Stabilizing transactions may cause the price of the notes to be higher than it would otherwise be in the absence of those transactions. If any initial purchaser engages in stabilizing covering transactions, they may discontinue them at any time.

Sales outside the United States

Neither we nor the initial purchasers are making an offer to sell, or seeking offers to buy, the notes in any jurisdiction where the offer and sale is not permitted. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the notes or possess or distribute this offering memorandum, and you must obtain any consent, approval or permission required for your purchase, offer or sale of the notes under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. Neither we nor the initial purchasers will have any responsibility therefor.

Brazil

The offer and sale of the notes have not been and will not be registered with the Brazilian Securities Commission (*comissão de valores mobiliários*, or "CVM") and, therefore, will not be carried out by any means that would constitute a public offering in Brazil under CVM Resolution No. 160, dated 13 July 2022, as amended ("CVM Resolution 160") or unauthorized distribution under Brazilian laws and regulations. The notes will be authorized for trading on organized non-Brazilian securities markets and may only be offered to Brazilian professional investors (as defined by applicable CVM regulation), who may only acquire the notes through a non-Brazilian account, with settlement outside Brazil in non-Brazilian currency. The trading of these notes on regulated securities markets in Brazil is prohibited.

Canada

In Canada, the notes may be sold only to purchasers in Ontario, British Columbia or Alberta who are purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 *Prospectus Exemptions* or subsection 73.3(1) of the *Securities Act* (Ontario), and are permitted clients, as defined in National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations*. Any resale of the notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Chile

The offer of the notes will begin on April 30, 2024 and is subject to General Rule No. 336 of the Chilean Securities Commission (*Superintendencia de Valores y Seguros de Chile*, or the "SVS"). The notes being offered are not registered in the Securities Registry (*Registro de Valores*) or in the Foreign Securities Registry (*Registro de Valores Extranjeros*) of the SVS and, therefore, the notes are not subject to the supervision of the SVS. As unregistered securities, we are not required to disclose public information about the notes in Chile. The notes may not be publicly offered in Chile unless they are registered in the corresponding securities registry.

La oferta de los valores comienza el 30 de abril de 2024 y está acogida a la NCG 336 de fecha 27 de junio de 2012 de la Superintendencia de Valores y Seguros de Chile (la "SVS"). La oferta versa sobre valores no inscritos en el Registro de Valores o en el Registro de Valores Extranjeros que lleva la SVS, por lo que los valores no están sujetos a la fiscalización de dicho organismo. Por tratarse de valores no inscritos, no existe obligación por parte del emisor de entregar en Chile información pública respecto de los valores. Estos valores no pueden ser objeto de oferta pública en Chile a menos que sean inscritos en el registro de valores correspondiente.

Colombia

The notes may not be offered or sold in the Republic of Colombia, except under circumstances which do not constitute a public offering of securities under applicable Colombian securities laws and regulations or unless the notes are registered with the Colombian National Registry of Securities and Issuers (*Registro Nacional de Valores y Emisores*). Any promotion of the notes in Colombia must be carried out in compliance with Part 4 of Decree 2555 of 2010.

European Economic Area and United Kingdom

Any distributor subject to Directive 2014/65/EU (as amended, "EU MiFID II") subsequently offering, selling or recommending the notes is responsible for undertaking its own target market assessment in respect of the notes and determining the appropriate distribution channels for the purposes of the EU MiFID II product governance rules under Commission Delegated Directive (EU) 2017/593 ("Delegated Directive"). Neither we nor the initial purchasers make any representations or warranties as to a distributor's compliance with the Delegated Directive.

This offering memorandum has been prepared on the basis that any offer of notes in any Member State of the European Economic Area ("EEA") or the United Kingdom ("UK") will be made pursuant to an exemption under the Prospectus Regulation from the requirement to publish a prospectus for offers of notes.

Neither we nor the initial purchasers have authorized, nor we or the initial purchasers authorize, the making of any offer of notes in circumstances in which an obligation arises for us or the initial purchasers to publish a prospectus for such offer.

Neither we nor the initial purchasers have authorized, nor we or the initial purchasers authorize, the making of any offer of notes through any financial intermediary, other than offers made by the initial purchasers, which constitute the final placement of the notes contemplated in this offering memorandum.

The notes may not be offered or sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in EEA. The expression "retail investor" in relation to EEA means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended or superseded, the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. The expression "offer" includes the communication in any form and by any means of sufficient information and the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended or superseded, the "PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in EEA has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in EEA may be unlawful under the PRIIPs Regulation.

The notes may not be offered or sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the UK. The expression "retail investor" in relation to UK means a person who is one (or more) of: (i) a retail client, as defined in point (8) of article 2 of Regulation (EU) 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); or (ii) a customer within the meaning of the provisions of the Financial Services and Market Act ("FSMA") and any other rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) 600/2014 as it forms part of domestic law by virtue of the EUWA. The expression "offer" includes the communication in any form and by any means of sufficient information and the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities. Consequently, no key information document required by the PRIIPs Regulation as it forms part of UK law by virtue of the EUWA (the "UK PRIIPs Regulation") for offering or selling the securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the securities or otherwise making them available to any retail investor in the United Kingdom may be unlawful under the UK PRIIPs Regulation.

Each person in a Member State of the EEA or the UK who receives any communication in respect of, or who acquires any notes under, the offers to the public contemplated in this offering memorandum, or to whom the notes are otherwise made available, will be deemed to have represented, warranted, acknowledged and agreed to and with the initial purchasers and us that it and any person on whose behalf it acquires notes is: (1) a "qualified investor" within the meaning of Article 2(e) of the Prospectus Regulation; and (2) not a "retail investor".

For the purpose of the above provisions, the expression "an offer to the public" in relation to any notes in any Member State of the EEA or the UK means the communication in any form and by any means of sufficient information on the terms of the offer and the notes to be offered so as to enable an investor to decide to purchase or subscribe the notes, the expression "Prospectus Regulation" means Regulation (EU) 2017/1129 (as amended or superseded) and references to Regulations or Directives include, in relation to the UK, those Regulations or Directives as they form part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 or have been implemented in UK domestic law, as appropriate. This EEA and UK selling restriction is in addition to any other selling restrictions set out in this offering memorandum.

This offering memorandum is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within

Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the UK Financial Services and Markets Act 2000) in connection with the issue or sale of any securities may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This offering memorandum is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this document relates is available only to relevant persons and will be engaged in only with relevant persons.

Hong Kong

This offering memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the notes which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended, or the "FIEL," and, accordingly, the notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

Luxembourg

The offering memorandum has not been approved by and will not be submitted for approval to the Luxembourg Financial Services Authority (*Commission de Surveillance du Secteur Financier* or the "CSSF"), or a competent authority of another EU Member State for notification to the CSSF, for the purposes of a public offering or sale in Luxembourg. Accordingly, the notes may not be offered or sold to the public in Luxembourg, directly or indirectly, and neither this offering memorandum, the Indenture nor any other circular, prospectus, form of application, advertisement or other material related to such offer may be distributed, or otherwise be made available in or from, or published in, Luxembourg except in circumstances which do not constitute an offer of securities to the public requiring the publication of a prospectus in accordance with the Luxembourg Act of July 10, 2005 on prospectuses for securities, as amended (the "Luxembourg Prospectus Act"), and implementing the EU Prospectus Directive. Consequently, this offering memorandum and any other offering circular, prospectus, form of application, advertisement or other material may only be distributed to (i) Luxembourg qualified investors as defined in the Luxembourg Prospectus Act, (ii) to fewer than 150 prospective investors, which are not qualified investors and/or (iii) in any other circumstance contemplated by the Luxembourg Prospectus Act.

Mexico

The notes have not been and will not be registered with the National Securities Registry (*Registro Nacional de Valores*) maintained by the Mexican National Banking and Securities Commission *(Comisión Nacional Bancaria y de Valores* or the "CNBV"), and therefore may not be offered or sold publicly, or otherwise be the subject of brokerage activities in Mexico, except that the notes may be offered pursuant to a private placement exemption set forth under Article 8 of the Mexican Securities Market Law (*Ley del Mercado de Valores*). The information contained in this offering memorandum is exclusively the responsibility of the issuer of the notes and has not been reviewed or authorized by the CNBV. The acquisition of the notes by an investor who is a resident of Mexico will be made under such investor's own responsibility.

Panama

The notes have not been, and will not be, registered for public offering in Panama with the Panamanian Superintendency of the Securities Market (*Superintendencia del Mercado de Valores*, previously the National Securities Commission of Panama) under Decree-Law 1 of July 8, 1999, as amended by Law 67 of 2011 (the "Panamanian Securities Act"). Accordingly, the notes may not be offered or sold in Panama, except in certain limited transactions exempted from the registration requirements of the Panamanian Securities Act. The notes do not benefit from tax incentives accorded by the Panamanian Securities Act, and are not subject to regulation or supervision by the Panamanian Superintendency of the Securities Market as long as the notes are offered to no more than 25 persons domiciled in Panama and result in the sale to no more than 10 of such persons.

People's Republic of China (excluding Hong Kong, Macau and Taiwan)

The notes are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China ("the PRC") (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by all relevant laws and regulations of the PRC.

This offering memorandum (i) has not been filed with or approved by the PRC authorities and (ii) does not constitute an offer to sell, or the solicitation of an offer to buy, any notes in the PRC to any person to whom it is unlawful to make the offer of solicitation in the PRC.

The notes may not be offered, sold or delivered, or offered, sold or delivered to any person for reoffering or resale or redelivery, in any such case directly or indirectly (i) by means of any advertisement, invitation, document or activity which is directed at, or the contents of which are likely to be accessed or read by, the public in the PRC, or (ii) to any person within the PRC, other than in full compliance with the relevant laws and regulations of the PRC.

Investors in the PRC are responsible for obtaining all relevant government regulatory approvals/licenses, verification and/or registrations themselves, including, but not limited to, those which may be required by the China Securities Regulatory Commission, the State Administration of Foreign Exchange and/or the China Banking Regulatory Commission, and complying with all relevant PRC laws and regulations, including, but not limited to, all relevant foreign exchange regulations and/or securities investment regulations.

Peru

The notes and the information contained in this offering memorandum are not being publicly marketed or offered in Peru and will not be distributed or caused to be distributed to the general public in Peru. Peruvian securities laws and regulations on public offerings will not be applicable to the offering of the notes and therefore, the disclosure obligations set forth therein will not be applicable to the issuer of the notes or the sellers of the notes before or after their acquisition by prospective investors. The notes and the information contained in this offering memorandum have not been and will not be reviewed, confirmed, approved or in any way submitted to the Peruvian Superintendency of Capital Markets (*Superintendencia del Mercado de Valores*, or "SMV") nor have they been registered under the Securities Market Law (*Ley del Mercado de Valores*) or any other Peruvian regulations. Accordingly, the notes cannot be offered or sold within Peruvian territory except to the extent any such offering or sale qualifies as a private offering under Peruvian regulations and complies with the provisions on private offerings set forth therein.

Republic of Korea

The notes have not been and will not be registered under the Financial Investment Services and Capital Markets Act and the decrees and regulations thereunder (the "FSCMA") and the notes have been and will be offered in Korea as a private placement under the FSCMA. None of the notes may be offered, sold and delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except as otherwise permitted under the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the "FETL"). For a period of one year from the issue date of the notes, any acquirer of the notes who was solicited to buy the notes in Korea is prohibited from transferring any of the notes to another person in any way other than as a whole to one transferee.

Furthermore, the purchaser of the notes shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the notes.

Singapore

This offering memorandum has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the notes may not be circulated or distributed, nor may the notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act (Chapter 289) (the "SFA"), (ii) to a relevant person, or any person pursuant to Section 275(1 A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA. Where the notes are subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, then shares, debentures and units of shares and debentures of that corporation or the beneficiaries' rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the notes under Section 275 except: (i) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (ii) where no consideration is given for the transfer; or (iii) by operation of law.

Switzerland

This offering memorandum does not constitute an issue prospectus pursuant to Article 652a or Article 1156 of the Swiss Code of Obligations and the notes will not be listed on the SIX Swiss Exchange. Therefore, this offering memorandum may not comply with the disclosure standards of the listing rules (including any additional listing rules or prospectus schemes) of the SIX Swiss Exchange. Accordingly, the notes may not be offered to the public in or from Switzerland, but only to a selected and limited circle of investors who do not subscribe to the notes with a view to distribution. Any such investors will be individually approached by the initial purchasers from time to time.

Taiwan

The notes have not been, and will not be, registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan, the Republic of China ("Taiwan") and/or other regulatory authority of Taiwan pursuant to applicable securities laws and regulations and may not be sold, issued or offered within the Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Taiwan Securities and Exchange Act or relevant laws and regulations that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority of the Taiwan. No person or entity in Taiwan is authorized to offer, sell or distribute or otherwise intermediate the offering of the notes or the provision of information relating to this offering memorandum.

The notes may be made available to Taiwan resident investors outside Taiwan for purchase by such investors outside Taiwan for purchase outside Taiwan by investors residing in Taiwan, but may not be issued, offered sold or resold in Taiwan, unless otherwise permitted by Taiwan laws and regulations. No subscription or other offer to purchase the notes shall be binding on us until received and accepted by us or any agent outside of Taiwan (the "Place of Acceptance"), and the purchase/sale contract arising therefrom shall be deemed a contract entered into in the Place of Acceptance.

Relationships with the initial purchasers

In the ordinary course of business, each initial purchaser and its affiliates have provided, and may in the future provide, investment banking, commercial banking, cash management, foreign exchange or other financial services to us and our affiliates for which they have received customary compensation and may receive compensation in the future.

In the ordinary course of their various business activities, each initial purchaser and certain of its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve or relate to assets, securities and/or instruments of Banco de Occidente or its affiliates (directly, as collateral securing other obligations or otherwise) and/or persons with relationships to the issuer. Certain of the initial purchasers or its respective affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies.

Typically, such initial purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the notes offered hereby. Any such short positions could adversely affect future trading prices of the notes offered hereby. The initial purchasers and certain of their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Settlement

Delivery of the notes is expected on or about May 13, 2024 which will be the fourth business day following the date of pricing of the notes. Purchasers who wish to trade notes prior to settlement may be required, by virtue of the fact that the notes initially will settle in T+4, to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of the notes who wish to trade the notes prior to settlement should consult their own advisor.

TRANSFER RESTRICTIONS

You are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of any of the Notes offered hereby.

General

The notes have not been and will not be registered under the Securities Act, or the securities laws of any other jurisdiction, and, unless so registered, may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and securities laws of any other applicable jurisdiction. Accordingly, the Notes offered hereby are being offered and sold only outside the United States to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

We have not registered and will not register the notes under the Securities Act and, therefore, the notes may not be offered or sold within the United States or to U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, we are offering and selling the notes to the Initial Purchasers for re-offer and resale only outside the United States in an offshore transaction in accordance with Regulation S under the Securities Act.

We use the terms "offshore transaction," "U.S. person" and "United States" with the meanings given to them in Regulation S under the Securities Act.

Important Information about the Offering

Each purchaser of notes, by its acceptance thereof, will be deemed to have acknowledged, represented to and agreed with the Issuer and the Initial Purchasers as follows:

(1) You understand and acknowledge that the notes have not been registered under the Securities Act or the securities laws of any other applicable jurisdiction and that the Notes are being offered for resale in transactions not requiring registration under the Securities Act or any other securities laws, and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act or any other applicable securities laws, pursuant to an exemption therefrom or in any transaction not subject thereto and in each case in compliance with the conditions for transfer set forth in paragraphs (4) and (5) below.

(2) You are neither the Issuer's "affiliate" (as defined in the Securities Act), nor acting on its behalf, and you are a non-U.S. person purchasing the notes outside the United States in an offshore transaction in accordance with Regulation S, and, if you are in a member state of the EEA or the United Kingdom, you are not a retail investor. The expression "retail investor" in relation to any Member State of the EEA means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of EU MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97, as amended, (the "IDD") where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation. The expression "retail investor" in relation to the United Kingdom means a person who is one (or more) of the following: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "EUWA"); (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made thereunder to implement the IDD, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in the UK Prospectus Regulation.

(3) You acknowledge that neither we, nor the Initial Purchasers, nor any person representing any of them, has made any representation to you with respect to the Issuer and its subsidiaries or the offer or sale of any of the notes, other than the information contained in this Offering Memorandum, which Offering Memorandum has been delivered to you and upon which you are relying in making your investment decision with respect to the notes. You acknowledge that no person other than the Issuer make any representation or warranty as to the accuracy or

completeness of this Offering Memorandum. You have had access to such financial and other information concerning us and the notes as you have deemed necessary in connection with your decision to purchase any of the notes, including an opportunity to ask questions of, and request information from, us and the Initial Purchasers.

(4) You are purchasing the notes for your own account, or for one or more investor accounts for which you are acting as a fiduciary or agent, in each case for investment, and not with a view to, or for offer or sale in connection with, any distribution thereof in violation of the Securities Act or any other applicable securities laws, subject to any requirement of law that the disposition of your property or the property of such investor account or accounts be at all times within its or their control and subject to your or their ability to resell such notes pursuant to Regulation S or any other exemption from registration available under the Securities Act.

(5) You agree on your own behalf and on behalf of any investor account for which you are purchasing the notes, and each subsequent holder of the notes by its acceptance thereof will be deemed to agree, to offer, sell or otherwise transfer such notes prior to the date (the "Resale Restriction Termination Date") that is 40 days after the later of the date of the original issue and the last date on which the Issuer or any of its affiliates was the owner of such notes (or any predecessor thereto) only:

(a) to the Issuer or any subsidiary thereof;

(b) pursuant to a registration statement that has been declared effective under the Securities Act; or

(c) pursuant to offers and sales to non-U.S. persons that occur outside the United States in offshore transactions in compliance with Regulation S under the Securities Act; or

subject in each of the foregoing cases to any requirement of law that the disposition of the property of such investor or the property of such investor account or accounts be at all times within its or their control and to compliance with any applicable state securities laws, and any applicable local laws and regulations.

(6) You acknowledge that the Issuer and the Trustee reserve the right prior to any offer, sale or other transfer of the notes (i) pursuant to clause (5)(c) above prior to the Resale Restriction Termination Date of the notes to require the delivery of an opinion of counsel, certifications and/or other information satisfactory to each of them, the Issuer and the Trustee, and (ii) in each of the foregoing cases, to require that a certificate of transfer in the form appearing on the reverse of the security is completed and delivered by the transferor to the Trustee. The foregoing restrictions on resale will not apply subsequent to the Resale Restriction Termination Date.

(7) Each purchaser acknowledges that each Global Note will contain a legend substantially to the following effect:

THIS SECURITY HAS NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION. NEITHER THIS SECURITY NOR ANY INTEREST OR PARTICIPATION HEREIN MAY BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF WITHIN THE UNITED STATES IN THE ABSENCE OF SUCH REGISTRATION OR UNLESS SUCH TRANSACTION IS EXEMPT FROM, OR NOT SUBJECT TO, SUCH REGISTRATION. THE HOLDER OF THIS SECURITY, BY ITS ACCEPTANCE HEREOF, REPRESENTS THAT IT IS A NON-U.S. PERSON AND IS ACQUIRING THIS SECURITY IN AN "OFFSHORE TRANSACTION" PURSUANT TO RULE 904 OF REGULATION S UNDER THE SECURITIES ACT AND AGREES ON ITS OWN BEHALF AND ON BEHALF OF ANY INVESTOR FOR WHICH IT HAS PURCHASED SECURITIES TO OFFER, SELL OR OTHERWISE TRANSFER SUCH SECURITY, PRIOR TO THE DATE THAT IS 40 DAYS AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE DATE ON WHICH THIS SECURITY (OR ANY PREDECESSOR OF SUCH SECURITY) WAS FIRST

OFFERED TO PERSONS OTHER THAN DISTRIBUTORS (AS DEFINED IN RULE 902 OF REGULATION S) IN RELIANCE ON REGULATION S, ONLY (A) TO THE ISSUER OR ANY SUBSIDIARY THEREOF, (B) PURSUANT TO A REGISTRATION STATEMENT THAT HAS BEEN DECLARED EFFECTIVE UNDER THE SECURITIES ACT, OR (C) PURSUANT TO OFFERS AND SALES TO NON-U.S. PERSONS THAT OCCUR OUTSIDE THE UNITED STATES IN OFFSHORE TRANSACTIONS IN COMPLIANCE WITH REGULATION S UNDER THE SECURITIES ACT, SUBJECT IN EACH OF THE FOREGOING CASES TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF ITS PROPERTY OR THE PROPERTY OF SUCH INVESTOR ACCOUNT OR ACCOUNTS BE AT ALL TIMES WITHIN ITS OR THEIR CONTROL AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS AND ANY APPLICABLE LOCAL LAWS AND REGULATIONS AND FURTHER SUBJECT TO THE ISSUER'S AND THE TRUSTEE'S RIGHTS PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSE (D) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO EACH OF THEM.

If you purchase notes, you will also be deemed to acknowledge that the foregoing restrictions apply to holders of beneficial interests in these notes as well as to holders of these notes.

(8) You agree that you will, and each subsequent holder is required to, give to each person to whom you transfer the notes notice of any restrictions on the transfer of such notes, if then applicable.

(9) You acknowledge that we, the Initial Purchasers and others will rely upon the truth and accuracy of your acknowledgements, representations, warranties and agreements and you agree that if any of the acknowledgements, representations, warranties and agreements deemed to have been made by your purchase of the notes are no longer accurate and complete, you shall promptly notify us and the Initial Purchasers in writing. If you are acquiring any notes as a fiduciary or agent for one or more investor accounts, you represent that you have sole investment discretion with respect to each such investor account and that you have full power to make the foregoing acknowledgements, representations and agreements on behalf of each such investor account.

(10) You understand that no action has been taken in any jurisdiction (including the United States) by the Issuer or the Initial Purchasers that would result in a public offering of notes or the possession, circulation or distribution of this Offering Memorandum or any other material relating to the Issuer or the notes in any jurisdiction where action for that purpose is required. Consequently, any transfer of notes will be subject to the selling restrictions set forth in this section of this Offering Memorandum and/or in the front of this Offering Memorandum under "*Plan of Distribution*."

(11) You understand that: (i) the notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor (as defined above) in the EEA, and (ii) no key information document (as defined in the PRIIPs Regulation) for offering or selling any in scope instrument or otherwise making such instruments available to retail investors in the EEA has been prepared. Offering or selling the notes or otherwise making them available to any retail investor in the EEA may be unlawful.

(12) You understand that: (i) the notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor (as defined above) in the UK, and (ii) no key information document (as defined in the UK PRIIPs Regulation) for offering or selling any in-scope instrument or otherwise making such instruments available to retail investors in the UK has been prepared. Offering or selling the notes or otherwise making them available to any retail investor in the UK may be unlawful.

LISTING AND GENERAL INFORMATION

1. The creation and issuance of the notes has been authorized by the resolutions of the Board of Directors of Banco de Occidente dated April 26, 2024.

2. Except as disclosed herein, there are no litigation or arbitration proceedings against or affecting Banco de Occidente or any of its assets and Banco de Occidente is not aware of any pending or threatened proceedings, which are or might reasonably be expected to be material in the context of the issuance of the notes.

3. Except as disclosed herein, there has been no adverse change, or any development reasonably likely to involve an adverse change, in the condition (financial or otherwise) or general affairs of Banco de Occidente since December 31, 2023 (the end of the most recent period for which consolidated financial statements have been prepared) that is material in the context of the issuance of the notes.

4. For so long as any notes remain outstanding, copies of the indenture under which the notes will be issued may be inspected during normal business hours at the offices of each of the paying agent, the transfer agent, the listing agent and Banco de Occidente's principal office, at the addresses listed on the inside back cover page of this offering memorandum.

5. For so long as any notes remain outstanding, copies of the following documents (together, where necessary, with English translations thereof) may be obtained during normal business hours at the offices of each of the paying agent, the transfer agent, the listing agent and Banco de Occidente's principal office, at the addresses listed on the inside back cover page of this offering memorandum:

- the latest published audited year-end financial statements of Banco de Occidente; and
- the by-laws of Banco de Occidente.

6. The global notes representing the notes have been accepted into the systems used by Clearstream and Euroclear. The ISIN number and Common Code, as applicable, for the notes are as follows:

Regulation S note ISIN: X52816779263

7. The Purchase Agreement, the Indenture and the Notes are governed by the laws of the State of New York.

LEGAL MATTERS

Certain matters relating to the validity of the notes will be passed upon for us by Milbank LLP, U.S. counsel to Banco de Occidente S.A., and by Brigard & Urrutia Abogados S.A.S., Colombian counsel to Banco de Occidente S.A.

Certain matters relating to the validity of the notes will be passed upon for the initial purchasers by Clifford Chance US LLP, U.S. counsel to the initial purchasers, and by Dentons Cardenas & Cardenas Abogados S.A.S., Colombian counsel to the initial purchasers.

INDEPENDENT AUDITORS

The consolidated financial statements of Banco de Occidente S.A. and its subsidiaries as of December 31, 2023 and 2022 and for the years then ended, and as of December 31, 2022 and 2021 and for the years then ended, included herein, have been audited by KPMG S.A.S., independent auditors, as stated in their reports appearing herein.

INDEX TO FINANCIAL STATEMENTS

BANCO DE OCCIDENTE S.A.

Consolidated Financial Statements

As of December 31, 2023, and 2022

With the Statutory Auditor's report

STUTORY AUDITOR'S REPORT

To the Shareholders:
Banco de Occidente S.A.:

Opinion

We have audited the consolidated financial statements of Banco de Occidente and Subsidiaries (el Grupo), which comprise the consolidated statement of financial position as of December 31 2023 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year then ended and their respective notes that include the summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2023, the consolidated results of its operations and its consolidated cash flows for the year then ended in accordance with Accounting and Financial Reporting Standards accepted in Colombia, applied on a basis consistent with that of the preceding year.

Basis for opinion

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

Key audit matters

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

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Assessment of loan portfolio impairment under IFRS 9 (see notes 2.6, 4.1, and 10 to the consolidated financial statements)	
Key audit matter	How it was addressed in the audit

The Group periodically reviews the credit risk exposure of its loan portfolio. Such determination is one of the most significant and complex estimates in the preparation of the accompanying consolidated financial statements, due to the high degree of judgment involved in the development of models to determine impairment based on an expected loss approach required by IFRS 9. The value of the loan portfolio and its respective impairment as of December 31, 2023 is COP $49,499,035 million and COP$ 2,416,920 million, respectively. We considered the assessment of loan portfolio impairment as a key audit matter because it involved significant measurement complexity that required industry judgment, knowledge and expertise particularly in relation to: (1) the assessment of the used methodologies, including the methodology for estimating loss due to default; (2) the probability of loss due to default and its key factors and assumptions; (3) the loan rating and qualitative factors that are incorporated within the internal model variables, established by the Group; and (4) the calculations of the estimated credit risk impairment of the entire loan portfolio.	Our audit procedures to assess the credit risk impairment sufficiency included, among others, the following: • Involvement of professionals with expertise and knowledge in credit risk assessment and Information technology, to assess certain internal controls related to the Group´s process to determine the loan portfolio impairment. This included controls related to: (1) validation of the models that determine the likelihood of loss, the severity and exposure at the time of default, (2) the Group's monitoring on the portfolio impairment determination; (3) Information technology controls on the entry data to the models that determine credit impairment, as well as the related calculations; (4) the assessment to identify if there was a significant change in the credit risk; (5) the assessment of the macro-economic variables and the weighted scenarios used in the models for loan portfolio impairment determination; and (6) the verification of controls related to the assessment of individually analyzed commercial credits and penalties. • The professionals with expertise in the assessment of credit and information technology risks assisted me in: (1) assessing the key methodologies and data used to determine the likelihood of loss, the severity and exposure in case of default, and the parameters produced for the models; (2) evaluating the macro-economic variables and the weighted probability scenarios used in the internal models including the consideration of alternative data for certain variables; (3) recalculating the expected loss model and its related data; and (4) assessing the qualitative adjustments applied to the model.

Other matters

The consolidated financial statements as of and for the year ended on December 31, 2022 are presented solely for comparative purposes, were audited by our and in our report dated February 24, 2023, we expressed an unqualified opinion thereon.

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

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

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

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

Responsibilities of the Auditor for the audit of the consolidated financial statements

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

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

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

- Conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may indicate significant doubt about the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we should draw attention in our report to the disclosure that describes this situation in the consolidated financial statements or, if this disclosure is inadequate, we should modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to operate as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements present the underlying transactions and events so as to achieve a fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG S.A.S.

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BANCO DE OCCIDENTE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed in millions of Colombian pesos)

	Notes		December 31, 2023	December 31, 2022
Assets				
Cash and cash equivalents	**6**	$	**4,968,903**	**3,878,224**
Financial assets at fair value through profit or loss	**5 and 7**		**5,445,835**	**2,635,365**
Investments in debt securities	**7**		3,459,592	1,299,887
Investments in equity instruments	**7 and 30**		709,520	580,510
Derivative trading instruments	**9 and 28**		1,276,723	754,968
Financial assets at fair value with changes in OCI	**7**		**4,597,797**	**4,022,140**
Investments in debt securities	**7**		4,465,686	3,899,693
Investments in equity instruments at fair value	**7**		132,111	122,447
Financial assets in debt securities at amortized cost	**8**		**2,034,558**	**1,802,692**
Financial assets per loan portfolio at amortized cost, net			**47,082,115**	**43,668,497**
Loan portfolio at amortized cost	**10**		49,499,035	45,701,675
Corporate portfolio and Corporate leasing			34,426,863	32,071,010
Corporate and Corporate leasing			34,411,414	30,950,556
Repos and interbank and other			15,449	1,120,454
Loans and advances to retail customers and retail leasing			12,462,019	11,142,642
Mortgage lending and mortgage leasing portfolio			2,610,153	2,488,024
Impairment of loan portfolio at amortized cost	**10**		(2,416,920)	(2,033,178)
Impairment of corporate loans portfolio and corporate leasing			(1,311,753)	(1,241,499)
Impairment of retail loans and retail leasing portfolios			(1,033,280)	(696,132)
Impairment on mortgage lending and mortgage leasing portfolio			(71,887)	(95,547)
Other accounts receivable, net	**11**		**547,285**	**436,662**
Non-current assets held for sale	**12**		**3,023**	**-**
Investments in associated companies and joint ventures	**13**		**1,800,802**	**1,647,560**
Tangible assets, net	**14**		**654,052**	**712,938**
Property and equipment for own use			107,868	198,310
Equipment under operating lease			64,861	57,234
Right-of-use assets			267,243	240,497
Investment properties			214,080	216,897
Intangible assets, net	**15**		**600,351**	**540,201**
Goodwill			22,724	22,724
Other intangible assets			577,627	517,477
Income tax asset	**16**		**853,501**	**637,375**
Current			828,490	564,419
Deferred			25,011	72,956
Other assets			**13,562**	**22,755**
Total assets		$	**68,601,784**	**60,004,409**
Liabilities and Equity				
Liabilities				
Financial liabilities at fair value - derivative instruments			**1,058,390**	**930,802**
Derivative trading instruments	**9 and 28**	$	1,055,896	930,802
Derivative hedging instruments	**5**		2,494	-
Financial liabilities at amortized cost			**60,024,334**	**52,516,831**
Deposits from customers	**17**		49,175,732	43,095,945
Current accounts			7,092,625	7,586,598
Savings accounts			24,153,811	22,021,958
Term certificates of deposit			17,866,450	13,390,805
Other deposits			62,846	96,584
Financial obligations	**18**		10,848,602	9,420,886
Interbank and overnight funds			4,403,111	2,202,043
Loans from banks and others			3,185,957	3,928,990
Bonds and investment securities			2,171,345	2,322,416
Obligations with rediscount entities			1,088,189	967,437
Provisions	**20**		**64,168**	**57,185**
Provision for legal contingencies			2,488	3,395
Other provisions			61,680	53,790
Income tax liability	**16**		**959**	**608**
Current			959	541
Deferred			-	67
Employee benefits	**19**		**88,847**	**91,999**
Other liabilities	**21 and 30**		**1,677,003**	**1,190,909**
Total liabilities		$	**62,913,701**	**54,788,334**
Equity				
Share capital	**22**	$	**4,677**	**4,677**
Share premium			**720,445**	**720,445**
Retained earnings			**4,996,219**	**4,770,349**
Other comprehensive income			**(70,255)**	**(311,542)**
Total stockholders' equity		$	**5,651,086**	**5,183,929**
Non-controlling interests			**36,997**	**32,146**
Total equity			**5,688,083**	**5,216,075**
Total liabilities and equity			**68,601,784**	**60,004,409**

See notes 1 to 32, which are an integral part of the consolidated financial statements

BANCO DE OCCIDENTE S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
(Expressed in millions of Colombian pesos)

Years ended at:

	Notes		December 31, 2023	December 31, 2022
Interest and valuation income		$	7,732,758	4,691,301
Interest on loan portfolio and financial leasing, repo and interbank transactions:			**7,214,008**	**4,368,348**
Interest on corporate portfolio			4,851,231	2,797,279
Interest on retail portfolio			1,921,271	1,311,170
Residential mortgage interest and related income			248,787	208,105
Repos and interbank income			192,719	51,794
Income from deposits			**35,306**	**12,754**
Interest income from other accounts receivable			**1,211**	**2,726**
Interest and valuation of investments in debt securities at amortized cost			**482,233**	**307,473**
Interest and similar expenses			5,495,353	2,491,415
Deposits	17		**4,346,644**	**1,912,314**
Current accounts			41,408	16,008
Savings deposits			2,230,879	1,134,737
Term certificates of deposit			2,074,357	761,569
Deposits from financial institutions				
Financial Obligations	18		**1,148,709**	**579,101**
Interbank loans			431,210	133,287
Loans from banks and others			251,754	100,751
Bonds and investment securities			335,437	286,904
Obligations with rediscount entities			130,308	58,159
Net interest and valuation income			**2,237,405**	**2,199,886**
Impairment loss on financial assets			1,195,579	745,219
Impairment for loan portfolio and interest receivable			1,384,446	943,297
Recovery for investments in debt securities			431	(2,213)
Recovery of write-offs			(189,298)	(195,865)
Income, net of interest after impairment			**1,041,826**	**1,454,667**
Revenue from customer contracts, commissions and fees				
Commission and fee income	25		**567,455**	**497,092**
Commissions and fees	25		**213,501**	**151,614**
Net income from commissions and fees			**353,954**	**345,478**
Net income (expense) from financial assets or liabilities held for trading			**629,469**	**19,343**
Net gain on trading investments			526,013	33,239
Net gain (loss) on derivative financial instruments for trading			104,388	(13,896)
Net loss from hedging activities			(932)	
Other income, net	26		**470,763**	**591,646**
net (loss) gain on foreign exchange difference			(53,273)	172,640
Net loss on sale of investments			(12,445)	(28,970)
Gain on sale of non-current assets held for sale	12		23,954	6,260
Equity in income of associated companies and joint ventures by equity accounting method	13		218,882	122,041
Dividends			5,702	5,580
Net gain on valuation of investment properties			19,328	30,735
Other operating income			268,615	283,360
Other expenses, net	26		**2,043,800**	**1,837,335**
Provision for other assets			**111**	**2,447**
Personnel expenses	26		**867,105**	**811,302**
Indemnifications			15,351	4,253
Bonus payments			31,206	30,916
Salaries and employee benefits			820,548	776,133
General administrative expenses			**954,913**	**826,462**
Depreciation and amortization expense			**185,845**	**162,955**
Amortization of intangible assets			74,763	55,988
Depreciation of tangible assets			46,839	47,590
Depreciation of Right-of-use assets			64,243	59,377
Other operating expenses, net			**35,826**	**34,169**
Donation expenses	26		3,458	1,571
Other expenses			32,368	32,598
Income before income tax expense			**452,212**	**573,799**
Income tax expense	16		**(27,345)**	**117,456**
Profit for the year		$	**479,557**	**456,343**
Profit or loss attributable to:				
Holders of ordinary shares of the banks		$	**473,547**	**452,509**
Non-controlling interests	23	$	**6,010**	**3,834**

See notes 1 to 32, which are an integral part of the consolidated financial statements.

BANCO DE OCCIDENTE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Expressed in millions of Colombian pesos)

Years ended at:	Notes		December 31, 2023	December 31, 2022
Profit of the year:		$	**479,557**	**456,343**
Items that will be reclassified subsequently to profit or loss				
Net foreign exchange difference on conversion of foreign operations			(38,230)	32,821
Foreign exchange difference on investments in foreign subsidiaries			(73,047)	49,942
Net unrealized gain (loss) on foreign hedging transactions			73,047	(49,942)
Net unrealized gain (loss) on financial instruments measured at fair value in debt securities	**7**		393,581	(387,260)
Impairment on financial instruments measured at fair value with changes in OCI - debt securities, Net.			80	(2,134)
Net unrealized gain (loss) on investments accounted for by the equity accounting method	**13**		21,611	(39,917)
Deferred income tax on items that may be subsequently reclassified to profit or loss	**16**		(139,430)	113,978
Total items to be subsequently reclassified to profit or loss			**237,612**	**(282,512)**
Items that will not be reclassified to profit or loss				
Revaluation of investment properties			(2,376)	461
Net unrealized gain on equity financial instruments measured at fair value	**7**		9,263	10,415
Actuarial (loss) gain in defined benefit plans			(4,810)	320
Deferred tax recognized in other comprehensive income	**16**		2,152	(6,153)
Total items that will not be reclassified to profit or loss			**4,229**	**5,043**
Total other comprehensive income for the year, net of taxes			**241,841**	**(277,469)**
Total comprehensive income for the year		$	**721,398**	**178,874**
Comprehensive income attributable to:				
Holders of ordinary shares of the banks		$	**714,834**	**178,342**
Non-controlling interests		$	**6,563**	**532**

See notes 1 to 32, which are an integral part of the consolidated financial statements.

BANCO DE OCCIDENTE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed in millions of Colombian pesos)

Years ended December 31, 2023 and 2022:		Subscribed and paid-in capital (Note 22)	Premium on share placement	Retained Earnings	Other comprehensive income	Total stockholders' equity	Non Controlling Interests	Total equity, net
Balance as of December 31, 2021	**$**	**4,677**	**720,445**	**4,467,443**	**(37,376)**	**5,155,189**	**33,391**	**5,188,580**
Dividends to shareholders		-	-	(150,000)	-	(150,000)	(1,777)	(151,777)
Withholding tax on dividends declared in prior fiscal year in the statement of changes in equity		-	-	323	-	323	-	323
Realized other comprehensive income		-	-	(1,435)	(337)	(1,772)	(67)	(1,839)
Effect on retained earnings from realized other comprehensive income		-	-	1,772	-	1,772	67	1,839
Withholding tax on dividends for the current year in the statement of changes in equity		-	-	(263)	-	(263)	-	(263)
Other comprehensive income for the year		-	-	-	(273,829)	(273,829)	(3,303)	(277,132)
Profit for the year		-	-	452,509	-	452,509	3,834	456,343
Balance as of December 31, 2022	**$**	**4,677**	**720,445**	**4,770,349**	**(311,542)**	**5,183,929**	**32,146**	**5,216,075**
Balance as of December 31, 2022	**$**	**4,677**	**720,445**	**4,770,349**	**(311,542)**	**5,183,929**	**32,146**	**5,216,075**
Dividends to shareholders		-	-	(251,323)	-	(251,323)	(1,712)	(253,035)
Withholding tax on dividends declared in prior fiscal year in the statement of changes in equity		-	-	263	-	263	-	263
Realized other comprehensive income and Effect on retained earnings from realized of OCI		-	-	4,950	(4,950)	-	-	-
Withholding tax on dividends for the current year in the statement of changes in equity		-	-	(1,567)	-	(1,567)	-	(1,567)
Other comprehensive income for the year		-	-	-	246,237	246,237	554	246,791
Profit for the year		-	-	473,547	-	473,547	6,010	479,557
Balance as of December 31, 2023	**$**	**4,677**	**720,445**	**4,996,219**	**(70,255)**	**5,651,086**	**36,997**	**5,688,083**

See notes 1 to 32, which are an integral part of the consolidated financial statements.

BANCO DE OCCIDENTE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed in millions of Colombian pesos)

For years ending at:	Notes	December 31, 2023	December 31, 2022
Cash flows from operating activities:			
Profit for the year before income tax		$ 452,212	573,799
Reconciliation of net income for the period to net cash provided by (used in) operating activities:			
Net interest and valuation income		(2,237,405)	(2,199,886)
Depreciation of tangible assets and right-of-use assets	14 and 26	111,082	106,967
Amortization of intangible assets	15 and 26	74,763	55,988
Impairment for loan portfolio and accounts receivable, net		1,384,446	943,297
Impairment of tangible assets,net		(85)	1,352
Profit on sale of property and equipment for own use		(258)	(7,388)
Unrealized exchange difference	26	53,273	(152,773)
Profit on sale of non-current assets held for sale		(25,437)	(7,910)
Profit on sale of investments,net		(2,637)	(896)
Share of profit in associates and joint ventures	13 and 26	(218,882)	(122,041)
Dividends	7 and 26	(5,702)	(5,580)
Adjusted fair value over:			
(Profit) loss on valuation of derivative financial instruments		(103,456)	13,896
Profit on valuation of investment properties	14	(19,328)	(30,735)
Net change in operating assets and liabilities			
Negotiable investments		(2,149,766)	(622,885)
Derivative financial instruments		(290,709)	108,375
Loan portfolio		(5,737,405)	(8,208,329)
Accounts receivable		(145,546)	(183,659)
Other assets		26,449	34,795
Customer deposits		6,953,537	5,731,455
Interbank loans and overnight funds		2,160,444	157,575
Other liabilities and provisions		198,599	(79,286)
Employee benefits		(2,571)	751
Interest received from financial assets		6,383,490	3,988,295
Interest paid on financial liabilities		(5,295,413)	(2,257,301)
Payment of interest on financial leases		(29,293)	(18,924)
Income tax paid		(38,048)	(37,132)
Net cash provided by (used in) operating activities		**1,496,354**	**(2,218,180)**
Cash flows from investing activities:			
Acquisition of held-to-maturity investments		(1,970,311)	(1,772,133)
Redemption of held-to-maturity investments		1,935,253	926,137
Acquisition of investments with changes in other comprehensive income at fair value		(2,001,896)	(922,625)
Proceeds from the sale of investments with changes in other comprehensive income at fair value		2,184,855	2,515,453
Acquisition of tangible assets		(48,031)	(66,173)
Acquisition of other intangible assets		(135,104)	(141,308)
Proceeds from sale of property and equipment		53,087	47,901
Proceeds from sale of non-current assets held for sale		5,771	6,108
Dividends received		109,492	187,535
Net cash provided by investing activities		**133,116**	**780,895**
Cash flow from financing activities:			
New financial obligations		30,730	541,816
Payments on outstanding investment securities		(148,040)	(470,090)
Payment of leasing fees		(73,901)	(72,436)
Dividends paid to shareholders		(187,341)	(117,867)
Dividends paid to non-controlling interests		(39,738)	(44,201)
Net cash used in financing activities		**(418,290)**	**(162,778)**
Effect of foreign exchange gains or losses on cash and cash equivalents		(120,501)	368,284
Increase (decrease) in cash, net		1,090,679	(1,231,779)
Cash and cash equivalents at beginning of year	6	3,878,224	5,110,003
Cash and cash equivalents at the end of the year	6	$ **4,968,903**	**3,878,224**

See notes 1 to 32, which are an integral part of the consolidated financial statements.

Note 1. – Reporting Entity

Banco de Occidente S.A., hereinafter the Parent Company, is a private held legal entity, duly constituted as a banking institution, authorized to operate in accordance with Resolution No. 3140 of September 24, 1993 of the Financial Superintendence of Colombia. It is duly constituted, as recorded in Public Deed 659 dated April 30, 1965 of the Fourth Notary Office of Cali.

The Parent Company has its main domicile in Santiago de Cali. The duration established in its bylaws is 99 years from its the date of constitution. In compliance with its corporate purpose, it may enter into or execute all operations and contracts legally permitted to Corporate banking institutions, subject to the requirements and limitations of Colombian law.

In pursuit of its corporate purpose, the Parent Company extends loans to its customers in the form of credit portfolio, including corporate, retail, residential mortgage and financial, operating and residential leasing portfolios. It also engages in treasury operations in debt securities, mainly in the Colombian market. All these operations are financed with deposits received from clients in the form of current and savings accounts, term deposit certificates, outstanding investment securities in circulation with general guarantee in Colombian pesos, and with financial obligations obtained from correspondent banks in local and foreign currency, and from rediscount entities created by the Colombian government to stimulate various sectors of the Colombian economy.

As of December 31, 2023, the Parent Company has a total of 6,984 employees, distributed as follows: 6,143, with indefinite-term contracts, 496 with fixed-term contracts, and 345 with apprenticeship contracts. The Parent Company provides its services through 182 service centers in Colombian territory, distributed in 175 offices, 4 vehicle credit centers and 3 leasing, Residential and vehicle credit centers.

The Parent Company is under the control by *Grupo Aval Acciones y Valores S.A.*, which is domiciled in Bogotá D.C., and holds a total participation of 72.27%, Grupo Aval Acciones y Valores S.A. is the utimate controller and in turn exercises control situation over foreign entities of 95% in *Banco de Occidente Panama S.A.* and 100% in *Occidental Bank Barbados Ltd*. and in Colombian territory with 94.98% in *Sociedad Fiduciaria de Occidente S.A.* and 45% in *Ventas y Servicios S.A. - NEXA BPO*. Similarly, Fiduciaria de Occidente S.A. has an indirect participation in Ventas y Servicios S.A. - NEXA BPO of 35% and Occidental Bank Barbados Ltd. in Fiduciaria de Occidente S.A. of 0.58%.

The Parent Company has a non-bank correspondent agreement with Almacenes Éxito S.A. "Exito", Efectivo Ltda "Efecty", Conexred S.A "Puntored", Empresa de Energía del Quindío S.A ESP "EDEQ", Soluciones en Red S.A.S "Punto de Pago" and Red Empresarial de Servicios S.A "SuperGIROS".

Corporate information of subsidiaries

The corporate purpose of *Fiduciaria de Occidente S.A. - Fiduoccidente*, is the execution of mercantile trust agreements and non-translative fiduciary mandates of ownership, in accordance with the legal provisions. Its main purpose is to acquire, dispose of, encumber and manage movable and immovable property, and to intervene as debtor or creditor in all kinds of credit operations. As of December 31, 2023, Fiduciaria de Occidente S.A. has a total of 454 employees, distributed in 47 with fixed-term contracts, 510 with indefinite-term contracts and 25 with apprenticeship contracts, through 10 agencies located in the cities of Bogotá, Medellín, Cali, Barranquilla, Manizales, Bucaramanga, Cartagena, Pereira, Santa Marta, and Montería.

Banco de Occidente Panama S.A., is an entity incorporated under the laws of the Republic of Panama, and began banking operations in that country on June 30, 1982 under the international license granted by the National Banking Commission of the Republic of Panama. As of December 31, 2023, *Banco de Occidente Panama S.A.* has a total of 57, employees distributed as follows: 56

with indefinite term contracts and 1 collaborator with a definite term contract. Of the total number of employees, 10 perform special tasks for *Occidental Bank Barbados*, and 13 are shared between both subsidiaries.

Occidental Bank Barbados Ltd. was incorporated under the laws of Barbados on May 16, 1991, with an international license that allows it to provide financial services to individuals and non resident companies in Barbados. As of December 31, 2023, *Occidental Bank Barbados Ltd.* has a total of 3 employees with indefinite-term contracts, 2 of whom work directly in Barbados and 1 in Colombia.

The corporate purpose of Ventas y Servicios S.A. - NEXA BPO, is the provision of technical or administrative services referred to in Article 5 of Law 45 of 1990, such as: Computer programming, marketing, creation and organization of files for consultation and statistical calculations and reports in general. The company Ventas y Servicios S.A. - NEXA BPO is consolidated due to of the dominant administrative influence exercised by the Parent Company.

As of December 31, 2023, *Ventas y Servicios S.A.* has a total of 7,272 employees, distributed in 229 with fixed-term contracts, 5,620 with indefinite-term contracts, 1,137 with work or labor contracts, and 286 with apprenticeship contracts, who work in 85 cities in Colombia, grouped in 4 regions.

The consolidated financial statements as of December 31, 2023 and 2022 include *Banco de Occidente S.A.* and its subsidiaries, hereinafter referred to as the Group.

Note 2. - Basis of preparation of the consolidated financial statements, and summary of significant material accounting policies

2.1. Statement of compliance and technical regulatory framework

The annual consolidated financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia for Group 1 entities (in Spanish NCIF Group 1). Established in Law 1314 of 2009, regulated by 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. NCIF Group 1 are based on the complete International Financial Reporting Standards (IFRS), issued and officially translated into Spanish by the International Accounting Standards Board (IASB).

For legal purposes in Colombia, the main financial statements are the separate financial statements.

2.2. Presentation of consolidated financial statements

The accompanying consolidated financial statements are presented taking into account the following aspects:

- The consolidated statement of financial position is presented showing different asset and liability accounts, ordered according to their liquidity in case of realization or enforceability, as it is considered that for a financial entity this form of presentation provides more relevant and reliable information. Due to the foregoing, in the development of each of the notes on financial assets and liabilities, the amounts expected to be recovered or paid within the following twelve months and after twelve months are disclosed, in accordance with IAS 1 "Presentation of Financial Statements".
- The consolidated statements of income and other comprehensive income, are presented separately in two statements, as permitted by IAS 1 "Presentation of Financial Statements". Likewise, the consolidated income statement is presented according to the nature of expenses, which is the model most commonly used in financial institutions, because it provides more appropriate and relevant information.

- The consolidated statement of cash flows is presented using the indirect method, in which net cash flows from operating activities are determined by adjusting net income before income taxes for the effects of items that do not generate cash flows, net changes in assets and liabilities derived from operating activities, and for any other items whose monetary effects are considered investing or financing cash flows. Interest income and interest expense are presented as components of operating activities.

2.3. Basis of consolidation

a. Subsidiaries

In accordance with International Financial Reporting Standard IFRS 10, the Parent Company must prepare consolidated financial statements with the entities in which it has control. The Parent Company has control of another entity if, and only if, it has all of the following elements:

- Power over the investee that gives it the current ability to direct its relevant activities that significantly affect its performance.

- Exposure, or right, to variable returns from its involvement in the investee.

- Ability to use its power over the investee to influence the amount of investor's returns.

In the consolidation process, the Parent Company combines the assets, liabilities and results of the entities in which it has control, after homogenizing its accounting policies and converting the financial statements of controlled entities abroad into Colombian pesos. In this process, reciprocal transactions and unrealized profits between them are eliminated. The non-controlling interests' equity of controlled entities is presented in equity, separately from the equity of the Parent Company's stockholders.

In the consolidation process, financial statements of foreign controlled companies, their financial statements are translated as follows: Assets and liabilities are translated into Colombian pesos at the closing exchange rate, the income statement at the monthly average exchange rate and the equity accounts at historical exchange rates, except for the accounts of Other Comprehensive Income - (OCI) due to fair value adjustments. The resulting net adjustment in translation process is included in equity as "Adjustment for translation of foreign currency financial statements" in the "Other Comprehensive Income" account.

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

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

The consolidated financial statements include the following subsidiaries:

Subsidiaries	Origin	Ownership interest	No. of Shares as of December 31, 2023
Fiduciaria de Occidente S.A. (*)	National	94.98%	18,250,806
Ventas y Servicios S. A.	National	45%	1,343,300
Banco de Occidente Panama S.A.	Foreign	95%	1,561,001
Occidental Bank Barbados Ltd.(*)	Foreign	100%	2,015

(*) Fiduciaria de Occidente S.A. has a 35% interest in Ventas y Servicios S.A. NEXA-BPO and Occidental Bank Barbados Ltd. has a 0.58% interest in Fiduciaria de Occidente S.A.

The total value of assets, liabilities, equity, operating income and results as of December 31, 2023 and 2022 of each of the subsidiaries included in the consolidation is as follows:

December 31, 2023		Assets	Ownership interest	Liabilities	Ownership interest	Equity	Ownership interest	Operating income (*)	Ownership interest	Results	Ownership interest
Banco de Occidente S.A. (Parent company)	$	63,485,480	92.5%	58,613,759	93.2%	4,871,721	85.6%	27,998,200	97.6%	329,949	68.8%
Fiduciaria de Occidente S.A.		411,989	0.6%	28,678	0.1%	383,311	6.7%	196,030	0.7%	75,063	15.7%
Banco de Occidente Panama S.A.		3,558,290	5.2%	3,321,340	5.2%	236,950	4.2%	227,335	0.8%	55,120	11.5%
Occidental Bank Barbados Ltda.		1,045,958	1.5%	898,919	1.4%	147,039	2.6%	71,579	0.2%	19,795	4.1%
Ventas y Servicios S.A.		100,067	0.2%	51,005	0.1%	49,062	0.9%	197,551	0.7%	(370)	-0.1%
Total	**$**	**68,601,784**	**100%**	**62,913,701**	**100%**	**5,688,083**	**100%**	**28,690,695**	**100%**	**479,557**	**100%**

December 31, 2022		Assets	Ownership interest	Liabilities	Ownership interest	Equity	Ownership interest	Operating income (*)	Ownership interest	Results	Ownership interest
Banco de Occidente S.A. (Parent company)	$	54,232,274	90.4%	49,716,735	90.7%	4,515,539	86.6%	15,750,027	96.6%	366,695	80.4%
Fiduciaria de Occidente S.A.		362,292	0.6%	31,644	0.1%	330,648	6.3%	128,256	0.8%	26,523	5.8%
Banco de Occidente Panama S.A.		3,995,338	6.7%	3,817,313	7.0%	178,025	3.4%	158,314	1.0%	44,927	9.8%
Occidental Bank Barbados Ltda.		1,305,142	2.1%	1,164,611	2.1%	140,531	2.7%	51,918	0.3%	16,299	3.6%
Ventas y Servicios S.A.		109,363	0.2%	58,031	0.1%	51,332	1.0%	215,765	1.3%	1,899	0.4%
Total	**$**	**60,004,409**	**100%**	**54,788,334**	**100%**	**5,216,075**	**100%**	**16,304,280**	**100%**	**456,343**	**100%**

(*) Operating income is presented gross, unlike the income statement where it is presented net.

Effect of consolidation

The effect of consolidation on the structure of the Parent Company's financial statements as of December 31, 2023 and 2022 was as follows:

		December 31, 2023					December 31, 2022		
		Total for Parent Company	Total Consolidated	Increase (Decrease)			Total for Parent Company	Total Consolidated	Increase (Decrease)
Assets	**$**	63,485,480	68,601,784	5,116,304	**Assets**	**$**	54,232,274	60,004,409	5,772,135
Liabilities		58,613,759	62,913,701	4,299,942	**Liabilities**		49,716,735	54,788,334	5,071,599
Equity		4,871,721	5,688,083	816,362	**Equity**		4,515,539	5,216,075	700,536
Results	**$**	329,949	479,557	149,608	**Results**	**$**	366,695	456,343	89,648

b. Investments in associated companies

The Parent Company's investments in entities in which it does not have control, but has significant influence, are called "investments in associated companies" and are accounted for by the equity method. Significant influence is presumed to be exercised over another entity, if it owns directly or indirectly between 20% and 50% of the voting rights of the investee, unless it can be clearly demonstrated that such influence does not exist. Conversely, it is presumed that the entity does not exercise significant influence if it holds, directly or indirectly, less than 20 percent of the voting power of the investee, unless it can be clearly demonstrated that such influence exists. The equity method is an accounting method, whereby the investment is initially recorded at cost and subsequently adjusted periodically for changes in the investor's interest in the investee's net assets. Comprehensive income for the period includes its share in the period's income of the investee, and in the "other comprehensive income of the investor" account, and in equity includes its share in the "other comprehensive income" of the investee. (See note 13).

c. Joint agreements

Joint arrangements are classified into joint operations and joint ventures, depending on the contractual rights and obligations of each investor. In joint operations, the parties that have joint control of the arrangement, have rights to the assets and obligations with respect to the liabilities related to the arrangement. In joint ventures, the parties that have control of the arrangement, are entitled to the net assets of the arrangement. (See note 13).

Joint operations are included in the consolidated financial statements, based on their proportional and contractual share of each of the assets, liabilities and results of the contract or entity in which the arrangement is held.

Joint ventures are accounted for by the equity method, as indicated above for the accounting of investments in associated companies.

d. Transactions eliminated in consolidation

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

e. Unconsolidated structured entities

The subsidiary *Fiduciaria de Occidente S.A.* carries out operations in the normal course of its activities, through which it transfers financial assets to third parties. Depending on the circumstances, these transfers may result in these financial assets being written off or continuing to be recognized.

2.4. Functional and presentation currency

The primary activity of the Parent Company, is the granting of credit to customers in Colombia, and investment in securities issued by the Republic of Colombia or national entities, whether or not registered in the National Registry of Securities and Issuers - RNVE - in Colombian pesos; and to a lesser extent, in the lending of credit also to Colombian residents in foreign currency and investment in securities, issued by banking entities abroad, securities issued by foreign companies in the real sector whose shares are listed in one or more internationally recognized stock exchanges, bonds issued by multilateral credit organizations, foreign governments or public entities. These loans and investments are financed primarily with customer deposits and obligations in Colombia, also in Colombian pesos. The Parent Company's performance is measured and reported to its shareholders and the general public in Colombian pesos. Due to the foregoing, the Parent Company's management considers that the Colombian peso is the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions of the Parent Company, and for this reason the consolidated financial statements are presented in Colombian pesos as its functional currency.

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

Countries	**Functional Currency**
Colombia	Colombian Pesos
Panama	U.S. Dollars
Barbados	U.S. dollars

The consolidated financial statements are presented in millions of Colombian pesos, which is the presentation and functional currency of the Parent Company, except where otherwise indicated; consequently, all balances and transactions denominated in currencies other than the Colombian peso are translated into foreign currency.

The Parent Company and its subsidiaries carry out all currency translation of their financial statements under IFRS, in accordance with their accounting policies based on IAS 21.

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

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

a. Assets and liabilities in each of the statements of financial position presented (i.e., including comparative figures), will be translated at the closing exchange rate as of December 31, 2023 and 2022, corresponding to the periods of the statements of financial position.

b. Revenues and expenses for each statement presenting profit or loss for the period and other comprehensive income (i.e., including comparative figures), will be translated at the average exchange rates as of December 31, 2023 and 2022; and

c. All resulting exchange differences will be recognized in other comprehensive income.

As of December 31, 2023 and 2022, the exchange rates used for the translation from functional currency to presentation currency, are as follows in relation to the Colombian peso (in pesos):

Currency Type		**December 31, 2023**	**December 31, 2022**
U.S. Dollars (USD/COP)			
At closing	**$**	3,822.05	4,810.20
Period average		4,325.96	4,257.12
Euros (EUR/COP)			
At closing		4,247.75	5,121.32
Period average	**$**	4,677.78	4,472.21

Assets and liabilities of foreign operations are translated into Colombian pesos at the exchange rate in effect at the end of the reporting period, and their statements of income are translated at the average rates in effect at the dates of the transactions. Equity at its respective historical rate.

2.5. Transactions in foreign currencies

Transactions in foreign currency are translated into Colombian pesos using the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies, are translated into the functional currency using the exchange rate prevailing at the balance sheet date, and non-monetary assets denominated in foreign currencies are measured at the historical exchange rate. Gains or losses resulting from the translation process are included in the statement of income, unless the financial liabilities serve as a hedging instrument for an investment in foreign operations, in which case they are recorded in equity in the Other Comprehensive Income account.

2.6. Financial assets

i. Recognition and initial measurement

A financial asset in accordance with IFRS 9 is any asset that is:

- cash
- an equity instrument of another entity
- a contractual right:
  - to receive cash or other financial assets from another entity; or
  - to exchange financial assets or financial liabilities with another entity on terms that are potentially favorable to the entity; or
  - a contract that will or may be settled using the entity's own equity instruments.

Regular purchases and sales of investments are recognized on the trade date on which the Parent Company and subsidiaries commit to purchase or sell securities. Financial assets at fair value through profit or loss, are initially recognized at fair value and transaction costs are recognized as expensed as incurred.

Financial assets classified at amortized cost are recorded at acquisition or grant at their transaction value in the case of investments, or at their nominal value in the case of loans, which, unless there is evidence to the contrary, coincides with their fair value, plus transaction costs directly attributable to their acquisition or grant, less commissions received.

ii. Classification and measurement

IFRS 9 has a classification and measurement approach for financial assets that reflects the business model in which these assets are managed and their cash flow characteristics.

This standard includes three main classification categories for financial assets: measured at amortized cost (AC), at fair value through other comprehensive income (FVTOCI), and at fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost, rather than at fair value through profit or loss if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to obtain contractual cash flows; and
- The contractual terms of the financial asset establish specific dates for cash flows derived solely from principal and interest payments on the outstanding balance.

A debt instrument is measured at FVTOCI, only if it meets both of the following conditions and has not been designated as FVTPL:

- The asset is held within a business model whose objective is achieved by collecting contractual cash flows and selling these financial assets; and
- The contractual terms of the financial asset establish specific dates for cash flows derived solely from principal and interest payments on the outstanding balance.

During the initial recognition of investments in equity instruments not held for trading, the Group may irrevocably elect to record subsequent changes in fair value as part of other comprehensive income in equity. This choice must be made on an instrument-by-instrument basis.

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

In addition, at initial recognition, the Group may irrevocably designate a financial asset that meets the measurement requirements at AC or FVTOCI to be measured at FVTPL, if doing so would eliminate or significantly reduce an accounting asymmetry that might otherwise occur. The Group will not make use of this option for now.

A financial asset is classified in one of the mentioned categories upon initial recognition.

Under IFRS 9, derivative contracts embedded in other contracts, where the host contract is a financial asset under the scope of IFRS 9, are not separated, and instead the financial instrument is measured and recorded together as one instrument at fair value through profit or loss.

Business model evaluation

The Group conducted an evaluation of the objectives of the business models, in which the different financial instruments are held at the portfolio level to best reflect how the business is managed by the Parent Company, each subsidiary and how information is provided to management. The information that was considered included:

- The policies and objectives outlined for each portfolio of financial instruments, and the operation of those policies in practice. These include whether management's strategy focuses on collecting contractual interest income, maintaining a particular interest rate profile, or coordinating the duration of financial assets with that of the liabilities that are financing them or the expected cash outflows or realizing cash flows through the sale of assets;
- How portfolio performance is evaluated and reported to key management personnel of each Group subsidiary;
- The risks that affect the performance of the business models (and the financial assets held in the business model) and how those risks are managed;
- How business managers are compensated (e.g., whether compensation is based on the fair value of assets under management, or on contractual cash flows earned); and
- The frequency, value and timing of sales in prior periods, the reasons for those sales and expectations about future sales activity. However, information on sales activity is not considered in isolation, but as part of an assessment of how the objectives set by the Group to manage financial assets are achieved and how cash flows are realized.

Financial assets that are held or managed for trading and whose performance is evaluated on a fair value basis are measured at FVTPL, because they are not held within business models to collect contractual cash flows or to earn contractual cash flows and sell these financial assets.

Assessment if the contractual cash flows are only principal and interest payments (SPPI)

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

In assessing whether the contractual cash flows are SPPI, the Group considered the contractual terms of the instrument. This included assessing whether the financial asset contains a contractual term that could change the period or amount of the contractual cash flows so that it does not meet this condition. In making this assessment the Group considered:

- Contingent events that changed the amount and timing of cash flows;
- Leverage features;
- Prepayment terms and extension;
- Terms that limit the Group to obtain cash flows from specific assets (e.g. non-recourse asset agreements); and
- Features that modify the considerations for the time value of money.

Interest rates on certain retail and Corporate loans, are based on variable interest rates that are set at the discretion of the Group. Variable interest rates are generally established in Colombia based on the DTF (Effective Annual Interest Rate for Fixed-Term Deposits) and IBR (Representative Market Rate), (published by *Banco de la República*), and in other countries according to local practices, plus certain additional discretionary points. In these cases, the Group will assess whether the discretionary feature is consistent with the principal and interest only criteria, by considering a number of factors including whether:

- Borrowers are able to prepay loans without significant penalties. In Colombia it is forbidden by law to charge for prepayment of loans.
- Competitive market factors ensure that interest rates are consistent among banks;
- Any regulatory standard of protection put in place in favor of customers in the country that requires Banks to treat customers fairly.

All fixed-rate retail and Corporate loans contain prepayment terms.

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

In addition, a prepayment feature is treated as consistent with this criterion, if a financial asset is acquired or originated at a premium or discount to its nominal contractual amount, and the amount prepaid substantially represents the contractual amount at par plus contractually accrued but unpaid interest (which may include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

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

Financial assets at fair value through profit or loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including interest or dividend income, are recognized in income.
Financial assets at amortized cost (AC)	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition of accounts is recognized in profit or loss.
Debt investments with changes in other comprehensive income (FVTOCI)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and impairment losses are recognized in income. Other gains and valuation losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to gains or losses on realization of OCI.
Equity investments with changes in other comprehensive income (FVTOCI)	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and are never reclassified to profit or loss.
Negotiable in equity securities	An investment in securities made by mutual funds, which has been acquired for the principal purpose of making a profit from short-term fluctuations in price. Participations in private capital funds, in the development of securitization processes must be valued taking into account the value of the unit calculated by the management company, as of the day immediately prior to the valuation date. The difference between the present value and the immediately preceding value, is recorded as an increase or decrease in the value of the investment, and its balancing entry affects the results of the period. This procedure is performed daily.

iii. Reclassifications

Financial assets are not reclassified after initial recognition, except in the period after *Grupo Aval* entities change their business model for managing financial assets.

iv. Transfers and disposals of financial assets

The accounting treatment of transfers of financial assets is conditioned by the manner in which the risks and rewards associated with the transferred assets are transferred to third parties; thus, financial assets are only derecognized from the consolidated balance sheet, when the cash flows they generate have been extinguished, or when the risks and rewards associated with them have been substantially transferred to third parties. In the latter case, the transferred financial asset is derecognized from the consolidated balance sheet, recognizing simultaneously any right or obligation retained or created as a result of the transfer.

The Parent Company and its subsidiaries *Occidental Bank Barbados Ltd.* and *Banco de Occidente Panama S.A.* are deemed to transfer substantially all the risks and rewards, if the risks and rewards transferred represent the majority of the total risks and rewards of the transferred assets. If substantially all the risks and/or rewards associated with the transferred financial asset are retained:

- The transferred financial asset is not derecognized from the consolidated balance sheet, and continues to be valued using the same criteria used prior to the transfer.
- An associated financial liability is recorded for an amount equal to the consideration received, which is subsequently measured at amortized cost.
- Both the income associated with the transferred (but not derecognized) financial asset, and the expenses associated with the new financial liability continue to be recorded.

v. Restructured financial assets with collection problems

The Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panama S.A., consider and identify as restructured financial assets with collection problems those assets in which the Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panama S.A. grant the debtor a concession that otherwise would not have been considered. Such concessions generally refer to interest rate reductions, extensions of payment terms or reductions in outstanding balances.

vi. Offsetting of financial instruments in the statement of financial position

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

vii. Fair value estimate

In accordance with IFRS 13 "Fair value measurement", 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.

Accordingly, the fair value valuations of the Parent Company's financial assets, are made as follows:

- For highly liquid investments, the last traded price at the cut-off date of the financial statements is used, where the last traded price falls within the bid-ask spread. The fair value of financial assets that are not quoted in an active market, is determined using valuation techniques. The Parent Company uses a variety of methods and assumptions based on market conditions existing at each reporting date. Valuation techniques used, include the use of recent comparable and arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly employed by market participants, making maximum use of market data and relying as little as possible on Parent Company specific data.

Measurement of Expected Credit Loss (ECL)

The ECL is the estimated weighted probability of credit loss, and is measured as follows:

- Financial assets that are not credit-impaired at the reporting date: ECL is estimated for a 12-month period, considering the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD);
- Financial assets that are impaired at the reporting date: in these cases ECL is estimated using a PI of 100%, given that it is impaired, as well as LGD and EAD;
- Financial assets with indications of credit impairment at the reporting date: ECLs are estimated for the remaining life of the loan, additionally incorporating the Probability of Survival (PS); a financial asset shows signs of impairment when: a) it is 30 to 90 days past due, b) when it is current and shows qualitative risk factors and c) when there is a significant increase in its risk levels; this occurs when there is a deterioration in risk with respect to the time of granting that exceeds the previously defined thresholds, in which case the client moves to stage 2 in the ECL model.
- Outstanding loan commitments: the present value of the difference between the contractual cash flows that are due to the Group in the event that the commitment is executed and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the payments expected to reimburse the holder less any amount the Group expects to recover.

2.7. Cash and cash equivalents

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

2.8. Derivative financial instruments and hedge accounting

a. Trading Derivative Instruments:

In accordance with IFRS 9, a derivative is a financial instrument whose value changes over time based on an underlying variable, requires no or little initial net investment in relation to the underlying asset, and is settled at a future date.

In the development of its operations, the Parent Company generally trades in the financial markets in financial instruments with forward contracts, futures contracts, swaps and options that meet the definition of a derivative.

All derivative transactions are initially recorded at fair value. Subsequent changes in fair value are adjusted with a charge or credit to income, as appropriate, unless the derivative instrument is designated as a hedge and if so, the nature of the hedged item.

Fiduciaria de Occidente S.A. implements economic hedging strategies with changes in results, by taking positions in derivative financial instruments such as forward peso - dollar. Since the foreign currency exposure of the liability is hedged with the associated derivative financial instruments, with changes in results, both at the principal and interest levels, exposure to this risk is neutralized, since the effects of the change in the exchange rate on the available balance are not significant.

b. Hedging of investments abroad:

The Parent Company hedges its investment in foreign subsidiaries as follows:

- Hedges of a net investment in foreign currency, which are recorded in a manner similar to prior cash flow speculations. Gains or losses accumulated in equity are included in the statement of income when the net investment in a foreign subsidiary is fully sold or proportionally when it is partially sold.
  Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of a net investment, are accounted for in a manner similar to cash flow hedges; 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; and the ineffective portion is recognized in profit or loss. Upon partial or full disposal of a foreign operation, the gain or loss on the hedging instrument related to the effective portion of the hedge that has been recognized in other comprehensive income should be reclassified from equity to profit or loss as a reclassification adjustment.

- For hedging purposes, the Parent Company has decided to hedge its investments in foreign subsidiaries from January 1, 2014 with foreign currency obligations as established in paragraphs 72 and 78 of IFRS 9.

The Parent Company documents at the inception of the transaction, the relationship between the speculation instrument and the hedged item, as well as the risk objective and the strategy for undertaking the speculation relationship. The Parent Company also documents its assessment both at the inception of the transaction and on a recurring basis that the hedging relationship is highly effective in offsetting changes in fair value or cash flows of hedged items, see details of the hedge in note 9.

- Financial assets and liabilities from derivative transactions are not offset in the statement of financial position; however, when there is a legal and enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously, they are presented net in the statement of financial position.

- Foreign investments have a hedge to offset exchange rate variations, represented by a foreign currency obligation for the same dollar value of the investments at each cutoff; the effect on income and OCI resulting from these operations as a whole is neutral.

c. Fair Value Hedging:

The Group uses financial derivatives for the following purposes:

a) To provide these instruments to customers who request them in the management of their market and credit risks;

b) To use them to manage the risks of the Group entities' own positions and their assets and liabilities ("hedging derivatives"), and;

c) To take advantage of changes in the value of these derivatives ("trading derivatives").

Contracts that comply with the following characteristics are recognized as derivative instruments:

a) Their value changes as a consequence of variations in the underlying value, which corresponds to the variable on which the value of the derivative instrument is determined, and may be represented by equity or fixed-income securities, currencies, interest rates, stock market indexes and commodities, among others.

b) They require little or no investment.

c) Their fulfillment or settlement will take place at a previously established future date and their contractual terms require or permit netting, either through cash payment or physical delivery of an asset that leaves the receiving counterparty in a position similar to cash settlement. When a derivative contract is entered into, it must be designated as a derivative instrument for trading or hedging purposes.

Certain derivative transactions that do not qualify for hedge accounting, are treated and reported as trading derivatives, even though they provide an effective hedge for the management of risk positions.

Any gain or loss arising from changes in the fair value of derivatives, is recognized directly in the statement of comprehensive income in the statement of income section, except for those under IAS 39 hedge accounting.

Derivative instruments for trading purposes

In accordance with IFRS9, a derivative is a financial instrument whose value changes over time based on an underlying variable, requires no or little initial net investment in relation to the underlying asset and is settled at a future date.

In the development of its operations, the Parent Company generally trades in the financial markets in financial instruments with forward contracts, futures contracts, swaps and options that meet the definition of a derivative.

All derivatives held for trading purpose transactions are initially recorded at fair value. Subsequent changes in fair value are adjusted with a charge or credit to income. In any case, when the value of the right exceeds the value of the obligation, the derivative instrument will be recorded as an asset; otherwise, the derivative instrument will be recorded as a liability.

Hedge accounting IAS 39

Hedge accounting is the strategy whereby one or more derivative financial instruments are used to neutralize the risk of loss to which the Group is exposed, as a result of future fluctuations in market value or cash flows. For this purpose, there will be a hedging relationship between the hedging instrument and the hedged item.

For a financial derivative to be considered a hedging derivative, it must:

1. Cover one of the following types of risk:

   a) Variations in the value of assets and liabilities due to fluctuations in, among others, the interest rate and/or exchange rate to which the position or balance to be hedged is subject ("fair value hedge").

   b) Changes in the estimated cash flows arising from financial assets and liabilities, commitments and highly probable transactions that are expected to be carried out ("cash flow hedges").

   c) The net investment in a foreign operation ("net investment hedge in foreign operations").

2. Effectively eliminate some risk inherent to the hedged item or position for the entire expected term of hedging, which implies that:

   a) At the time of contracting the hedge, it is expected that, under normal conditions, it will act with a high degree of effectiveness (“prospective effectiveness”).

   b) There is sufficient evidence that the hedge was actually effective throughout the life of the covered item or position ("retrospective effectiveness").

3. Having adequately documented that the contracting of the financial derivative, took place specifically to serve as a hedge of certain balances or transactions and the manner in which it was intended to achieve and measure such hedge, provided that this manner is consistent with the Group's own trading.

4. There must be derivative instruments designated in an accounting hedging relationship.

A hedging instrument is represented in a derivative instrument, whose fair value or cash flows are expected to neutralize the losses of the hedged item as a result of changes in market value or cash flows.

The hedged item may be a single asset or liability, a firm commitment or a highly probable forecast transaction. A group of assets, liabilities, firm commitments or highly probable forecast transactions that share the exposure to the risk that has been designated as hedged, may also be designated as a hedged item. Additionally, a hedged item may be a portfolio hedged only for interest rate risk or a portion of the portfolio of financial assets or liabilities that share interest rate risk.

A firm commitment is a binding agreement to exchange a certain amount of resources at a certain price on a specified future date. A highly probable forecast transaction is an uncommitted anticipated future transaction.

If the hedged item is a non-financial asset or a non-financial liability, it will be designated as a hedged item because of the risk associated with the foreign currency or other financial risks it bears, due to the difficulty of isolating and adequately measuring changes in cash flows or market value.

A hedge is effective to the extent that changes in fair value or cash flows directly attributable to the hedged risk are offset by changes in the hedging instrument.

The effectiveness of hedges is determined at the measurement date by comparing the valuation gains or losses on the hedged item and the valuation gains or losses on the hedging instrument. When the difference between the gains or losses from valuation of the hedging instrument covers the gains or losses from changes in the hedged item between 80% and 125%, the hedge qualifies as an effective hedge.

When the hedge effectiveness falls outside the indicated range for two consecutive months and the amount of inefficiency is material, the hedging relationship will be terminated and the criteria for accounting for derivatives for trading purpose will be applied.

Hedge accounting requirements

a) Existence of an explicit policy defined by the Group for trading through hedging operations.

b) Formal designation and documentation of the hedge relationship.

c) Expectation that hedge will be effective, and that its effectiveness can be reliably measured.

In the event that a financial derivative is defined as a hedging instrument in an accounting hedging relationship, complying with the appropriate documentation required by the regulations, the relationship may be:

a) Fair value hedge

Fair value hedging is a hedge of the exposure to changes in the market value of assets, liabilities or an unrecognized firm commitment, or a portion thereof, that is attributable to a particular risk and that may affect profit or loss. For example, fair value change risk due to rate sensitivity in CDT's, mortgage loan portfolio, available-for-sale portfolio securities and subordinated loans.

Changes in derivative instruments that are part of a fair value hedging relationship, will increase or decrease the value of the right and obligation, as appropriate, and the difference will be recognized as income or expense for the period.

The hedged item is either an asset or a liability that is part of a fair value hedging relationship, and only for this type of hedge, the asset or liability is measured at its market value at the time the hedging relationship is initiated or, in the absence thereof, at the resulting value from the application of methodologies used in the market for similar items; the difference with the book value is recognized as income or expense for the period.

Termination of the hedge relationship

The Parent Company must discontinue hedge accounting prospectively to the extent that any of the following situations arise:

a) Hedge no longer meets efficiency requirements.

b) Interruption of hedging due to disposal of the covered item or prospective early termination.

c) The forecasted hedged transaction is not highly probable.

Extraordinary committee approval to discontinue hedging or change its hedging strategy.

2.9. Investment securities

Subsequent recognition

After initial recognition, all financial assets classified as "at fair value through profit or loss" are measured at fair value. Gains and losses resulting from changes in fair value are presented net in the statement of income under "net changes in fair value of debt financial assets". Equity investments classified at fair value with changes in OCI are recorded at fair value.

In turn, financial assets classified as "at amortized cost" after initial recognition, less payments or credits received from debtors, are adjusted with a credit to income based on the effective interest method.

The effective interest method is a method of calculating the amortized cost of an asset, and of allocating interest income or interest cost over the relevant period. The effective interest rate is the rate that exactly equals the estimated future cash payments or receipts over the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount of the asset at initial recognition. To calculate the effective interest rate, the Parent Company estimates cash flows considering all contractual terms of the financial instrument, but does not consider future credit losses, and considering the initial transaction or grant balance, transaction costs and premiums granted less commissions and discounts received which are an integral part of the effective rate.

Dividend income from financial assets in equity instruments is recognized in profit or loss in the account of other dividend income when the right to receive payment is established, regardless of the decision taken to record changes in fair value in profit or loss or in OCI.

2.10. Assets delivered under lease

Assets leased by the Parent Company are classified at the time of signing the contract as finance or operating leases. A lease is classified as a finance lease, when it substantially transfers all the risks and rewards incidental to ownership. A lease is classified as an operating lease, if it does not transfer substantially all the risks and rewards incidental to ownership. Lease contracts classified as financial leases are included in the balance sheet under "Loans and financial leasing operations", and are accounted for in the same way as other loans granted (see Note 4). Lease contracts classified as operating leases, are included in property and equipment, and are recorded and depreciated over the shorter of the useful life of the asset and the term of the lease contract. (See note 14).

2.11. Financial liabilities

A financial liability is any contractual obligation of the Parent and all its subsidiaries to deliver cash or another financial asset to another entity or person, or to exchange financial assets or financial liabilities on terms that are potentially unfavorable to the Parent, or a contract that will or may be settled using the entity's own equity instruments. Financial liabilities are initially recorded at their transaction value at the date on which they are originated, which, unless otherwise determined, is similar to their fair value, less transaction costs that are directly attributable to their issuance. Subsequently, such financial liabilities are measured at amortized cost, in accordance with the effective interest rate method determined at the initial time, and charged to profit or loss as financial expenses.

Financial liabilities are only derecognized from the consolidated statement of financial position when the obligations they generate have been extinguished or when they are acquired (either with the intention to cancel them or to reposition them).

2.12. Non-current assets held for sale

Assets received in payment of loans, and non-current assets held for sale, where the Parent Company intends to sell them within a period not exceeding one year, and their sale is considered highly probable, are recorded as "non-current assets held for sale". Such assets are recorded at the lower of their book value at the time of their transfer to this account, or their fair value less estimated costs to sell. Assets received in payment that do not meet the conditions to be held for sale, are recorded in other balance sheet accounts according to their nature, such as investments, other assets or investment properties at cost or fair value, depending on the classification to which the asset applies.

2.13. Financial guarantees

“Financial guarantees” are contracts that require the issuer to make specified payments to reimburse the creditor for the loss incurred when a specified debtor defaults on its payment obligation under the original or modified terms of a debt instrument, regardless of its legal form. Financial guarantees may take the form of a bond or financial guarantee, among others.

Upon initial recognition, financial guarantees provided are recorded by recognizing a liability at fair value, which is generally the present value of the fees and returns to be received on such contracts over their life, with a balancing entry in assets of the amount of fees and similar returns collected at the beginning of the transactions, and receivables for the present value of future cash flows to be received.

Financial guarantees, regardless of their ownership, instrumentation or other circumstances, are analyzed periodically in order to determine the credit risk to which they are exposed and, if applicable, to estimate the need to establish a provision for them, which are determined by applying criteria similar to those established for quantifying impairment losses experienced for financial assets.

Provisions for financial guarantee contracts considered impaired are recorded as a liability under "Implicit Obligations" and charged to profit or loss .

Income obtained from guarantee instruments is recorded in the commission income account of the income statement, and is calculated by applying the rate established in the underlying contract to the nominal amount of the guarantee.

2.14. Property and equipment for own use

Property and equipment for own use includes assets, owned or leased, which the Group holds for current or future use, and which it expects to use for more than one year. They also include tangible assets received by subsidiaries for the total or partial liquidation of financial assets, representing receivables from third parties, and which are expected to be used on an ongoing basis.

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

Depreciation is calculated using the straight-line method, on the basis of the acquisition cost of the assets, less their residual value, it being understood that the land on which the buildings and other structures are constructed has an indefinite useful life and, therefore, is not subject to depreciation.

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

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

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

In accordance with IAS 16 paragraph 50, the depreciable amount of an asset is allocated on a systematic basis over its useful life.

In accordance with IAS 16 paragraph 43, each part of an item of property, plant and equipment that has a significant cost in relation to the total cost of the item is depreciated separately.

Such depreciation, which is charged to income, is calculated based on the following useful lives defined for the Parent Company and its subsidiaries:

Assets	Years
Buildings	
Foundations - structure and roof	50 to 70
Walls and partitions	20 to 30
Finishes	10 to 20
Office equipment, furniture and fixtures	**10 to 25**
Furniture and fixtures	**3 to 10**
Transport, traction and lifting fleet and equipment	**5 to 10**
Computer equipment	**3 to 5**
Network and communication equipment	**3 to 5**
Mobilization equipment and machinery	**10 to 25**

The Parent Company establishes three building components for movable property: foundations - roof structure, walls and partitions and finishes, which have the following ranges of residual values:

Component	Residual Value
Foundations - structure and roof	0 - 20%
Walls and partitions	0 - 10%
Finishes	0 - 10%

Leasehold improvements may be capitalized if they are expected to be used for more than one period, and are depreciated over the lease term.

The criteria used by the Parent Company and subsidiaries to determine the useful life and residual value of these assets and, specifically, of the buildings for own use, was based on independent appraisals, so that these are not older than 3 years, unless there are indications of impairment.

At the end of each reporting period, the Group analyzes whether there are any indications, both external and internal, that a tangible asset may be impaired. If there is evidence of impairment, the entity tests for impairment, by comparing the asset's carrying amount with its recoverable amount (the higher of its fair value less costs of disposal and its value in use). When the carrying amount exceeds the recoverable amount, the carrying amount is adjusted to its recoverable amount, modifying future depreciation charges in accordance with its new remaining useful life.

Similarly, when there is an indication of a recovery in the value of a tangible asset, the Group estimates the recoverable amount of the asset and recognizes it in the income statement, recording the reversal of the impairment loss recognized in prior periods, and adjusts future depreciation charges accordingly. In no case may the reversal of an impairment loss on an asset result in an increase in its carrying amount, above that which it would have had if no impairment losses had been recognized in prior years.

Maintenance and conservation of property and equipment are recognized as an expense in the year in which they are incurred, and are recorded under "Administrative Expenses".

Gains and losses on the sale of an item of property and equipment are recognized in profit or loss.

2.15. Leases

The Group leases property, equipment and automobiles. Leases are generally for fixed periods of 1 to 10 years, but may have extension options. The terms of the leases are negotiated on an individual basis, with a wide range of terms and conditions. Lease contracts do not impose covenants, however, these leased assets cannot be assigned as collateral for loans.

Leases are recognized as a right-of-use asset and a liability on the date on which the asset is leased and available for use by the Group. Each lease payment is allocated between the liability and the financial cost. The finance cost is recognized in the consolidated income statement during the lease term, in order to produce a constant periodic interest rate on the balance of the liability for each period. Right-of-use assets are depreciated over the shorter of the useful life of the asset or the end of the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including payments in fixed substance), less lease incentives receivable.
- Variable lease payment that is based on an index or rate.
- Amounts expected to be paid by the lessee under residual value guarantees.
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.
- Payments of lease termination penalties, if the term of the lease reflects the lessee exercising that option.

Lease payments are discounted using the interest rate implicit in the lease, if such rate can be determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost, which comprises the following:

- The amount of the initial measurement of the lease liability.
- Any lease payments made on or before the commencement date, less any lease incentives received.
- Any initial direct costs.
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets, are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less. Low-value assets include computer equipment and small items of office furniture.

Extension and termination options are included in a number of property and equipment leases throughout the Group. These terms are used to maximize operational flexibility in terms of contract management.

2.16 Investment properties

In accordance with the International Accounting Standard IAS 40 "Investment Properties", investment properties are defined as those lands or buildings considered in whole, in part or both that are held by the Parent Company and *Fiduciaria de Occidente* to obtain rents, asset valuation or both, instead of their use for the Parent Company's and *Fiduciaria de Occidente*'s own purposes. Investment properties are recorded in the statement of financial position at fair value through profit or loss. Such fair value is determined based on appraisals performed periodically by independent appraisers, using valuation techniques described in IFRS13 "Fair Value Measurement".

2.17. Assets received under lease

Assets received under lease upon initial receipt, are also classified as finance or operating leases, in the same manner as the leased assets described in paragraph 2.10 above. Lease contracts that are classified as finance leases, are included in the balance sheet as property and equipment by right-of-use assets according to their purpose and are initially recorded in assets and liabilities simultaneously at a value equal to the fair value of the leased asset or at the present value of the minimum lease payments, whichever is lower. The present value of the minimum lease payments, is determined using the interest rate implicit in the lease contract, or in the absence thereof, an average interest rate of the bonds placed by the Parent Company in the market is used. Any initial direct costs of the lessee are added to the amount recognized as an asset. The value recorded as a liability, is included in the financial liabilities account, and is recorded in the same manner as financial liabilities. Leases that are classified as operating leases are recorded as an expense.

2.18. Intangible assets

The Parent Company and its subsidiaries, recognize an intangible asset when it is identifiable, of a non-monetary nature and without physical appearance, its cost can be measured reliably, and it is probable that future economic benefits attributable to the asset will be obtained.

a. Goodwill

The Goodwill recorded by the parent company in its financial statements, corresponds to a merger carried out by the parent company in previous years with *Banco Unión*, which in accordance with the transition standard established in IFRS 1, the parent company was exempted from recording under IFRS at its carrying value as of January 1, 2014. In accordance with IAS 38, goodwill is considered to have an indefinite life, and is not amortized, but is subject to annual impairment assessment, for which the parent company performs a valuation by an independent expert of the value of the lines of business that are related to goodwill (*Banco Unión*'s lines of business), and based on such valuation determines whether there is any impairment, which if any is recorded against income; subsequent recoveries in the valuation the parent company do not reverse impairments previously recorded.

In updating the impairment tests performed as of December 31, 2023 in relation to goodwill, property, plant and equipment and intangibles, budgets, forecasts and other assumptions were adjusted to incorporate observed economic conditions, addressing where necessary increased risk and uncertainty. Assumptions used to perform the impairment test, have been updated to reflect lower budgeted earnings in subsequent years and a delayed return to pre-crisis levels of turnover and profitability.

The evaluation of the goodwill recorded by the Parent Company as of December 2023, concluded that the goodwill assigned to the Cash Generating Unit is not impaired as of the valuation date, and presents an excess of $322,869 in value in use with respect to the carrying value. See Note 15 - Intangible assets, net.

a. Other intangibles

Other intangible assets held by the Parent Company, Fiduciaria de Occidente, Occidental Bank Barbados Ltd. and Ventas y Servicios S.A. - NEXA BPO, correspond mainly to computer programs and licenses, which are initially measured at their cost incurred in the acquisition or internal development phase. Costs incurred in the research phase are taken directly to income. Subsequent to initial recognition, these assets are amortized using the straight-line method over their estimated useful lives, which in the case of computer software ranges from 1 to 20 years.

Costs incurred in computer programs under development are capitalized taking into account the following evaluations made by the Parent Company's management:

a) The project is technically feasible to complete for production, so that it can be used in the operations of the Parent Company.
b) The Parent Company's intention is to complete it for use in the development of its business, not for sale.
c) The Parent Company has the ability to use the asset.
d) The asset will generate economic benefits for the Parent Company, that result in the realization of a greater number of transactions with lower costs.
e) The Parent Company has the necessary resources, both technical and financial, to complete the development of the intangible asset for its use.

f) Expenditures incurred during the development of the project, and which are susceptible to capitalization, are part of the higher value of this asset.
g) Disbursements incurred after the asset has been brought to the condition required by management for its use, will be recorded as an expense affecting the statement of income.

2.19. Employee benefits

In accordance with International Accounting Standard IAS 19 "Employee Benefits", all forms of consideration granted by the Parent Company and its subsidiaries in exchange for services rendered by employees, are divided into four classes for accounting recognition:

a. Short-term benefits

In accordance with Colombian labor regulations, these benefits correspond to salaries, legal and extra-legal bonuses, vacations, severance payments and parafiscal contributions to state entities that are paid within 12 months following the end of the period. These benefits are accrued by the accrual system and charged to profit or loss.

b. Post-employment benefits

These are benefits that the Parent Company and subsidiaries pay to their employees at the time of retirement or after completing their term of employment, other than severance payments. In accordance with Colombian labor regulations, these benefits correspond to retirement pensions directly assumed by the Parent Company, severance payments payable to employees who continue in the labor regime prior to Law 50, and certain extra-legal benefits or those agreed upon in collective bargaining agreements.

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

Under the projected unit credit method, future benefits to be paid to employees are allocated to each accounting period in which the employee renders service. Therefore, the corresponding expense for these benefits recorded in the income statement of the Parent Company and subsidiaries, includes the present service cost assigned in the actuarial calculation, plus the financial cost of the calculated liability. Variations in liabilities due to changes in actuarial assumptions are recorded in equity in the "other comprehensive income" account.

Changes in the actuarial liability for changes in employee benefits granted retroactively, are recorded as an expense at the earliest of the following dates:

- When the modification of the employment benefits granted takes place.
- When provisions for restructuring costs are recognized for a subsidiary or business of the Parent Company and subsidiaries.

The mortality table issued by the Superintendence of Finance, RV08, was adjusted to include the effect of longevity for pension calculations.

The adjustment will be made progressively, so that in 4 years there will be a 2-year increase in the life expectancy of men and women at retirement age.

c. Other long-term employee benefits

These are all employee benefits, other than short-term and post-employment employee benefits and severance indemnities. In accordance with the collective bargaining agreements and regulations of the Parent Company and subsidiaries, these benefits correspond mainly to seniority premiums.

Liabilities for long-term employee benefits are determined in the same way as the post-employment benefits described in b) above, with the only difference that changes in the actuarial liability for changes in actuarial assumptions are also recorded in the consolidated income statement.

d. Termination benefits with employees

These benefits correspond to payments to be made by the Parent Company and subsidiaries, arising from a unilateral decision to terminate the contract, or from a decision by the employee to accept an offer of benefits in exchange for the termination of the employment contract. In accordance with Colombian law, these payments correspond to severance indemnities and other benefits that the Parent Company and subsidiaries unilaterally decide to grant to their employees in these cases.

Termination benefits are recognized as a liability, charged to profit or loss on the earlier of the following dates:

- When the Parent Company and subsidiaries formally communicate to the employee their decision to terminate the employee's employment.
- When provisions are recognized for restructuring costs for a subsidiary or business of the Parent Company involving the payment of termination benefits.

2.20.Income tax

Current tax

The current tax is the amount payable or recoverable for income and supplementary taxes, calculated based on tax laws enacted or substantively enacted at the date of the statement of financial position. Management of the Parent Company and subsidiaries periodically evaluates the position taken in tax returns with respect to situations in which tax laws are subject to interpretation and, if necessary, establishes provisions for amounts expected to be paid to the tax authorities according to the established deadlines.

For the determination of the current income tax and complementary taxes, in the value of assets, liabilities, equity, income, costs and expenses, recognition and measurement systems are applied in accordance with the technical accounting regulatory frameworks in force in Colombia, when the tax law expressly refers to them, and in the cases in which this does not regulate the matter. In any case, tax law may expressly provide for a different treatment, in accordance with Article 4 of Law 1314 of 2009.

Deferred tax

Deferred tax are recognized on temporary differences arising between the tax bases of assets and liabilities and the amounts recognized in the separate financial statements, which result in amounts that are deductible or taxable in determining taxable profit or loss for future periods, when the carrying amount of the asset is recovered or the liability is settled. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; nor is it recognized as a deferred tax if it arises 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 taxable income or loss. Deferred tax is determined using tax rates that are in effect at the balance sheet date and are expected to apply when the deferred tax asset is realized or when the deferred tax liability is offset.

The deferred tax expense is recognized in the consolidated income statement, except for the portion corresponding to items recognized in the other comprehensive income account in equity, in which case the tax will also be recognized consistently in the equity accounts of other comprehensive income.

Deferred tax assets are recognized only to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized.

Deferred tax liabilities are provided on taxable temporary differences that arise, except for deferred tax liabilities on investments in subsidiaries, associates and joint ventures where the timing of the reversal of the temporary difference is controlled by the Parent and its subsidiaries, and it is probable that the temporary difference will not reverse in the foreseeable future, as required by IAS 12 paragraph 39.

Generally, the Parent Company has the ability to control the reversal of temporary differences of investments in associates, since in the event that there are taxable profits that are likely to be distributed in the foreseeable future, deferred tax liabilities will be recognized.

Deferred tax assets are recognized on deductible temporary differences on investments in subsidiaries, associates and joint ventures, only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset in accordance with IAS 12.

On the other hand, current tax assets and liabilities are only offset when there is a legal right, and if they relate to taxes levied by the same tax authority.

2.21.Provisions

Provisions for decommissioning and legal claims, are recognized when the Parent Company and subsidiaries have a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

When there are several similar obligations, the probability that a cash outflow will be required is determined by considering the type of obligations as a whole. A provision is recognized even if the probability of a cash outflow in respect of any item included in the same class of obligations may be small.

Where the financial effect of discounting is material, provisions are measured at the present value of the expenses expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as a financial expense.

2.22.Revenue

The Group recognizes revenue from contracts with customers based on a five-step model established in IFRS 15:

Step 1. Identification of customer contracts: A contract is defined as an agreement between two or more parties, which creates enforceable rights and obligations and establishes criteria to be met for each contract. Contracts may be written, verbal or implied through a company's customary business practices.

Step 2. Identification of performance obligations in the contract: A performance obligation is a promise in a contract with a customer for the transfer of goods or services.

Step 3. Determination of the transaction price: The transaction price is the amount of payment to which the Group expects to be entitled in exchange for the transfer of promised goods or services to a customer, without considering amounts received on behalf of third parties.

Step 4. Allocate the transaction price among the performance obligations of the contract: In a contract that has more than one performance obligation, the Group allocates the transaction price among the performance obligations in amounts that represent the amount of consideration to which the Group expects to be entitled in exchange for fulfilling each performance obligation.

Step 5. Revenue recognition when (or as) the Group meets a performance obligation.

The Group meets a performance obligation and recognizes revenue over time if any of the following criteria are met:

a) The Group's performance does not create an asset with an alternative use for the Group, and the Group has an enforceable right to payment for performance completed to date.
b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer both receives and consumes the benefits resulting from the Group's performance as it works.

For performance obligations where none of the above conditions are met, revenue is recognized at the time the performance obligation is fulfilled.

When the Group fulfills a performance obligation by delivering promised goods or services, it creates a contractual asset in the amount of the consideration earned for the performance. When the amount of consideration received from a customer exceeds the amount of revenue recognized, this generates a contractual liability.

Revenue is measured based on the consideration specified in the contract with the customer, and excludes amounts received on behalf of third parties. The Group recognizes revenue when it transfers control over a good or service to a customer. Income is presented net of value added tax (VAT), rebates and discounts and after eliminating intra-Group sales.

The Group evaluates its income plans based on specific criteria to determine whether it acts as principal or agent.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and if revenue and costs, if any, can be measured reliably.

Below is a description of the main activities through which the Group generates revenues from contracts with customers:

i. Interest income

The Parent Company recognizes interest income from loans, debt securities and other debt instruments, using the effective interest method. The calculation of the effective interest rate includes all commissions and interest basis points, paid or received by the parties to the contract, which comprise the effective interest rate, transaction costs and any other premium or discount.

ii. Banking (financial services)

The Parent Company and subsidiaries Banco de Occidente Panama S.A. and Occidental Bank Barbados Ltd., generally sign contracts covering several different services. Such contracts may contain components that are either within or outside the scope of IFRS 15. For this reason, they only apply the indications of IFRS 15 when all or part of their contracts are outside the scope of IFRS 9.

The sources of income obtained through contracts with customers are as follows:

- **Credit cards:** Exchange fees, general fees (annual, quarterly, monthly), loyalty schemes

There are contracts that create enforceable rights and obligations between the Parent Company and cardholders or merchants, under which the Parent Company provides services, generally in exchange for annual or other fees. The following are some of the services that may exist in the contract with the cardholder:

- Issuance of loyalty points (options to purchase free or discounted goods/services in the future), which are usually based on the monetary volume of card transactions,
- Payment processing service,
- Insurance, where the Parent Company is not the insurer,
- Fraud protection, and
- Processing of certain transactions, such as foreign currency purchases and cash withdrawals.

The transaction price is assigned to each performance obligation, based on the relative selling prices of the goods or services provided to the customer. The allocation of the transaction price to each individual performance obligation, is not entirely necessary when there is more than one performance obligation, but they are all fulfilled at the same time or equally during the period.

- **Commissions**

The Parent Company receives insurance commissions when referring new customers to third party insurance vendors, when the Parent Company is not itself the insurer of the policy. Such commissions are usually paid periodically (monthly, for example) to the Parent Company, based on the volume of new policies (and/or renewal of existing policies) generated with clients introduced by the Parent Company. The transaction price may include an element of consideration that is variable or subject to the outcome of future events, such as policy cancellations, and such element is estimated and included in the transaction price based on the most likely amount, so as to include it in the transaction price, only when it is more likely than not that the resolution of such uncertainty will not lead to a material reversal in income.

Commitment fees are within the scope of IFRS 15, when it is unlikely that a specific loan agreement will be generated and that such commitment is not measured at fair value through profit or loss.

IFRS 15 addresses loan syndication fees received by a bank that arranges a loan, and retains no portion of the loan package for itself or retains a portion at the same EIR (earning interest rate for comparable risk purposes with other participants).

- **Savings and checking accounts**

Savings and checking account agreements generally allow customers to access a range of services, including processing wire transfers, using ATMs to withdraw cash, issuing debit cards, and generating bank statements. Sometimes they include other benefits. Collections are made periodically, and provide the client with access to banking services and additional benefits.

iii. Customer loyalty programs

The Parent Company administers loyalty programs, in which customers accumulate points for their purchases, which entitle them to redeem such points under the policies and reward plan in effect at the redemption date. Reward points are recognized as an identifiable component separate from revenue for services rendered, at fair value. The Parent acts as a principal in a customer loyalty program if it obtains control of goods or services from another party in advance, or if it transfers control of such goods or services to a customer. The Parent acts as agent, if its performance obligation is to arrange for another party to provide the goods or services.

iv. Financing components

The Group adjusts transactional prices to the time value of money for contracts where the period between the transfer of promised goods or services to the customer and payment by the customer is greater than one year.

v. Dividends

Revenue is recognized when the group's right to receive the corresponding payment is established, which generally occurs when the shareholders approve the dividend.

2.23. Going Concern

Based on the liquidity position of the Parent Company as of the date of authorizations of these consolidated financial statements, management continues to have a reasonable expectation that the Parent Company has adequate resources to continue in operation for the foreseeable future, and that the going concern basis of accounting continues to be adequate.

These consolidated financial statements have been prepared on a going concern basis, and do not include any adjustments to the carrying amounts and classification of reported assets, liabilities and expenses that might otherwise be required if the going concern basis were not appropriate.

2.24.New accounting pronouncements not yet in force

The following accounting pronouncements issued, are applicable to annual periods beginning after January 1, 2024, and have not been applied in the preparation of these consolidated financial statements. The Group intends to adopt the applicable accounting pronouncements on their respective dates of application and not in advance, and has also evaluated the impact of the adoption of the new or modified standards, concluding that it is not expected to have a significant impact on the financial statements.

Financial reporting standard	Subject of the standard or amendment	Detail
Definition of Accounting Estimates (Amendments to IAS8)	Decree 1611 of 2022.	Annual periods beginning on or after January 1, 2024. Earlier application is permitted, and will be applied prospectively to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the first annual reporting period in which the company applies the amendments.
Disclosures on Accounting Policies (Amendments to IAS 1)	Decree 1611 of 2022	Annual periods beginning on or after January 1, 2024. Early application is permitted.
Lease concessions related to covid-19 beyond June 30, 2021 (Amendments to IFRS 16)	Decree 1611 of 2022	Annual periods beginning on or after January 1, 2024. Early application is permitted.
Deferred Taxes Related to Assets and Liabilities Arising from a Single Transaction (Amendments to IAS 12)	Decree 1611 of 2022	Annual periods beginning on or after January 1, 2024. Early application is permitted. Its application is retroactive, which could constitute a restatement.

2.25. Changes in accounting policies

The accounting policies applied in these annual consolidated financial statements, are the same as those applied by the Parent Company in the financial statements for the year ended December 31, 2022. In September 2023, the Parent Company implemented hedge accounting. See paragraph 2.8.

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

The preparation of the consolidated financial statements in conformity with Accounting and Financial Reporting Standards accepted in Colombia (in Spanish NCIF Group 1), requires management to make judgments, estimates and assumptions about the future, including weather-related risks and opportunities, that affect the application of accounting policies and the amounts of assets, liabilities and contingent liabilities at the balance sheet date, as well as the income and expenses for the year. Actual results may differ from these estimates.

Estimates and assumptions are continually evaluated, and are based on management's experience and other factors, are reviewed on an ongoing basis, and are consistent with the Group's risk management and weather-related commitments where appropriate, under the going concern assumption, including the expectation of future events that are believed to be reasonable in the circumstances.

Management also makes certain judgments other than those involving estimates in the process of applying accounting policies. Judgments 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 following year, include the following:

Fair value of financial instruments: The estimation of fair values of financial instruments, is performed in accordance with the fair value hierarchy, classified in three levels, which reflects the importance of the inputs used in the fair value measurement.

Information on fair values of financial instruments classified by level, using observable inputs for levels 1 and 2 and unobservable inputs for level 3, is disclosed in note 5.

The determination of what constitutes as "observable", requires significant judgment on the part of the Parent Company.

The Parent Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, and reflects the assumptions that market participants would use in pricing the asset or liability.

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

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

- Management's stated policies and procedures for the portfolio and the operation of those policies in practice;
- How management evaluates portfolio performance;
- If management's strategy is focused on obtaining contractual interest income;
- The frequency of any expected sale of assets;
- The reason for any asset sale; and
- If the assets being sold are held for an extended period of time in relation to their contractual maturity, or are sold promptly after acquisition or an extended period of time prior to maturity.

In particular, the Parent Company exercises judgment in determining the business model objective for portfolios held for liquidity purposes. The Parent Company's Central Treasury maintains certain debt instruments in a separate portfolio for long-term yield and as a liquidity reserve. Instruments may be sold to meet unexpected liquidity shortfalls, but it is not anticipated that such sales will become more frequent.

The Parent Company considers that these instruments are held within a business model, whose objective is to hold assets to collect contractual cash flows. The Parent Company's Central Treasury maintains certain other debt instruments in separate portfolios to manage short-term liquidity. Sales are frequently made from this portfolio to meet ongoing business needs. The Parent Company determines that these instruments are not held within a business model, whose objective is to hold the assets to collect contractual cash flows.

When a business model involves transferring contractual rights to cash flows from financial assets to third parties, and the transferred assets are not derecognized, the Parent Company reviews the agreements to determine their impact in assessing the objective of the business model. In this assessment the Parent Company considers whether, under the arrangements, the Parent Company will continue to receive cash flows from the assets, either directly from the issuer or indirectly from the recipient, including whether it will repurchase the assets from the recipient.

The Parent Company exercises judgment in determining whether the contractual terms of the financial assets it generates or acquires, give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and may qualify for measurement at amortized cost. In this evaluation, the Parent Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of assets, terms that change the amount and timing of cash flows, and whether the contractual terms contain leverage.

For financial assets for which the Parent Company's rights are limited to specific assets of the debtor (non-recourse assets), the Parent Company assesses whether the contractual terms of such financial assets limit cash flows in a manner inconsistent with payments representing principal and interest.

When the Parent Company invests in contractually linked instruments (tranches), it exercises its judgment to determine whether the credit risk exposure in the tranche acquired is equal to or less than the credit risk exposure of the related group of financial instruments, so that the tranche acquired would qualify for measurement at amortized cost.

Other aspects of the classification

The Parent Company's accounting policies provide the scope for assets and liabilities to be designated at inception in different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as fair value through profit or loss, the group has determined that it complies with the description of assets and liabilities for trading set forth in the accounting policy.
- In designating financial assets or liabilities at fair value through equity, the Parent Company has determined that it has met one of the criteria for this designation set forth in the accounting policy.
- In classifying financial assets at amortized cost (held to maturity), the Parent Company has determined that it has the positive intent and ability to hold the assets to maturity as required by accounting policy.

Deferred income tax (Note 16): The Group assesses the realization over time of deferred income tax assets. Deferred tax assets represent income taxes recoverable through future deductions from taxable income, and are recorded in the statement of financial position. Deferred tax assets are recoverable to the extent that the realization of the related tax benefits is probable. Future taxable income and the amount of tax benefits that are probable in the future, are based on medium-term plans prepared by management. The business plan is based on management's expectations that are believed to be reasonable under the circumstances. As a prudent measure for the purpose of determining the realization of deferred taxes, the Group's financial and tax projections have been made.

As of December 31, 2023 and 2022, the Group's management estimates that the deferred income tax asset items would be recoverable, based on its estimates of future taxable income. - See Note 16 - Income taxes

Goodwill: Annually, the Parent Company's management performs an impairment evaluation of the goodwill recorded in its financial statements; such evaluation is performed as of December 31 of each year based on a study performed for such purpose by independent appraisers hired for such purpose. This study is carried out based on the valuation of the lines of business that are related to the goodwill (Banco Unión's lines of business), by the methodology of future dividend flows, which seeks to obtain the total value of the Cash Generating Unit through the projection of the cash that would be paid to the Shareholder, which is determined as a percentage of the net income projections, ensuring compliance with the solvency margin, and the coverage of the needs for reinvestment in assets, operating funds (costs, expenses, taxes, working capital) and the payment of the cost of debt. This analysis requires the projection of the cash flows generated during a determined period of time, to subsequently bring them to present value, by discounting them at an appropriate rate for such operation, also considering a terminal value. The assumptions used in this valuation are detailed in note 15.

Valuation of investment properties: Investment properties are reported in the statement of financial position at fair value, as determined in reports prepared by independent appraisers at the end of each reporting period. Due to current conditions in the country, the frequency of property transactions is low; however, management believes that there is sufficient market activity to provide comparable prices for orderly transactions of similar properties when determining the fair value of investment properties.

In the preparation of the Parent Company's investment property valuation reports, forced sale transactions are excluded. Management has reviewed the assumptions used in the valuation by the independent appraisers, and believes that factors such as inflation, interest rates, among others have been appropriately determined considering market conditions at the end of the reporting period; however, management believes that the valuation of investment properties is currently subject to a high degree of judgment, and an increased likelihood that the actual proceeds from the sale of such assets may differ from their carrying value.

Estimate for legal contingencies: The Parent Company and its subsidiaries, estimate and record a provision for contingencies to cover possible losses from labor, civil and Corporate lawsuits, and tax assessments, or others, depending on the circumstances that, based on the opinion of external legal counsel and/or in-house counsel, are considered probable of loss and can be reasonably quantified. Given the nature of many of the claims, cases and/or proceedings, it is sometimes not possible to make an accurate forecast or quantify a loss amount in a reasonable manner, so the actual amount of disbursements actually incurred for claims, cases and/or proceedings, is consistently different from the amounts initially estimated and provisioned, and such differences are recognized in the year in which they are identified.

Employee benefits: The measurement of pension obligations, costs and liabilities depend on a variety of long-term assumptions determined on an actuarial basis, including estimates of the present value of projected future pension payments for plan participants, considering the probability of potential future events, such as increases in the urban minimum wage and demographic experience. These assumptions may have an effect on the amount and future contributions, if there is any variation.

The discount rate allows establishing future cash flows at the present value of the measurement date. The Parent Company determines a long-term rate that represents the market rate for high quality fixed income investments or for government bonds that are denominated in Colombian pesos, the currency in which the benefit will be paid, and considers the timing and amounts of future benefit payments, for which the Parent Company has selected government bonds.

The Parent Company uses other key assumptions to value actuarial liabilities, which are calculated based on the Parent Company's specific experience, combined with published statistics and market indicators (See Note 19, which describes the most important assumptions used in the actuarial calculations and the corresponding sensitivity analyses).

Note 4. - Risk Management

The Parent Company and its subsidiaries in the financial sector, manage the risk management function in accordance with applicable regulations and internal policies.

Risk management objective and general guidelines

The objective is to maximize returns for its investors through prudent risk management; to this end, the principles guiding the Parent Company's risk management are as follows:

a) Provide security and continuity of service to customers.
b) The integration of risk management into business processes.
c) Collegial decisions at the level of each of the Parent Company's boards of directors to make Corporate loans.
d) Deep and extensive market knowledge as a result of our leadership and our stable and experienced bank management.
e) Establishment of clear risk policies in a top-down approach with respect to:
   - Compliance with know-your-customer policies, and
   - Corporate lending structures based on a clear identification of repayment sources and debtors' cash flow generation capacity.
f) Use of common tools for analysis and determination of credit interest rates.
g) Diversification of the Corporate loan portfolio with respect to industries and economic groups.
h) Specialization in retail product niches.
i) Extensive use of continuously updated credit scoring and rating models to ensure the growth of high credit quality retail loans.
j) Conservative policies in terms of:
   - The composition of the trading portfolio with a bias towards lower volatility instruments.
   - Trading operations on own account and
   - Variable compensation of bargaining personnel

Risk culture

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

a) In all the Parent Company's entities, the risk function is independent of the business units.

b) The structure of delegation of powers at the bank level requires that many transactions are sent to decision centers such as risk committees. The large number and frequency of meetings of these committees, ensures a high degree of agility in the resolution of proposals, and ensures the continuous participation of senior management and key areas in the management of the different risks.

c) The Parent Company has detailed action manuals and policies with respect to risk management, the business and risk groups of the banks hold regular orientation meetings with risk approaches that are in line with the risk culture of the Parent Company.
d) Boundary plan: The banks have implemented a system of risk limits which are periodically updated in response to new market conditions and the risks to which they are exposed.
e) Adequate information systems to monitor risk exposures on a daily basis, to check that approval limits are systematically met and to take, if necessary, appropriate corrective measures.
f) Major risks are analyzed, not only when they originate or when problems arise in the ordinary course of business, but on an ongoing basis for all customers.

g) The Parent Company has adequate and permanent training courses at all levels of the organization, regarding risk culture and remuneration plans for certain employees according to their adherence to the risk culture.

Corporate structure of the risk function

In accordance with the guidelines established by the Colombian Superintendence of Finance, the corporate structure applicable to the Group for the management of the different risks is composed of the following levels:

- Board of Directors.
- Risk Committee.
- Risk Vice-Presidency.
- Risk management administrative processes.
- Internal Audit.

Board of Directors

The Board of Directors of the Parent Company and its subsidiaries, are responsible for adopting, among others, the following decisions related to the adequate organization of the risk management system of each entity:

- Define and approve the strategies and general policies related to the internal control system for risk management.
- Approve the entity's policies in relation to the management of the different risks
- Approve the operation and counterpart quotas, according to the defined attributions.
- Approve exposures and limits to different types of risks.
- Approve the different risk management procedures and methodologies.
- Approve the allocation of human, physical and technical resources for risk management.
- Indicate the responsibilities and attributions, assigned to the positions and areas in charge of risk management.
- Create the necessary committees to guarantee the adequate organization, control and follow-up of the operations that generate exposures, and define their functions.
- Approve internal control systems for risk management.
- Require the management of the Parent Company and its subsidiaries to report periodically on the levels of exposure to the different risks.
- Evaluate proposals for recommendations and corrective actions on risk management processes.
- Require different periodic reports from management on the levels of exposure to the different risks.
- To follow up at its regular meetings, through periodic reports submitted by the Audit Committee on risk management, and the measures adopted to control or mitigate the most relevant risks.
- Approve the nature, scope, strategic business and markets in which the entity will operate.

Risk Committees

Risk management monitoring is carried out by each of the Risk Management Departments under the Risk Vice-Presidency, in compliance with External Circular Letter 018 - Comprehensive Risk Management System, which, on a monthly basis, submit the results of such monitoring to the Financial Risk Committee (Corporate Banking, Personal Banking), the Treasury Financial Risk Committee and the Operational Risk Management System or SARO (Sistema de Administración de Riesgo Operacional for its acronym in Spanish) Committee for their consideration. There is also a Finance Committee that meets every two weeks, to define short-term liquidity management actions, define the short-term Treasury strategy and examine the biweekly report submitted by the Balance Sheet and Treasury Risk Management. There is also the ALCO (Asset and Liability Committee) Committee, which makes decisions on medium and long-term asset and liability management.

Likewise, on a quarterly basis, they present the evolution and relevant facts of each risk specialty to the Integral Risk Committee of the Board of Directors.

The Integral Risk Committee of the Board of Directors, therefore, has primarily the following functions:

- To monitor the entity's risk profile and risk appetite, as well as to evaluate the entity's
- consistency with the business plan, capital and liquidity levels, and to report to the BoD on
- the main results, and issue the corresponding recommendations, when necessary.
- Advise the BoD on transactions, events or activities, including entering new markets, that may (i) affect the entity's exposure and risk profile, (ii) constitute deviations from the business plan, risk appetite and internal and regulatory limits, or (iii) compromise the viability of the business.
- Review the Integral Risk Management System or SIAR (Sistema Integral de Administración de Riesgos for its acronym in Spanish) policies, at least once a year, and propose the corresponding adjustments to the BoD for approval.
- Advise the BoD on the status of risk culture in the entity.
- Evaluate the adequacy of the business continuity plan and contingency plans.
- Report to the BoD its analysis of the results of the monthly reports received from the person(s) performing the risk management function.

Legal risks are monitored for compliance by the Legal Vice-Presidency.
In addition to the Comprehensive Risk Committee of the Board of Directors, the functions of the other risk

committees include, among others, the following:

1. Propose to the Board of Directors of the respective entity the policies they consider appropriate, for the management of the risks pertaining to each committee and the processes and methodologies for their management.
2. Conduct systematic reviews of the entity's risk exposures, and take corrective actions as deemed necessary.
3. Ensure that the actions of the Parent Company and its subsidiaries in relation to risk management, are consistent with previously defined risk appetite levels.
4. Approve decisions that are within the attributions established for each committee by the board of directors.

The risk committees are listed below:

i. Financial Risk Committee, SARO Committee and Compliance Committee

The purpose of these committees is to establish policies, procedures and strategies for the comprehensive management of credit, market, liquidity, operational, money laundering and terrorists financing risks. Among its main functions are:

- Measure the integral risk profile of the entity.
- Design schemes for monitoring and follow-up of exposure levels to the different risks faced by the entity.
- Review and propose to the Board of Directors, the level of tolerance and the degree of exposure to risk that the entity is willing to assume in the development of the business. This

involves evaluating alternatives to align the risk appetite of the different risk management systems.

- Evaluate the risks involved in entering new markets, products, segments, countries, among others.

ii. Financial Risk Committee (Credit and Treasury Risk)

Its objective is to discuss, measure, control and analyze credit and treasury risk management.

Among its main functions are the following:

- Monitor the credit and treasury risk profile, in order to ensure that the risk level remains within the established parameters, in accordance with the entity's risk limits and policies.
- Evaluate the incursion into new markets and products.
- Evaluate policies, strategies and rules of action in Corporate activities, both treasury and credit.
- Ensure that risk measurement and management methodologies are appropriate, given the entity's characteristics and activities.

iii. Assets and Liabilities Committee

Its objective is to support senior management in the definition of policies and limits, monitoring, control and measurement systems that accompany the management of assets and liabilities and liquidity risk management through the different Liquidity Risk Management Systems (Sistemas de Administración del Riesgo de Liquidez SARL in Spanish).

Among its main functions are:

- Establish adequate procedures and mechanisms for the management and administration of liquidity risks.
- Monitor liquidity risk exposure reporting.
- Identify the origin of the exposures and, through sensitivity analysis, determine the probability of lower returns or funds requirements due to cash flow movements.

iv. Audit Committee

Its objective is to evaluate the internal control system, as well as its continuous improvement, without this implying a substitution of the responsibility that collegial corresponds to the Board of Directors, developing functions of an eminently advisory and support nature. Among the main functions of the committee are the following:

- Propose for approval of the Board of Directors, the structure, procedures and methodologies necessary for the operation of the Internal Control System (ICS).
- Submit to the Board of Directors, the proposals related to the responsibilities, attributions and limits assigned to the different positions and areas with respect to the administration of the ICS, including risk management.
- Evaluate the internal control structure of the entity to establish whether the procedures designed reasonably protect its assets, as well as those of third parties it manages or has custody of, and whether there are controls to verify that transactions are being adequately authorized and recorded.
- Ensure that the preparation, presentation and disclosure of financial information is in accordance with applicable standards, verifying that the necessary controls are in place.

- Study the financial statements and prepare the corresponding report to be submitted to the consideration of the Board of Directors, based on the evaluation not only of the corresponding projects, with their notes, but also of the opinions, observations of the control entities, results of the evaluations made by the competent committees and other related documents.
- To follow up on the levels of risk exposure, the implications for the entity and the measures adopted for its control or mitigation and to submit to the Board of Directors a report on the most important aspects of the management performed.
- Follow up on compliance with the instructions given by the Board of Directors in relation to the ICS.
- To prepare the report that the Board of Directors, shall submit to the General Assembly of Shareholders regarding the operation of the ICS.

Risk Vice-Presidency

The risk vice presidencies within the organizational structure have, among others, the following roles:

a) Ensure adequate compliance at the level of the Parent Company and subsidiaries, with the policies and procedures established by the Board of Directors and the different risk committees for risk management.
b) Design methodologies and procedures to be followed by management for risk management.
c) Establish permanent monitoring procedures that allow timely identification of any type of deviation from established risk management policies.
d) Prepare periodic reports to the different risk committees, Board of Directors of the Parent Company and subsidiaries, on the status of control and surveillance in relation to compliance with risk policies.

Risk management administrative processes

According to with their business models, each subsidiary of the Parent Company has well-defined structures and procedures documented in manuals on the administrative processes, to be followed for the management of the different risks; in turn, they have different technological tools detailed below, where each risk is analyzed to monitor and control the risks.

Internal Audit

The internal audits of the Parent Company and its subsidiaries are independent of management, they report directly to the audit committees and, in the performance of their duties, periodically perform risk-based assessments on the management and mitigation of risks associated with the policies and procedures approved by the Boards of Directors of the entities; their reports are submitted directly to the audit committees, which are responsible for following up and giving their point of view to management on the corrective measures to be taken, and their implementation and improvements to the internal control system of each entity.

Individual analysis of the different risks

The Parent Company is mainly composed of financial sector entities, and therefore these entities are exposed to various financial, operational, reputational and legal risks in the ordinary course of business.

Financial risks include market risk (which includes trading risk and price risk as indicated below) and structural risks due to the composition of assets and liabilities on the balance sheet, which include credit risk, foreign exchange risk, liquidity risk and interest rate risk.

The Parent Company's entities that have their businesses in economic sectors other than the financial sector, commonly referred to as the "real sector", have a lower exposure to financial risks, but are primarily exposed to operational and legal risks.

Reform of benchmark interest rates

A working group was formed within the Group to design and execute the plan for the transition to other alternative rates, which was 100% executed

This working group was in charge of evaluating the modifications to the contracts that were in force, which were impacted by the loss of LIBOR, as well as following up on the milestones of the transition project on the fronts of alternative rate selection, business, technology, ALM, financial, communications with counterparties, legal, risks, internal and external reporting and processes.

Considering that the U.S. Alternative Reference Rate Committee (ARRC) defined the Secured Overnight Financing Rate (SOFR) as the reference rate to be used to replace the LIBOR in USD, the transition process was initiated for obligations associated with the LIBOR index by adopting the SOFR index. Consequently, as of March 1, 2022, operations in USD were disbursed and/or extended associated with the CME TERM SOFR index, and it was decided not to carry out operations tied to LIBOR in other currencies.

For LIBOR-indexed contracts maturing after the expected cessation of the rate, the policy was established to modify the contractual terms. This modification included the addition of fallback clauses, or the replacement of the LIBOR rate with the alternative reference rate. The LIBOR Working Group signed the adherence to ISDA's Amendment and Protocols, which eliminated the legal (contractual) risk of the transition for derivative contracts, defining the replacement of the LIBOR rate by SOFR plus a fixed spread.

During 2023, the plan was monitored on the business, ALM, financial, communications with counterparties, risk, internal and external reporting and processes fronts, determining that the Corporate portfolios that continue to be registered at the Libor rate, correspond to overdue portfolios or syndicated loans that have not had a rate change, for which work continues with the loan administrators to change to the SOFR rate.

The following is a detail of LIBOR-indexed bonds outstanding at December 2023:

		Total nominal value of indexed contracts without reform		Total nominal value of contracts with fallback clauses
Assets				
Corporate portfolio and Corporate leasing		59,775		40,452
Total	**Ps.**	**59,775**	**Ps.**	**40,452**

The following is an analysis of each of the above risks in order of importance:

4.1 Credit risk

Consolidated credit risk exposure

The Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panama S.A., have exposures to credit risk, which consists of the debtor causing a financial loss, by not meeting its obligations in a timely manner and for the total amount of the debt. Credit risk exposure of the Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panama S.A., arises as a result of their lending activities and transactions with counterparties that give rise to financial assets. Maximum exposure to credit risk of the Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panama S.A., in accordance with IFRS 7, at the consolidated level is reflected in the carrying value of financial assets in the Group's consolidated statement of financial position as of December 31, 2023 and 2022 as indicated below:

Account		December 31, 2023	December 31, 2022
Deposits in banks other than *Banco de la República*	$	983,092	1,382,618
Financial instruments at fair value			
Issued or guaranteed by the Colombian government		6,244,172	4,316,675
Issued or guaranteed by other Colombian government entities		102,009	74,800
Issued or guaranteed by other Colombian financial institutions		782,228	540,409
Issued or guaranteed by entities of the Colombian real sector		1,840	1,483
Issued or guaranteed by Foreign Governments		120,614	52,387
Issued or guaranteed by other foreign financial institutions		560,619	115,571
Issued or guaranteed by real sector entities abroad		37,951	11,664
Other		75,846	86,591
Derivative instruments		1,276,723	754,968
Investments in equity instruments		841,632	702,957
Loan portfolio			
Corporate portfolio		28,012,502	25,119,579
Retail portfolio		12,452,988	11,133,242
Mortgage loan portfolio		1,516,633	1,165,713
Leasing portfolio		7,501,463	7,162,687
Repos and Interbank		15,449	1,120,454
Other accounts receivable		547,285	438,189
Total financial assets with credit risk		**61,073,046**	**54,179,987**
Off-balance sheet credit risk at face valuef			
Financial guarantees and collateral		3,298,224	3,831,593
Credit commitments		6,041,541	5,985,564
Total off-balance sheet credit risk exposure		**9,339,765**	**9,817,157**
Total maximum credit risk exposure	**$**	**70,412,811**	**63,997,144**

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

Credit risk mitigation, collateral and other credit risk enhancements

The maximum credit risk exposure of the Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panama S.A., is reduced by collateral and other credit enhancements, which reduce the credit risk of the Parent Company and its subsidiaries. The existence of guarantees may be a necessary measure, but not a sufficient instrument for the acceptance of credit risk. Parent Company's credit risk policies require an assessment of the debtor's ability to pay, and that the debtor is able to generate sufficient sources of funds to allow repayment of debts.

Risk acceptance policy is therefore organized at three different levels in the Parent Company and subsidiaries:

- Financial risk analysis: For the granting of loans, there are different models for the evaluation of credit risk: Scoring models for credit risk assessment of the retail portfolio. In the initial evaluation of clients, logistic regression models are applied, which assign a score to the client, based on sociodemographic variables and some behavioral variables with the sector, and make it possible to establish whether the applicant is eligible for credit in accordance with the Parent Company's policy regarding the minimum score required. There are also monitoring models that use mainly customer payment behavior variables and some sociodemographic variables, and allow customers to be rated and the probability of default in the next year to be established. For the Corporate portfolio, it relies on rating models, specifically logistic regression models, whose variables are primarily financial indicators. These variables are used to obtain the input models, and for the follow-up models, payment behavior variables are added, such as the maximum height of delinquency in the last year, delinquency counters, among others. Thus, there are entry and follow-up models for the Industry, Commerce, Services, Construction, Territorial Entities and Financial Entities segments.

- The constitution of guarantees with adequate rates to cover the debt and that are accepted in accordance with the credit policies of each bank, according to the risk assumed in any of the forms, such as personal guarantees, monetary deposits, securities and mortgage guarantees, among others.

- Liquidity risk assessment of guarantees received.

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

All guarantees must be legally evaluated and elaborated following the parameters of their constitution in accordance with the applicable legal norms.

The following is a detail of the loan portfolio by type of guarantee received in support of the loans granted by the Group as of December 31, 2023 and 2022:

December 31, 2023

		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Financial Leasing	Total
Unsecured loans	$	17,952,367	10,057,537	1,204	311,444	125	73	15,449	311,642	**28,338,199**
Loans guaranteed by other banks		202,667	109	-	-	-	-	-	-	**202,776**
Collateralized loans:										
Residential		1,079,082	36,964	1,515,429	-	-	-	-	-	**2,631,475**
Other real estate		1,208,926	16,661	-	-	-	-	-	-	**1,225,587**
Investments in equity instruments		392,474	-	-	-	-	-	-	-	**392,474**
Deposits in cash or cash equivalents		221,296	454	-	-	-	-	-	-	**221,750**
Leased assets		-	-	-	2,491,260		1,093,447	-	3,584,707	**3,584,707**
Non-real estate		-	-	-	2,718,331	8,714	-	-	2,727,045	**2,727,045**
Trust agreements, stand-by agreements and guarantee funds		2,698,795	1,629	-	745	-	-	-	745	**2,701,169**
Pledging of rents		1,205,701	-	-	-	-	-	-	-	**1,205,701**
Pledges		1,089,338	2,290,964	-	-	-	-	-	-	**3,380,302**
Other assets		1,961,856	48,670	-	877,132	192	-	-	877,324	**2,887,850**
Total	**$**	**28,012,502**	**12,452,988**	**1,516,633**	**6,398,912**	**9,031**	**1,093,520**	**15,449**	**7,501,463**	**49,499,035**

December 31, 2022

		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Financial Leasing	Total
Unsecured loans	$	15,284,698	8,773,715	1,352	42,224	119	690	1,120,454	43,033	**25,223,252**
Loans guaranteed by other banks		206,302	774	-	41,023	-	-	-	41,023	**248,099**
Collateralized loans: Residential		702,411	31,508	1,164,361					- -	**1,898,280**
Other real estate		1,293,674	18,099	-	-	-	-	-	-	**1,311,773**
Investments in equity instruments		410,669	-	-	-	-	-	-	-	**410,669**
Deposits in cash or cash equivalents		358,135	665	-	-	-	-	-	-	**358,800**
Leased assets		-	-	-	2,398,802	-	1,321,621	-	3,720,423	**3,720,423**
Non- real estate		-	-	-	2,432,234	9,275	-	-	2,441,509	**2,441,509**
Trust agreements, stand-by agreements and guarantee funds		2,660,544	1,984	-	919	-	-	-	919	**2,663,447**
Pledging of rents		1,259,607	-	-	-	-	-	-	-	**1,259,607**
Pledges		1,160,885	2,238,634	-	-	-	-	-	-	**3,399,519**
Other assets		1,782,654	67,863	-	915,775	5	-	-	915,780	**2,766,297**
Total	**$**	**25,119,579**	**11,133,242**	**1,165,713**	**5,830,977**	**9,399**	**1,322,311**	**1,120,454**	**7,162,687**	**45,701,675**

Mortgages loan portfolio

The following tables stratify the credit exposures of mortgage loans and advances to retail customers by loan to loan-to-value (LTV) ratio ranges. LTV is calculated as the ratio of the gross loan amount, or the amount committed for loan commitments, to the value of the collateral. The valuation of the collateral, excludes any adjustment for obtaining and selling the collateral. The collateral value for residential mortgage loans is based on the value of the collateral at origination, based on changes in home price indexes. For credit-impaired loans, the collateral value is based on the most recent appraisals.

		December 31, 2023	December 31, 2022
LTV factor			
Less than 50% of	$	1,074,917	965,084
51 - 70%		946,808	861,770
71 - 90%		359,827	380,274
91 - 100%		39,741	47,142
More than 100% of		188,860	233,754
Total	**$**	**2,610,153**	**2,488,024**

Loans-Impaired		**December 31, 2023**	**December 31, 2022**
LTV factor			
Less than 50% of	$	48,616	36,009
51 - 70%		34,704	30,624
More than 70% of		46,427	39,541
Total	**$**	**129,747**	**106,174**

Significant Increase in Credit Risk

Under IFRS 9, when determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group shall consider reasonable and supportable information that is relevant and available without disproportionate cost or effort, including both quantitative and qualitative information and analysis, based on historical experience, as well as the Group's expert credit assessment including forward-looking information.

The Group expects to identify whether a significant increase in credit risk has occurred by comparing between:

- The probability of default (PD) over the remaining life of the reporting date; with
- The PD during the remaining life at this point in time, which was estimated at the time of initial recognition of the exposure.
- Qualitative aspects and the rebuttable presumption of the standard (30 days) are also considered.

The assessment of whether credit risk has increased significantly since the initial recognition of a financial asset, requires identifying the initial recognition date of the instrument and the thresholds of increase.

Rating by Credit Risk Categories

The Group assigns each exposure to a credit risk rating based on a variety of data to predict the PD. The Group uses these ratings for purposes of identifying significant increases in credit risk under IFRS 9. Credit risk ratings are defined using quantitative factors that are indicative of risk of loss. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk rating at initial recognition based on available information about the debtor. Exposures are subject to ongoing monitoring, which may result in moving an exposure to a different credit risk rating.

Modeling of the PD term

The estimation of probabilities of default is the main input for determining the rating ranges that determine the level of risk.

The Group uses statistical models to analyze the data collected and generate estimates of the probability of impairment over the remaining life of the exposures and how those probabilities of impairment change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in impairment rates and key macroeconomic factors, as well as an in-depth analysis of certain factors in impairment risk (e.g., portfolio write-offs). For most credits the key economic factors are likely to include gross domestic product growth, changes in market interest rates, changes in the unemployment rate and the Retail Price Index, among others.

The parent company's approach to preparing forward-looking economic information within its evaluation is outlined below:

- The Group has established a general framework that incorporates quantitative and qualitative information to determine whether the credit risk of a financial asset has increased significantly since its initial recognition.

- The initial framework is aligned with the Group's internal credit risk management process.

- The criteria for determining whether credit risk has increased significantly will vary by portfolio or segment, as well as by risk rating.

- The Group assesses whether the credit risk of a particular exposure has increased significantly since initial recognition if, based on quantitative modeling, the probability of impairment expected over the remaining life will increase significantly. In determining the increase in credit risk, the expected impairment loss over the remaining life is adjusted for changes in maturities.

- In certain circumstances, using expert credit judgment and based on relevant historical information the Group may determine that an exposure has experienced a significant increase in credit risk if particular qualitative factors may indicate that and those factors may not be fully captured by its quantitative analyses performed periodically. As a limit, and as required by IFRS 9, the Group presumes that a significant increase in credit risk occurs at the latest when the asset is past due for 30 days.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk, based on regular reviews to confirm that:

- The criteria are able to identify significant increases in credit risk before an exposure is impaired.

- The average time to identify a significant increase in credit risk and default appears reasonable.

- Exposures are generally not transferred directly from the Group of probability of expected impairment in the following twelve months to the group of impaired loans.

- There is no unjustified volatility in the provision for impairment of transfers between the groups with probability of expected loss in the next twelve months and the probability of expected loss over the remaining life of the loans.

Modified Financial Assets

The contractual terms of loans may be modified for a number of reasons, including changes in market conditions, customer retention and other factors unrelated to an actual or potential deterioration of the customer's credit.

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

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

The Group restructures loans to customers in financial difficulties to maximize collection opportunities and minimize the risk of default. Under the Group's restructuring policies, customers in financial difficulties are granted concessions that generally correspond to reductions in interest rates, extension of payment terms, reductions in balances due or a combination of the above.

For financial assets modified as part of the Group's restructuring policies, the PD estimate will reflect whether the modifications have improved or restored the ability to collect interest and principal and previous experience of similar actions. As part of this process, the Group will evaluate the debtor's payment performance against the modified terms of the debt and will consider various performance indicators of the modified debtor group.

Generally, restructuring indicators are a relevant factor of increased credit risk. Accordingly, a restructured debtor needs to demonstrate consistent payment behavior over a period of time before it is no longer considered an impaired credit or that the PD has decreased such that the provision can be reversed and the credit measured for impairment within twelve months after the closing date of the financial statements.

Definition of noncompliance

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

- It is unlikely that the debtor will fully pay its credit obligations to the Group, without resources to take actions such as realizing the guarantee (in the event that they maintain it); or
- On Delinquency in Portfolio:
    - Corporate loans: When they are 90 days or more past due.
    - Retail Loans: When 90 days or more past due
    - Residential loans: When 120 days or more past due
- For fixed-income financial instruments, objective evidence of impairment includes the following items, among others:
    - External rating of the issuer or instrument being rated D.
    - Contractual payments are not made when due or within the stipulated grace period.
    - There is a virtual certainty of suspension of payments.
    - It is likely to enter bankruptcy or a bankruptcy petition or similar action is filed.
    - The financial asset no longer has an active market due to its financial difficulties.
- For other items (in portfolio):
    - Client in Law 617 of 2000
    - Restructuring Agreements Law 550 of 1999 and Law 1116 of 2006
    - Clients in legal collection except clients admitted under Law 1116 of December 27, 2006 and clients admitted under Law 1380 of January 25, 2010 - Insolvency Scheme for Non-Corporate Natural Persons). Customers in liquidation.
    - Extraordinary Restructurings Circular Letter 039
    - Agreements and ordinary restructurings
    - Payment in kind

In assessing whether a debtor is in default, the Group considers indicators that are:

- Qualitative, e.g. non-compliance with contractual clauses

- Quantitative, e.g. delinquency status and non-payment on another obligation of the same issuer to the Group; and
- Based on data developed internally and obtained from external sources

Inputs used in assessing whether financial instruments are in default, and their significance, may vary over time to reflect changes in circumstances.

Forecast of future economic conditions

Under IFRS 9, the parent company incorporates forward-looking information, both in its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition, and in its measurement of ECL. Based on the recommendations of the Group's Market Risk Committee, use of economic experts and consideration of a variety of current and projected external information, the Group formulates a "baseline scenario" 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 relative probabilities of each scenario.

External information may include economic data and published projections by governmental committees and monetary authorities in the countries in which the Group operates, Supranational organizations such as the Organization for Economic Cooperation and Development (OECD) and the International Monetary Fund, among others, and academic and private sector projections.

The baseline scenario is expected to represent the most likely outcome and is aligned with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios would represent a more optimistic and pessimistic outcome. The Group also plans to conduct periodic stress tests to calibrate the determination of these other representative scenarios.

Measurement of ECL - Estimated weighted probability of credit loss

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

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

The above parameters will be derived from internal statistical models. These models will be adjusted to reflect forward-looking information as described below:

- PDs are estimated as of a given date, which will be calculated based on statistical rating models, and evaluated using rating tools adjusted to the different counterparty categories and exposures. These statistical models are based on internally compiled data comprising both qualitative and quantitative factors. If a counterparty or exposure migrates between the different ratings, then this will result in a change of the estimated PI. PDs will be estimated considering contractual maturity terms of the exposures and estimated prepayment rates.

- The LGD is the magnitude of the probable loss if there is a default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the transaction.

In order to calculate the LGD at each balance sheet date, it is necessary to observe the behavior of customer obligations that have been defaulted in a specific period of time. For each case, information is compiled on the movement of the loan after default, taking into account: payment flows, assets received in lieu of payment, write-off recoveries, legal and administrative costs. The LGD estimate determines the percentage (0% -100%) that is lost in those events where the customer incurs impairment. In the Corporate portfolio, it is based on the guarantee and on product consumption.

This variable measures the risk of the operation. For loans secured by real estate and pledges on vehicles, variations in the price indexes of these assets are used.

EOD represents the expected exposure in the event of default. The Group will derive the EOD from the counterparty's current exposure and potential changes, in the current amount allowed under the terms of the contract, including amortization and prepayments. The EOD of a financial asset, is the gross value at the time of default. For loan commitments and financial guarantees, the EOD will consider the amount drawn, as well as potential future amounts that could be drawn or collected under the contract, which will be estimated based on historical observations. For some financial assets, the Group determines the EOD by modeling a range of possible outcomes of exposures at various points in time. The Group will measure the EOD considering the risk of default over the maximum contractual period, (including options to extend the debt to the customer) over which there is an exposure to credit risk, even if, for risk management purposes, a longer period of time is considered. The maximum contractual period extends to the date on which the Group has the right to require payment of a loan or terminate a loan commitment or guarantee granted.

For retail overdrafts, credit card balances and certain corporate revolving credit facilities that include both a loan and a loan commitment component not drawn by the customer, the Group will measure the EOD over a period greater than the maximum contractual period, if the Group's contractual ability to demand payment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual period of the contract. These facilities do not have a fixed term or collection structure and are managed on a collective basis. The Group may cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management of the Group, but only when the Parent Company becomes aware of an increase in credit risk at the level of each loan. This longer period of time will be estimated taking into account the credit risk management actions that the Group expects to take and that serve to mitigate the EOD. These measures include a reduction in limits and cancellation of credit contracts.

Parameter modeling is performed on a collective basis, financial instruments are grouped on the basis of risk characteristics that may include:

- Type of instrument
- Credit risk rating
- Guarantee
- Date of initial recognition
- Remaining term to maturity
- Industry
- Geographic location of the debtor

The above groupings are subject to regular review, to ensure that the exposures of a particular Group remain appropriately homogeneous.

Policies to prevent excessive concentrations of credit risk

In order to prevent excessive concentrations of credit risk at the individual, country and economic sector levels, the Parent Company and subsidiaries maintain maximum risk concentration levels indexes updated at the individual level and by sector portfolios. The limit of the Parent Company's exposure to a credit commitment to a specific customer, depends on the customer's risk rating, the nature of the risk involved, and the presence of each bank in a specific market.

In order to avoid concentrations of credit risk at the consolidated level, the Parent Company has a Risk Vice-Presidency that consolidates and monitors the credit risk exposures of all banks, and the Board of Directors establishes policies and maximum consolidated exposure limits.

Under credit risk management, concentration risk is continuously monitored through the exposure or concentration limit of the Corporate portfolio, which establishes participation limits on the total portfolio for 18 economic sectors.

The following is the detail of credit risk at the consolidated level in the different geographic areas determined according to the debtor's country of residence, without taking into account provisions for impairment of the debtors' credit risk:

		December 31, 2023								
		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Financial Leasing	Total
Colombia	$	24,893,930	12,452,853	1,516,633	6,398,912	9,031	1,093,520	14,714	7,501,463	46,379,593
Panama		202,929	-	-	-	-	-	735	-	203,664
United States		85,608	-	-	-	-	-	-	-	85,608
Costa Rica		115,868	-	-	-	-	-	-	-	115,868
Nicaragua		605	-	-	-	-	-	-	-	605
Honduras		298,941	-	-	-	-	-	-	-	298,941
El Salvador		6,704	-	-	-	-	-	-	-	6,704
Guatemala		214,404	-	-	-	-	-	-	-	214,404
Other countries		2,193,513	135	-	-	-	-	-	-	2,193,648
Total	**$**	**28,012,502**	**12,452,988**	**1,516,633**	**6,398,912**	**9,031**	**1,093,520**	**15,449**	**7,501,463**	**49,499,035**

		December 31, 2022								
		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Financial Leasing	Total
Colombia	$	22,128,244	11,133,091	1,165,713	5,830,977	9,399	1,322,311	979,941	7,162,687	42,569,676
Panama		111,895	64	-	-	-	-	140,513	-	252,472
United States		42,100	6	-	-	-	-	-	-	42,106
Costa Rica		212,701	-	-	-	-	-	-	-	212,701
Nicaragua		-	-	-	-	-	-	-	-	-
Honduras		77,035	-	-	-	-	-	-	-	77,035
El Salvador		56,066	-	-	-	-	-	-	-	56,066
Guatemala		220,254	-	-	-	-	-	-	-	220,254
Other countries		2,271,284	81	-	-	-	-	-	-	2,271,365
Total	**$**	**25,119,579**	**11,133,242**	**1,165,713**	**5,830,977**	**9,399**	**1,322,311**	**1,120,454**	**7,162,687**	**45,701,675**

The distribution of the loan portfolio of the Parent Company and subsidiaries by economic purpose as of December 31, 2023 and 2022 is shown below:

		December 31, 2023		December 31, 2022	
		Total	% Part.	Total	% Part.
Sector					
Retail services	$	18,513,412	37.4%	16,356,374	35.8%
Corporate Services		12,960,650	26.2%	13,046,802	28.5%
Construction		4,214,842	8.5%	3,816,898	8.4%
Other industrial and manufacturing products		2,016,908	4.1%	2,123,971	4.6%
Transportation and communications		2,088,233	4.2%	2,048,118	4.5%
Food, beverages and tobacco		1,648,635	3.3%	1,582,130	3.5%
Chemicals		1,764,975	3.6%	1,623,081	3.6%
Government		1,508,040	3.0%	1,399,451	3.1%
Utilities		2,157,230	4.4%	1,261,657	2.8%
Agriculture		1,146,472	2.3%	1,043,592	2.3%
Other		650,219	1.3%	671,255	1.5%
Trade and tourism		460,987	0.9%	430,124	0.9%
Mining and petroleum products		368,432	0.7%	298,222	0.7%
Total by economic destination	$	**49,499,035**	**100%**	**45,701,675**	**100%**

Sovereign debt

As of December 31, 2023 and 2022, the portfolio of investments in financial assets in debt instruments, is mainly composed of securities issued or guaranteed by Colombian Government institutions, which represent 98.63% and 99.18%, respectively, of the total portfolio. Below is a breakdown of sovereign debt exposure by country:

		December 31, 2023		December 31, 2022	
		Amount	Participation %	Amount	Participation %
Investment grade (1)					
Colombia	$	6,294,357	89.26%	3,646,232	72.35%
Brazil		16,268	0.23%	-	0.00%
Mexico		-	0.00%	19,552	0.39%
USA		72,934	1.03%	-	0.00%
Chile		3,768	0.05%	-	0.00%
Trading (2)					
Colombia		636,980	9.03%	1,340,884	26.61%
El Salvador		-	0.00%	32,836	0.65%
Honduras		27,643	0.39%	-	0.00%
Total sovereign risk	**$**	**7,051,950**	**100%**	**5,039,504**	**100%**

(1) Investment grade includes ratings from Fitch Ratings Colombia S.A. from F1+ to F3, BRC de Colombia from BRC 1+ to BRC 3 and Standard & Poor's from A1 to A3.

(2) Trading includes ratings from Fitch Ratings Colombia S.A. from BB+ to C, Moody's Ba1 to C and Standard & Poor's from BB+ to C.

Credit granting process and counterparty quotas

The Parent Company's financial entities assume credit risk on two fronts: the lending activity, which includes Corporate, retail and mortgage credit operations, and the treasury activity, which includes interbank operations, investment portfolio management, derivatives operations and foreign currency trading, among others. Although they are independent businesses, the nature of the counterparty insolvency risk is equivalent and, therefore, the criteria used to manage them are the same.

The principles and rules for credit and credit risk management in each of the Parent Company's financial entities, are set forth in the Credit Risk Management System Manual (SARC in Spanish), designed for both traditional banking and treasury activities. The evaluation criteria for measuring credit risk, follow the main instructions issued by the Financial Risk Committees.

The highest authority in credit matters is the Board of Directors, which guides general policy, and has the power to grant the highest levels of credit permitted. In banking operations, the powers to grant quotas and credits depend on the amount, term and guarantees offered by the client. The Board of Directors has delegated part of its lending authority to different departments and executives, who process credit applications and are responsible for the analysis, follow-up and outcome.

For treasury operations, the Board of Directors approves the transaction and counterparty quotas. Risk control is essentially carried out through three mechanisms: annual allocation of operating quotas and daily control, quarterly evaluation of solvency by issuers, and investment concentration report by economic group.

In addition, credit approval takes into account, among other considerations, the probability of default, counterparty quotas, the recovery rate of the guarantees received, the term of the loans and the concentration by economic sector.

The Parent Company has a Credit Risk Management System (SARC), which is managed by the Credit Risk Division and contemplates, among others, the design, implementation and evaluation of risk policies and tools defined by the Financial Risk Committee and the Board of Directors.

Progress made in the SARC, has led to important achievements and in the integration of credit risk measurement tools in the credit granting processes of the Parent Company.

For the retail portfolio, the Parent Company has scoring models for the evaluation of credit risk. In the initial evaluation of clients, logistic regression models are applied, which assign a score to the client, based on sociodemographic variables and some behavioral variables with the sector, and make it possible to establish whether the applicant is eligible for credit in accordance with the Parent Company's policy regarding the minimum score required. There are also monitoring models that use mainly customer payment behavior variables and some sociodemographic variables, and allow customers to be rated and the probability of default in the next year to be established.

For the Corporate portfolio, it relies on rating models, specifically logistic regression models, whose variables are primarily financial indicators. These variables are used to obtain the input models, and for the follow-up models, payment behavior variables are added, such as the maximum height of delinquency in the last year, delinquency counters, among others. Thus, there are entry and follow-up models for the Industry, Commerce, Services, Construction, Territorial Entities and Financial Entities segments.

Credit risk monitoring process

The credit risk monitoring and follow-up process is carried out in several stages, that include daily follow-up and collection management based on an analysis of past-due loans by age, rating by risk level, permanent follow-up of high-risk clients, the process of restructuring operations and the receipt of goods received in payment.

On a daily basis, banks produce lists of overdue accounts receivable and, based on these analyses, various personnel of the Parent Company carry out collection procedures by means of telephone calls, e-mails or written collection requests.

The following is a summary of the portfolio by maturity ages as of December 31, 2023 and 2022:

December 31, 2023

		Current Portfolio	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total delinquency 1 - 90 days	Delinquency > 90 days	More than 180 days	Total loan portfolio
Corporate	$	26,127,129	747,758	69,095	57,079	873,932	109,671	901,770	28,012,502
Retail		10,394,514	1,175,154	300,344	157,403	1,632,901	299,990	125,583	12,452,988
Residential Mortgage		1,246,437	163,612	33,491	17,095	214,198	11,571	44,427	1,516,633
Microloans		-	-	-	-	-	-	-	-
Corporate Leasing		5,675,669	392,444	76,745	36,599	505,788	45,723	171,732	6,398,912
Retail Leasing		6,544	981	589	287	1,857	-	630	9,031
Residential Leasing		890,138	141,346	24,099	10,277	175,722	13,622	14,038	1,093,520
Leasing Microloans		-	-	-	-	-	-	-	-
Repos and Interbank		15,449	-	-	-	-	-	-	15,449
Total	**$**	**44,355,880**	**2,621,295**	**504,363**	**278,740**	**3,404,398**	**480,577**	**1,258,180**	**49,499,035**

December 31, 2022

		Current Portfolio	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total delinquency 1 - 90 days	Delinquency > 90 days	More than 180 days	Total loan portfolio
Corporate	$	23,489,629	770,466	53,026	24,228	847,720	100,109	682,121	25,119,579
Retail		9,810,925	791,485	180,297	105,986	1,077,768	189,083	55,466	11,133,242
Residential Mortgage		969,087	131,164	17,591	8,198	156,953	7,860	31,813	1,165,713
Corporate Leasing		5,237,043	354,132	42,943	28,483	425,558	37,082	131,294	5,830,977
Retail Leasing		7,397	1,055	51	12	1,118	329	555	9,399
Residential Leasing		1,096,808	162,164	21,599	8,147	191,910	12,820	20,773	1,322,311
Repos and Interbank		1,120,454	-	-	-	-	-	-	1,120,454
Total	**$**	**41,731,343**	**2,210,466**	**315,507**	**175,054**	**2,701,027**	**347,283**	**922,022**	**45,701,675**

For the Corporate portfolio, the Parent Company and subsidiaries evaluate on a monthly basis the 18 most representative economic sectors in terms of Gross and Past Due Portfolio, in order to monitor the concentration by economic sector and the level of risk in each of them.

At the individual level, the Parent Company and subsidiaries perform a semiannual individual analysis of the credit risk with outstanding balances over $2,000 based on updated financial information of the customer, compliance with the agreed terms, guarantees received and queries to the credit bureaus; based on this information, it classifies customers by risk level in categories A-Normal, B- Subnormal, C- Deficient, D- Doubtful collection and E- Unrecoverable. For retail mortgage loans, the above rating by risk level is performed on a monthly basis, taking into account mainly the age of maturity and other risk factors. For this purpose, the Parent Company also consolidates the indebtedness of each customer, and determines the probability and calculation of impairment at the consolidated level.

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

The following is a summary of the portfolio by risk level rating as of December 31, 2023 and 2022:

December 31, 2023

		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and interbank	Total Financial Leasing	Total
A	$	25,581,187	11,008,416	1,413,221	5,414,693	7,437	1,021,842	15,449	6,443,972	44,462,245
B		709,760	338,517	24,868	342,451	435	21,470	-	364,356	1,437,501
C		522,660	288,927	1,715	244,796	188	2,406	-	247,390	1,060,692
D		388,119	435,055	44,942	154,781	825	41,463	-	197,069	1,065,185
E		810,776	382,073	31,887	242,191	146	6,339	-	248,676	1,473,412
Total	**$**	**28,012,502**	**12,452,988**	**1,516,633**	**6,398,912**	**9,031**	**1,093,520**	**15,449**	**7,501,463**	**49,499,035**

		December 31, 2022								
		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and interbank	Total Financial Leasing	Total
A	$	23,146,375	10,313,849	1,096,832	4,974,550	8,238	1,255,186	1,120,454	6,237,974	41,915,484
B		425,163	215,016	14,917	227,580	-	19,839	-	247,419	902,515
C		526,272	200,127	811	213,019	51	2,246	-	215,316	942,526
D		385,081	242,728	28,928	208,849	1,046	33,345	-	243,240	899,977
E		636,688	161,522	24,225	206,979	64	11,695	-	218,738	1,041,173
Total	**$**	**25,119,579**	**11,133,242**	**1,165,713**	**5,830,977**	**9,399**	**1,322,311**	**1,120,454**	**7,162,687**	**45,701,675**

Based on the above ratings, each bank prepares a list of customers that could potentially have a significant impact of loss for the Parent Company and subsidiaries and, based on this list, assigns persons to follow up individually with each customer, which includes meetings with the customer to determine the potential causes of risk, and seek solutions together to achieve compliance with the debtor's obligations.

Restructuring of credit operations due to debtor's financial problems

The Parent Company and its subsidiaries periodically restructure the debt of customers who have problems meeting their credit obligations with the Parent Company and its subsidiaries, at the request of the debtor. Such restructurings generally consist of term extensions, interest reductions or partial forgiveness of debts, or a combination of the above.

The basic policy for granting such restructurings, at the Parent Company level, is to provide the customer with a financial viability that allows it to adapt the debt repayment conditions to a new cash flow generation situation. The use of restructurings for the sole purpose of delaying the constitution of provisions, is prohibited at the Parent Company level.

When a loan is restructured due to financial problems of the debtor, such debt is marked in the files of each financial entity of the Parent Company as a restructured loan, in accordance with the regulations of the Financial Superintendence of Colombia. The risk rating, made at the time of restructuring, is only upgraded when the client has been satisfactorily complying with the terms of the agreement for a prudent period of time and its new financial situation is adequate.

Significant restructured loans are included for individual assessment of impairment loss; however, the marking of a loan as restructured does not necessarily imply its qualification as impaired, because in most cases new collateral is obtained to support the obligation.

The following is the detail of restructured loans as of December 31, 2023 and 2022:

Restructured loans		**December 31, 2023**	**December 31, 2022**
Local	**$**	**1,792,080**	**1,033,648**
Corporate		909,350	733,450
Retail		783,391	245,673
Mortgage		99,339	54,525
Foreign		**36,427**	**57,773**
Corporate		36,392	57,773
Retail		35	-
Total restructured		**1,828,507**	**1,091,421**

Prospective Information

The Bank, through Grupo Aval Acciones y Valores, S.A., incorporates information with projections of future conditions, both in its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition, and in its measurement of ECL. Based on three scenarios of the macroeconomic variables applicable to each model, the estimation of the probability of default is affected. Subsequently, the ECL result is the product of weighting the probability of occurrence of each scenario.

Based on the recommendations of the Market Risk Committee of Grupo Aval Acciones y Valores, S.A., use of economic experts, and consideration of a variety of current and projected external information, Grupo Aval Acciones y Valores, S.A. formulates a "base scenario" projection of relevant economic variables, as well as a representative range of two other possible projected scenarios, called: "unfavorable scenario" and "favorable scenario". In the favorable scenario, the economic situation is booming, so its macroeconomic indicators are better than in the base scenario. In the unfavorable scenario, the country's economic situation is in a recessionary stage. In other words, there is a decrease in economic activity over a one-year period. In the latter case, macroeconomic indicators are worse than in the baseline scenario. The weights of the three macroeconomic scenarios are defined by Grupo Aval Acciones y Valores,

S.A., in which the sum of the relative weights or probabilities of the three scenarios equals the unit value. In any scenario, projections of macroeconomic variables are made for a one-year period.

This analysis includes the identification and calibration of relationships between changes in impairment rates and key macroeconomic factors, as well as an in-depth analysis of certain factors in impairment risk (e.g., portfolio write-offs). For most loans, the key economic factors are likely to include gross domestic product growth, changes in market interest rates, changes in the unemployment rate and CPI, among others.

The main macroeconomic variables and scenarios used as of December 31, 2023 are as follows:

	2024			**2023**		
	Unfavorable Scenario	**Base Scenario**	**Favorable Scenario**	**Unfavorable Scenario**	**Base Scenario**	**Favorable Scenario**
Annual variation of CPI (*)	9.33%	9.57%	9.89%	4.44%	6.05%	8.26%
GDP growth (*)	0.65%	1.13%	1.30%	-1.07%	0.99%	2.70%
Unemployment rate (*)	10.32%	9.82%	9.14%	11.96%	10.43%	8.77%
DTF (*)	12.56%	12.90%	13.13%	7.10%	9.04%	10.62%
Banco de la República rate (*)	12.75%	13.00%	13.50%	6.25%	8.50%	10.15%

(*) Macroeconomic variables corresponding to the Republic of Colombia.

For the determination of the forward-looking information factor incorporated in the calculations of the allowance for loan loss reserves at amortized cost, the main macroeconomic variables used are those corresponding to the Republic of Colombia, since the loan flows come mainly from that country.

In the projection, GDP growth is used, i.e., information from December 2023 is required, so that the risk of default during the next year can be projected. Another important variable is the unemployment rate and *Banco de la República*'s intervention rate.

Weighted probability assigned to the scenarios:

	Unfavorable Scenario	Base Scenario	Favorable Scenario
Scenarios as of December 31, 2023	26.67%	56.67%	16.66%

Receipt of goods received in payment

When persuasive collection or loan restructuring processes do not produce satisfactory results within a reasonable time period, collection is carried out through legal channels, or agreements are reached with the client for the reception of goods received in payment. The Parent Company has clearly established policies for the receipt of goods received in payment, and has separate departments specialized in the handling of these cases, receipt of goods in payment and their subsequent sale.

The following is the detail of assets received in payment, and sold during the years ended December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
Assets received in payment	$	3,614	17,876
Goods sold		(22,269)	(7,093)
	$	**(18,655)**	**10,783**

Financial assets other than loan portfolio by credit risk rating

The following is the detail of financial assets other than loan portfolio by credit risk rating issued by an independent credit risk rating agency:

- **Cash and cash equivalents**

Below is a detail of the credit quality determined by independent risk rating agents of the main financial institutions, in which the Parent Company and its subsidiaries maintain cash funds:

Credit quality		December 31, 2023	December 31, 2022
Investment grade	$	**4,470,383**	**3,435,105**
Central Bank of Colombia		3,030,785	2,054,545
Financial entities		982,626	1,380,560
Other		456,972	-
Trading purpose		**466**	**-**
Central Bank of Colombia		466	-
Unqualified or not available		**-**	**2,058**
Central Bank of Colombia		-	2,058
Total Cash with third parties		**4,470,849**	**3,437,163**
Cash held by the entity (1)		**498,055**	**441,061**
	$	**4,968,904**	**3,878,224**

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

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

Below is a detail of the credit quality determined by independent risk rating agents, of the main counterparties in debt securities and investments in equity instruments, in which the Parent Company and subsidiaries have financial assets at fair value:

		December 31, 2023	December 31, 2022
Investment grade			
Sovereign	$	5,700,162	2,995,342
Other public entities		98,893	68,844
Corporate		48,856	57,924
Financial entities		975,144	519,152
Multilateral		31,764	62,018
Total investment grade		**6,854,819**	**3,703,280**
Trading purpose			
Sovereign		664,623	1,373,720
Other public entities		3,116	5,957
Corporate		45,923	24,183
Financial entities		367,703	136,828
Multilateral		-	1,872
Total trading purpose		**1,081,365**	**1,542,560**
Unqualified or not available		**830,726**	**656,697**
Total	**$**	**8,766,910**	**5,902,537**

- **Financial investment assets at amortized cost**

Below is a detail of the credit quality determined by independent risk rating agents of the main counterparties in debt securities, in which the Parent Company and subsidiaries have financial assets at amortized cost as of December 31, 2023 and 2022:

Credit quality		**December 31, 2023**	**December 31, 2022**
Issued and Guaranteed by the Nation and/or Central Bank	$	2,035,116	1,803,214
Unqualified or not available		-	-
		2,035,116	**1,803,214**
Impairment of investments		(558)	(522)
Issued and Guaranteed by the Nation and/or Central Bank	$	**2,034,558**	**1,802,692**

- **Derivative financial instruments**

The following is a detail of the credit quality determined by independent risk rating agents of the main counterparties in active derivative instruments for the Parent Company and subsidiaries as of December 31, 2023 and 2022:

Credit quality		**December 31, 2023**	**December 31, 2022**
Investment Grade	$	1,222,095	701,032
Trading purpose		22,274	4,165
Unqualified or not available		32,354	49,771
Total	$	**1,276,723**	**754,968**

4.2 Market risks

The Parent Company participates in the money, foreign exchange and capital markets seeking to satisfy its needs and those of its customers, in accordance with established policies and risk levels.

In this sense, it manages different portfolios of financial assets within the limits and levels of risk allowed.

Market risk arises from the Parent Company's open positions in investment portfolios in debt securities, derivative instruments and equity instruments recorded at fair value, due to adverse changes in risk factors such as: interest rates, inflation, foreign currency exchange rates, share prices, credit spreads of the instruments and their volatility, as well as in the liquidity of the markets in which the Parent Company operates.

For analysis purposes, we have segmented market risk into price risk and/or interest rate, and exchange rate risk of fixed income securities and price risk of investments in equity securities.

4.2.1 Financial instrument risk

The Parent Company trades financial instruments for various purposes, among which the following are noteworthy:

- To offer products tailored to the needs of clients, which fulfill, among others, the function of hedging their financial risks.
- Structuring portfolios to take advantage of arbitrage between different curves, assets and markets, and obtain returns with adequate asset consumption.
- To carry out operations with derivatives for intermediation purposes with clients, or to capitalize arbitrage opportunities, both in exchange rates and interest rates in the local and foreign markets.

In carrying out these transactions, the Parent Company incurs risks within defined limits, or mitigates such risks through the use of other derivative or non-derivative financial instruments.

As of December 31, 2023 and 2022, the Parent Company had the following financial assets and liabilities subject to market risk:

		December 31, 2023	December 31, 2022
Assets			
Financial assets at fair value through profit or loss			
Investments in debt securities	$	3,459,592	1,299,887
Derivative trading instruments		1,276,723	754,968
Subtotal		**4,736,315**	**2,054,855**
Equity instruments at fair value with changes in OCI			
Investments in debt securities	$	4,465,686	3,899,693
Subtotal		**4,465,686**	**3,899,693**
Financial assets at amortized cost			
Investments in debt securities		2,034,558	1,802,692
Subtotal		**2,034,558**	**1,802,692**
Total assets		**11,236,559**	**7,757,240**
Liabilities			
Derivative trading instruments		(1,055,896)	(930,802)
Hedging derivative instruments		(2,494)	-
Total liabilities		**(1,058,390)**	**(930,802)**
Net position	**$**	**10,178,169**	**6,826,438**

Description of objectives, policies and processes for market risk management

The Parent Company participates in the money, foreign exchange and capital markets seeking to satisfy its needs and those of its customers, in accordance with established policies and risk levels. In this sense, it manages different portfolios of financial assets within the limits and levels of risk allowed.

The risks assumed in the operations of both the banking book and the treasury book, are consistent with the Parent Company's overall business strategy and risk appetite, based on the depth of the markets for each instrument, their impact on the risk weighting of assets and solvency level, the profit budget established for each business unit, and the balance sheet structure.

Business strategies are established in accordance with approved limits, seeking a balance in the profitability/risk ratio. Likewise, there is a structure of limits congruent with the general philosophy of the banks, based on their capital levels, profit performance and the entity's tolerance to risk.

The comprehensive risk management system - SIAR in Spanish, for market risk management, allows entities to identify, measure, control and monitor the market risk to which they are exposed, based on the positions assumed in the performance of their operations.

There are several scenarios under which the Parent Company is exposed to market risk:

- Interest rate: The Parent Company's portfolios are exposed to this risk when the variation in the market value of asset positions in the event of a change in interest rates, does not coincide with the variation in the market value of liability positions, and this difference is not offset by the variation in the market value of other instruments or when the future margin, due to pending transactions, depends on interest rates.
- Exchange rate: The Parent Company's portfolios are exposed to exchange rate risk, when 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, positions are taken in derivative products whose underlying is exposed to exchange rate risk, and the sensitivity of the security to changes in exchange rates has not been fully immunized, exposure to interest rate risk is taken in currencies other than its reference currency, which may alter the equality between the value of the asset positions and the value of the liability positions in that currency and generate losses or gains, or when the margin is directly dependent on exchange rates.

Risk management

The Parent Company's senior management and Board of Directors, actively participate in risk management and control, through the analysis of an established reporting protocol and the conduction of various Committees, which comprehensively monitor, both technically and fundamentally, the different variables that influence the markets internally and externally, in order to support strategic decisions.

Likewise, analysis and follow-up of the different risks incurred by the Parent Company in its operations, is fundamental for decision-making and for the evaluation of results. On the other hand, a permanent analysis of macroeconomic conditions, is fundamental in achieving an optimal combination of risk, profitability and liquidity.

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

These limits are monitored daily, and reported biweekly to the Finance Committee, and quarterly to the Board of Directors.

In addition, in order to minimize the interest rate and exchange rate risks of certain items of its balance sheet, the Parent Company implements hedging strategies, by taking positions in derivative instruments such as forward transactions, futures and swaps.

By the year 2023, and in compliance with the provisions of the Colombian Financial Superintendence, the implementation of the Comprehensive Risk Management System (SIAR, for its acronym in Spanish) is highlighted. In the particular case of market risk management, in addition to the current elements, the strengthening of performance and stress test models was contemplated, as well as an increase in the generation of key management reports.

Methods used to measure risk

Market risks are quantified through value-at-risk models (internal and standard). Likewise, measurements are made using the historical simulation methodology. The Board of Directors approves a limit structure, based on the value at risk associated with the annual profit budget, and establishes additional limits by type of risk.

The Parent Company uses the standard model for the measurement, control and management of market risk of interest rates and exchange rates in the treasury and banking books. These measurements are performed daily for the Parent Company, and monthly for each of its subsidiaries, in order to measure and monitor the conglomerate risk.

Currently, the asset and liability positions of the treasury book are mapped, within zones and bands, according to the duration of the portfolios, the investments in equity securities, and the net position (assets minus liabilities) in foreign currency, both in the banking book and in the treasury book, in line with the standard model recommended by the Basel Committee.

Likewise, the Parent Company has parametric and non-parametric internal management models, based on the Value at Risk (VaR) methodology, which have allowed it to complement market risk management based on the identification and analysis of variations in risk factors (interest rates, exchange rates and price indexes) on the value of the different instruments comprising the portfolios. These models are JP Morgan's Risk Metrics, with a 99% confidence level and EWMA (exponential weighted moving average) volatility.

The use of these methodologies has made it possible to estimate earnings and capital at risk, facilitating the allocation of resources to the different business units, as well as to compare activities in different markets, and identify the positions that have a greater contribution to the risk of the treasury businesses. Similarly, these tools are used to determine limits to traders' positions, and to revise positions and strategies quickly as market conditions change.

The methodologies used to measure VaR are periodically evaluated and subjected to backtesting to determine their effectiveness. In addition, the Parent Company has tools for stress testing and/or portfolio sensitization under the simulation of extreme scenarios.

Additionally, limits have been established by "Type of Risk", associated with each of the instruments comprising the different portfolios (sensitivities or effects on the value of the portfolio as a consequence of movements in interest rates or corresponding factors - impact of variations in specific risk factors: Interest rate (Rho), Exchange rate (Delta), Volatility (vega), among others).

Likewise, the Parent Company has established counterparty and trading quotas per operator for each of the trading platforms of the markets in which it operates. These limits and quotas are monitored on a daily basis by the Parent Company's Balance Sheet and Treasury Risk Management. The trading attributions per trader are assigned to the different hierarchical levels of the treasury based on the experience that the officer has in the market, in the trading of this type of products, and in the management of portfolios.

Likewise, there is a process for estimating the results (P&L) of fixed income investments and forward derivatives, which is compared with the results obtained from the valuation of the systems with inputs from the price provider, Precia PV S.A.

This process is complemented with the periodic review of the valuation methodologies of the Fixed Income and Derivatives Investment portfolios.

Similarly, a qualitative analysis of the liquidity of fixed-income bond prices is performed to determine the depth of the market for this type of instrument.

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

According to the standard model, the market value at risk (VaR) as of December 31, 2023 and 2022 was as follows

		December 31, 2023		December 31, 2022	
Entity		**Amount**	**Regulatory Capital Basics**	**Amount**	**Regulatory Capital Basics**
Parent Company	$	184,778	57	229,199	76
Occidental Bank (Barbados) Ltd.		7,537	2	8,276	3
Banco de Occidente Panama S.A.		20,495	6	24,288	8
Fiduciaria de Occidente S.A.		5,545	2	10,752	3
		218,355		**272,515**	

The VaR indicators presented by the Parent Company and subsidiaries for the years ended December 31, 2023 and 2022, are summarized below:

		December 31, 2023			
		Minimum	**Average**	**Maximum**	**Last**
Interest rate	$	179,858	205,998	251,416	217,031
Exchange rate		717	3,662	11,894	717
Collective Portfolios		569	15,259	85,455	607
Portfolio VaR					**218,355**

	December 31, 2023				
		Minimum	Average	Maximum	Last
Interest rate	$	173,356	196,810	243,326	173,355
Exchange rate		99	3,354	15,681	15,681
Collective Portfolios		75,869	80,639	83,479	83,479
Portfolio VaR					**272,515**

As a consequence of the performance of the VaR, the Parent Company's market risk-weighted assets, remained on average around 7.60% of total risk-weighted assets, during the period ended December 31, 2022, and 5.21% as of December 31, 2023.

As a management tool for the administration of investment portfolios, different sensitivity analyses are performed on these portfolios at different basis points.

Sensitivity results as of December 31, 2023 and 2022 are presented below:

		December 31, 2023				
		Portfolio Value	25 PB	50 PB	75 PB	100 PB
Fair Value Parent Company	$	6,514,161	(48,951)	(97,055)	(144,314)	(190,804)
Fair Value Occidental Bank Barbados Ltd.		344,778	(2,675)	(5,303)	(7,886)	(10,425)
Fair Value Banco de Occidente Panama S.A.		984,474	(7,054)	(13,998)	(20,835)	(27,566)
Fair Value Fiduciaria de Occidente S.A.		81,817	(768)	(1,535)	(2,303)	(3,070)
Total	$	**7,925,230**	**(59,448)**	**(117,891)**	**(175,338)**	**(231,865)**

		December 31, 2022				
		Portfolio Value	25 PB	50 PB	75 PB	100 PB
Fair Value Parent Company	$	3,587,142	(22,972)	(45,629)	(68,005)	(90,086)
Fair Value Occidental Bank Barbados Ltd.		390,000	(2,996)	(5,934)	(8,817)	(11,646)
Fair Value Banco de Occidente Panama S.A.		1,178,942	(8,329)	(16,523)	(24,584)	(32,515)
Fair Value Fiduciaria de Occidente S.A.		43,496	(347)	(695)	(1,042)	(1,390)
Total	$	**5,199,580**	**(34,644)**	**(68,781)**	**(102,448)**	**(135,637)**

4.2.2 Price risk of investments in equity instruments

Equity investments

The Parent Company classifies its investments in equity instruments where it has no control or significant influence, in the category of financial assets at fair value with changes in OCI, when its main purpose is not to obtain profits from fluctuations in their market price, they are not listed on the stock exchange or are of low marketability, nor are they awaiting maturity of the investment, nor are they part of the portfolio that supports its liquidity in financial intermediation, or expected to be used as collateral in passive operations, since their purpose is strategic, coordinated directly with the Parent Company.

In accordance with the business model, these investments will be sold when some of the following conditions are met:

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

Risk of changes in foreign currency exchange rates

The Parent Company operates internationally, and is exposed to exchange rate fluctuations arising from exposures in various currencies, mainly with respect to U.S. dollars and Euros.

Foreign currency exchange rate risk arises mainly from recognized assets and liabilities and investments in subsidiaries and branches abroad, in loans and receivables, and in foreign currency obligations and future Corporate transactions also in foreign currency.

Banks in Colombia are authorized by *Banco de la República* to trade foreign currency and maintain foreign currency balances in foreign accounts. Legal regulations in Colombia require the Parent Company to maintain its own daily position in foreign currency, determined by the difference between the rights and obligations denominated in foreign currency recorded inside and outside the statement of financial position, which average is for three business days, and may not exceed twenty percent (20%) of the technical equity; likewise, such average of three business days in foreign currency may be negative without exceeding five percent (5%) of the technical equity expressed in U.S. dollars.

It must also comply with its own cash position, which is determined by the difference between assets and liabilities denominated in foreign currency, excluding derivatives, and certain investments.

Additionally, it must comply with the gross leverage position, which is defined as the sum of rights and obligations in contracts with future performance denominated in foreign currency: spot transactions denominated in foreign currency with performance between one banking day (t+1) and three banking days (t+3) and other exchange rate derivatives.

The determination of the maximum or minimum amount of the daily own position in foreign currency, must be established based on the technical equity of the Parent Company on the last day of the second preceding calendar month, converted at the exchange rate established by the Superintendence of Finance of Colombia at the close of the immediately preceding month.

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

The following is a detail of the main financial assets and liabilities in foreign currency denominated in Colombian pesos held by the Parent Company and its subsidiaries as of December 31, 2023 and 2022:

December 31, 2023

	Millions		
	U.S. dollars	**Other currencies expressed in U.S. dollars**	**Total Colombian pesos**
Assets			
Cash and cash equivalents	257.01	1.23	987,030.59
Investments at fair value through profit or loss	57.30	-	219,015.84
Investments at fair value with changes in the OCI	359.81	-	1,375,195.52
Investments at amortized cost	-	-	-
Financial assets for loan portfolio at amortized cost	1,435.19	-	5,485,375.78
Derivative trading instruments	(3,603.36)	-	(13,772,217.47)
Derivative hedging instruments	-	-	-
Other accounts receivable	6.36	-	24,291.18
Total Assets	**(1,487.69)**	**1.23**	**(5,681,309)**
Liabilities			
Derivative trading instruments	(3,414.29)	-	(13,049,603.47)
Derivative hedging instruments	-	-	-
Customer deposits	1,116.87	0.86	4,272,027.50
Financial Obligations	730.21	-	2,790,887.82
Other accounts payable	98.38	-	376,004.43
Total liabilities	**(1,468.84)**	**0.86**	**(5,610,684)**
Net asset (liability) position	**(18.85)**	**0.37**	**(70,625)**

December 31, 2022

	Millions		
	U.S. dollars	**Other currencies expressed in U.S. dollars**	**Total Colombian pesos**
Assets			
Cash and cash equivalents	285.65	1.74	1,382,428.21
Investments at fair value through profit or loss	16.65	-	80,094.77
Investments at fair value with changes in the OCI	330.91	-	1,591,766.57
Investments at amortized cost	-	-	-
Financial assets for loan portfolio at amortized cost	1,184.81	-	5,699,153.43
Derivative trading instruments	1,116.38	-	5,369,999.09
Derivative hedging instruments	-	-	-
Other accounts receivable	3.84	-	18,488.00
Total Assets	**2,938.25**	**1.74**	**14,141,930**
Liabilities			
Derivative trading instruments	1,154.78	-	5,554,712.93
Derivative hedging instruments	-	-	-
Customer deposits	978.48	1.42	4,713,551.09
Financial obligations	840.05	-	4,040,790.33
Other accounts payable	3.14	-	15,105.36
Total liabilities	**2,976.45**	**1.42**	**14,324,160**
Net asset (liability) position	**(38.20)**	**0.32**	**(182,230)**

The Parent Company's objective, in relation to foreign currency transactions, is to meet primarily the needs of customers for international trade and financing in foreign currency, and to take positions in accordance with authorized limits.

The Parent Company's management has established policies that require its subsidiaries to manage their foreign currency exchange rate risk against their functional currency. The subsidiaries of the Parent Company are required to economically hedge their exchange rate exposure by using derivative transactions, especially forward contracts. The net foreign currency position of the Parent Company is controlled daily by the treasury divisions of each subsidiary, which are in charge of closing the positions, adjusting them to the established tolerance levels.

The estimated effect of the increase or decrease of each 10/US1 with respect to the exchange rate at December 31, 2023 and 2022, would be an increase in income of $999 and $947, respectively.

4.3 Interest rate structure risk

The Parent Company is exposed to fluctuations in the interest rate market that impact its financial position and future cash flows, which are recorded in the banking book. The risk may arise from the mismatch of maturities between assets, liabilities and off-balance sheet positions, the use of different types of interest rates (IBR, DTF, SOFR, Fixed, etc.) and optionalities, that may generate changes in cash flows of both asset or liability positions made by the Parent Company (for example, prepayments). Interest margins can increase or decrease as a result of changes in interest rates, which can have an impact on the Bank's results; however, the Bank has mechanisms such as hedges through derivative instruments, to address the risks associated with interest rates in the banking book

The ALM team and ALCO, use two indicators to manage interest rate risks at Banco de Occidente. The first is the Net Interest Margin (NIM), which measures the impact on this margin over a one-year period, with a shock of +/- 100 bps (short-term approach). On the other hand, there is the measurement of the Economic Value of Equity (EVE), in which different scenarios are used to measure how the present value of interest rate sensitive assets and liabilities would change within the institution, and therefore their final impact on equity (long-term approach). Each of the above indicators has established limits, which are monitored on a monthly basis.

The Parent Company has a positive sensitivity to interest rate decreases, since it has faster repricing of its liabilities compared to its assets (repricing gap)

Below are the results of the NIM with a 100bp shock, and the EVE, with a 400bp comparative 2023 vs 2022 shock at the close of each year:

	December 31, 2023	December 31, 2022
Δ NIM	(16,092)	21,570
Δ NIM / Annualized Interest Margin	-0.59%	1.01%
Δ EVE	(567,415)	(434,482)
Δ EVE / Basic Ordinary Net Worth	-13.05%	-11.00%

Key factors explaining the variation in metrics: At the end of 2023, exposure to interest rate risk, measured by the Economic Value of Equity (EVE) in the Parallel Up scenario (400 bps), increased compared to 2022, mainly due to the growth of the Corporate and medium-term retail portfolio, together with the increase in the size of the portfolio (however, the impact of the latter is not greater, because there was a decrease in the time of its repricing), this was partially offset by an increase in CDT and Demand Deposits.

On the other hand, the NIM decreased in the scenario of rising interest rates, due to the attraction of demand deposits and CDTs, partially offset by the higher than expected portfolio growth. Therefore, exposure to interest rate risk presented an increasing trend, reflecting opposite effects in terms of portfolio (↑) and deposit (↓) durations.

The following table shows the interest rate exposure for assets and liabilities at December 31, 2023 and 2022. In this table, fixed rate instruments are classified according to the maturity date, and variable rate instruments are classified according to the price change date. The following analysis includes all global interest rate exposure:

December 31, 2023

Assets		Less than one month	One to six months	Six to twelve months	More than one year	No Interest	Total
Cash and cash equivalents	$	1,937,652	-	-	-	3,031,251	4,968,903
Investments in debt securities at fair value FVTPL		11,353	94,688	111,298	3,242,253	-	3,459,592
Investments in debt securities at fair value FVTOCI		60,913	262,231	952,060	3,190,482	-	4,465,686
Investments at amortized cost		145,463	1,102,493	786,602	-	-	2,034,558
Corporate portfolio and Corporate leasing		636,736	28,339,120	1,217,900	4,217,658	-	34,411,414
Retail portfolio and retail leasing		81,330	2,192,801	249,288	9,938,600	-	12,462,019
Mortgage residential portfolio and Mortgage Leasing		24,985	192,909	747	2,391,512	-	2,610,153
Repos and interbank		15,449	-	-	-	-	15,449
Other accounts receivable		-	-	-	80,022	467,263	547,285
Total Assets		**2,913,881**	**32,184,242**	**3,317,895**	**23,060,527**	**3,498,514**	**64,975,059**

Liabilities		Less than one month	One to six months	Six to twelve months	More than one year	No Interest	Total
Current Accounts		428,233	-	-	-	6,664,393	7,092,626
Term deposit certificates		2,628,792	12,042,470	2,812,605	382,584	-	17,866,451
Savings Accounts		24,153,811	-	-	-	-	24,153,811
Other Deposits		-	-	-	-	62,846	62,846
Interbank Funds		3,680,934	722,177	-	-	-	4,403,111
Lease liabilities		-	-	-	409,211	-	409,211
Loans from banks and similar institutions		352,073	1,723,461	317,422	383,790	-	2,776,746
Bonds and investment securities		37,835	2,133,510	-	-	-	2,171,345
Obligations with rediscount entities		39,262	67,153	36,329	945,445	-	1,088,189
Total Liabilities	$	**31,320,940**	**16,688,771**	**3,166,356**	**2,121,030**	**6,727,239**	**60,024,336**

December 31, 2022

Assets		Less than one month	One to six months	Six to twelve months	More than one year	No Interest	Total
Cash and cash equivalents	$	1,821,621	-	-	-	2,056,603	3,878,224
Investments in debt securities at fair value FVTPL		1,002	80,389	116,568	1,101,927	-	1,299,886
Investments in mandatorily converted debt securities		-	-	-	-	-	-
Investments in debt securities at fair value FVTOCI		25,487	322,040	219,557	3,332,609	-	3,899,693
Investments at amortized cost		135,838	968,085	698,770	-	-	1,802,693
Other financial assets in concession contracts		-	-	-	-	-	-
Corporate portfolio and Corporate leasing		568,187	26,759,746	969,072	2,653,550	-	30,950,555
Retail portfolio and retail leasing		42,503	2,470,888	112,282	8,516,969	-	11,142,642
Mortgage residential portfolio and Mortgage Leasing		1,695	64,506	1,062	2,420,761	-	2,488,024
Microloans and Leasing Microloans Portfolio		-	-	-	-	-	-
Repos and interbank		1,120,454	-	-	-	-	1,120,454
Other accounts receivable		-	-	-	79,303	357,359	436,662
Total Assets		**3,716,787**	**30,665,654**	**2,117,311**	**18,105,119**	**2,413,962**	**57,018,833**

Liabilities		Less than one month	One to six months	Six to twelve months	More than one year	No Interest	Total
Current Accounts		699,854	-	-	-	6,886,744	7,586,598
Term deposit certificates		1,638,514	9,140,572	2,287,918	323,801	-	13,390,805
Savings Accounts		22,021,958	-	-	-	-	22,021,958
Other Deposits		-	-	-	-	96,584	96,584
Interbank Funds		1,389,139	246,260	-	566,644	-	2,202,043
Lease liabilities		-	-	-	374,521	-	374,521
Loans from banks and others		473,508	2,503,690	92,152	485,119	-	3,554,469
Bonds and investment securities		188,906	2,133,510	-	-	-	2,322,416
Obligations with rediscount entities		570	142,295	31,355	793,217	-	967,437
Total Liabilities	$	**26,412,449**	**14,166,327**	**2,411,425**	**2,543,302**	**6,983,328**	**52,516,831**

The following is a detail of the main interest-bearing assets and liabilities, by interest rate, variable and fixed, according to maturity as of December 31, 2023 and 2022

December 31, 2023

		Less than one year		More than one year			
Assets		**Variable**	**Fixed**	**Variable**	**Fixed**	**No interest**	**Total**
Cash and cash equivalents	$	1,937,652	-	-	-	3,031,251	4,968,903
Investments in debt securities at fair value FVTPL		40,907	176,432	7,724	3,234,529	-	3,459,592
Investments in mandatorily convertible debt securities		-	-	-	-	-	-
Investments in debt securities at fair value FVTOCI		105,750	1,169,454	9,843	3,180,639	-	4,465,686
Investments in debt securities at amortized cost		1,344,827	689,731			-	2,034,558
Corporate portfolio and Corporate leasing		14,963,208	5,286,209	12,289,752	1,872,244	-	34,411,413
Retail portfolio and retail leasing		662,024	2,916,982	1,428,786	7,454,227	-	12,462,019
Mortgage residential portfolio and Mortgage Leasing		18,156	257,150	169,832	2,165,015	-	2,610,153
Repos and interbank		-	15,449	-	-	-	15,449
Other accounts receivable		-	-	80,022	-	467,263	547,285
Total		**19,072,524**	**10,511,407**	**13,985,959**	**17,906,654**	**3,498,514**	**64,975,058**

Liabilities		Less than one year		More than one year			
		Variable	**Fixed**	**Variable**	**Fixed**	**No interest**	**Total**
Current Accounts		372,498	55,735	-	-	6,664,393	7,092,626
Term deposit certificates		5,316,774	9,394,852	827,224	2,327,601	-	17,866,451
Savings Accounts		1,108,932	23,044,879	-	-	-	24,153,811
Other Deposits		-	-	-	-	62,846	62,846
Interbank Funds		-	4,403,111	-	-	-	4,403,111
Lease liabilities		-	-	-	409,211	-	409,211
Loans from banks and similar institutions		1,914,361	478,595	383,790	-	-	2,776,746
Bonds and Investment Securities		196,325	119,000	1,856,020	-	-	2,171,345
Obligations with rediscount entities		9,025	133,720	23,882	921,562	-	1,088,189
Total	$	**8,917,915**	**37,629,892**	**3,090,916**	**3,658,374**	**6,727,239**	**60,024,336**

December 31, 2022

Assets		Less than one year		More than one year			
		Variable	**Fixed**	**Variable**	**Fixed**	**No interest**	**Total**
Cash and cash equivalents	$	1,821,621	-	-	-	2,056,603	3,878,224
Investments in debt securities at fair value FVTPL		65,719	132,240	1,495	1,100,432	-	1,299,886
Investments in mandatorily convertible debt securities FV		-	-	-	-		-
Investments in debt securities at fair value FVTOCI		236,623	330,461	98,964	3,233,646	-	3,899,694
Investments at amortized cost		1,132,250	670,442	-	-	-	1,802,692
Other financial assets in concession contracts		-	-	-	-	-	
Corporate portfolio and Corporate leasing		13,150,122	4,326,664	12,188,768	1,285,001	-	30,950,555
Retail portfolio and retail leasing		645,706	2,367,259	1,739,759	6,389,918	-	11,142,642
Mortgage residential portfolio and Mortgage Leasing		10,978	231,383	49,321	2,196,342	-	2,488,024
Microloans and Leasing Microloans Portfolio		-	-	-	-	-	
Repos and interbank		-	1,120,454	-	-	-	1,120,454
Other accounts receivable		-	-	79,303	-	357,359	436,662
Total		**17,063,019**	**9,178,903**	**14,157,610**	**14,205,339**	**2,413,962**	**57,018,833**

		Less than one year		More than one year			
Liabilities		**Variable**	**Fixed**	**Variable**	**Fixed**	**No interest**	**Total**
Current Accounts		650,969	48,885	-	-	6,886,744	7,586,598
Term deposit certificates		2,303,792	6,158,951	3,157,873	1,770,188	-	13,390,804
Savings Accounts		1,717,218	20,304,740	-	-	-	22,021,958
Other Deposits		-	-	-	-	96,584	96,584
Interbank Funds		-	1,635,400	566,644	-	-	2,202,044
Lease liabilities		-	-	-	374,521	-	374,521
Loans from banks and others		2,389,064	680,285	485,119	-	-	3,554,468
Bonds and investment securities		188,906	-	2,014,510	119,000	-	2,322,416
Obligations with rediscount entities		6,873	170,406	43,740	746,419	-	967,438
Total Liabilities	**$**	**7,256,822**	**28,998,667**	**6,267,886**	**3,010,128**	**6,983,328**	**52,516,831**

4.4 Liquidity risk

Liquidity risk is related to the impossibility of each of the Group's entities to meet the obligations acquired with customers and counterparties in the financial market at any time, currency and place, for which each entity reviews its available resources on a daily basis.

The Parent Company manages liquidity risk in accordance with the standard model established in Chapter XXXI (Annex 9 and 12) of the Basic Accounting and Financial Circular Letter of the Financial Superintendence of Colombia, and in accordance with the basic principles of the Comprehensive Risk Management System - SIAR for Liquidity, which establishes the minimum prudential parameters that entities must implement in their operations to efficiently manage the liquidity risk to which they are exposed.

To measure liquidity risk, the Parent Company calculates a weekly Liquidity Risk Indicator (LRI) for terms of 7, 15, 30 and 90 days, as established in the standard model of the Colombian Financial Superintendence, and quarterly for its subsidiaries to measure the liquidity risk of the conglomerate.

Additionally, the Parent Company measures the stability of its funding on a monthly basis in relation to the composition of its assets and positions outside the statement of financial position, over a one-year horizon through the net stable funding ratio (Coeficiente de Fondeo Estable Neto CFEN in Spanish), as established in the standard model of the Colombian Financial Superintendence.

With regard to liquidity risk management and given the guidelines of the Financial Superintendence of Colombia in the implementation of the Comprehensive Risk Management System (SIAR in Spanish), in addition to the elements already established, the definition of new limits for liquid assets, the strengthening of internal models and stress tests, as well as the increase in the generation of key management reports, were contemplated.

As part of the liquidity risk analysis, the Parent Company measures the volatility of deposits, debt levels, the structure of assets and liabilities, the degree of liquidity of assets, the availability of financing lines and the overall effectiveness of asset and liability management, in order to maintain sufficient liquidity (including liquid assets, guarantees and collateral) to face potential own or systemic stress scenarios.

The quantification of the funds obtained in the money market, is an integral part of the liquidity measurement performed by the Parent Company; based on technical studies, the Parent Company determines the primary and secondary sources of liquidity to diversify the providers of funds, in order to guarantee the stability and sufficiency of the resources and to minimize the concentration of the sources.

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

The availability of funds monitored on a daily basis, not only to comply with reserve requirements, but also to foresee and/or anticipate possible changes in the liquidity risk profile of the Parent Company, and to be able to make strategic decisions as the case may be. In this sense, the Parent Company has liquidity alert indicators that allow establishing and determining the scenario in which it is, as well as the strategies to be followed in each case. Such indicators include the level of high quality liquid assets, deposit concentration levels, and use of *Banco de la República*'s liquidity quotas, among others.

Through the assets and liabilities technical committees (Finance Committee and ALCO Committee) and the Comprehensive Risk Committee with the full Board of Directors, the Parent Company's senior management is aware of the liquidity situation, and makes the necessary decisions taking into account the high quality liquid assets to be maintained, the liquidity management tolerance or minimum liquidity, strategies for lending and fund-raising, policies on placement of surplus liquidity, changes in the characteristics of existing products, as well as new products, diversification of sources of funds, to avoid concentration of deposits in a few investors or savers, hedging strategies, the results of the Parent Company, and changes in the balance sheet structure.

To control the liquidity risk between assets and liabilities, the Parent Company performs statistical analyses, to quantify, with a predetermined level of confidence, the stability of deposits with and without contractual maturity.

In order to comply with the requirements of *Banco de la República* and the Financial Superintendence of Colombia, the Parent Company must maintain cash on hand and restricted banks as part of the required legal reserve, calculated on the daily average of the different customer deposits; the current percentage is 11% of the deposits except for of term certificates of deposit, with a term of less than 180 days, which percentage is 4.5% and 0% when exceeding such term. The Parent Company has been complying adequately with this requirement.

The following is a summary table of projected available liquid assets as of December 31, 2023 and 2022:

December 31, 2023
Subsequent net available balances

Entity		Liquid assets available at the end of the period (1)	From 1 to 7 days (2)	From 1 to 30 days later (2)	From 31 to 90 days later (2)
Parent Company	$	7,367,675	5,610,245	1,816,402	(8,313,196)
Occidental Bank Barbados Ltd.		339,540	320,774	180,074	(97,083)
Banco de Occidente Panama S.A.		931,350	796,326	534,710	(63,229)
TOTAL	$	**8,638,565**	**6,727,345**	**2,531,186**	**(8,473,508)**

December 31, 2022
Subsequent net available balances

Entity		Liquid assets available at the end of the period (1)	From 1 to 7 days (2)	From 1 to 30 days later (2)	From 31 to 90 days later (2)
Parent Company	$	6,166,592	5,338,046	1,921,325	(6,205,501)
Occidental Bank Barbados Ltd.		545,205	520,737	401,746	17,668
Banco de Occidente Panama S.A.		1,146,878	1,096,283	920,400	357,581
TOTAL	$	**7,858,675**	**6,955,066**	**3,243,471**	**(5,830,252)**

(1) Liquid assets correspond to the sum of those assets existing at the end of each period which, due to their characteristics, can be rapidly converted into cash. These assets include: cash on hand and in banks, securities or coupons transferred to the entity in active money market operations carried out by the entity, and not subsequently used in passive operations in the money market, investments in debt securities at fair value and investments at amortized cost, provided that in the latter case they are mandatory or compulsory investments subscribed in the primary market and that money market operations may be carried out with them. For purposes of calculating liquid assets, all the investments listed above, without exception, are computed at their fair exchange price at the valuation date.

(2) The balance corresponds to the residual value of the entity's liquid assets in the days following the end of the period, after discounting the net difference between the entity's cash inflows and outflows in that period. This calculation is made by analyzing the mismatch of contractual and non-contractual cash flows of assets, liabilities and positions outside the statement of financial position in time bands from 1 to 90 days.

The above liquidity calculations are prepared assuming a normal liquidity situation, in accordance with the contractual cash flows and historical experience of the Parent Company. For cases of extreme liquidity events due to withdrawal of deposits, the Parent Company has contingency plans that include the existence of credit lines from other entities and access to special credit lines with Banco de la República in accordance with current regulations, which are granted when required with the backing of securities issued by the Colombian Government and with a loan portfolio of high credit quality, in accordance with the regulations of *Banco de la República*. During the periods ended December 31, 2023 and 2022, the Parent Company did not have to use these last resort credit quotas.

The following is the result of the net stable funding ratio CFEN of the Parent Company as of December 31, 2023 and 2022, in accordance with the provisions established for such purpose by the Financial Superintendence of Colombia:

December 31, 2023

Entity	Available Stable Funding (FED in Spanish) (in millions of Colombian pesos)	Required Stable Funding (FER in Spanish) (in millions of Colombian pesos)	Net Stable Funding Ratio (CFEN in Spanish)* (in percent)
Banco de Occidente	36,944,157	33,973,159	108.75

December 31, 2022

Entity	Available Stable Funding (FED in Spanish) (in millions of Colombian pesos)	Required Stable Funding (FER in Spanish) (in millions of Colombian pesos)	Net Stable Funding Ratio (CFEN in Spanish)* (in percent)
Banco de Occidente	33,854,952	31,187,852	108.55

The Parent Company has performed a consolidated maturity analysis for derivative and non-derivative financial assets and liabilities, showing the remaining undiscounted contractual cash flows, as shown below:

December 31, 2023

Assets		Less than one month	One to six months	Six to twelve months	More than one year	Total
Cash and cash equivalents	$	4,968,903	-	-	-	4,968,903
Investments in debt securities at fair value FVTPL		12,566	170,383	225,701	3,868,671	4,277,321
Investments in debt securities at fair value FVTOCI		79,127	312,634	415,808	2,068,054	2,875,623
Investments at amortized cost		505	208,767	20,427	-	229,699
Corporate portfolio and Corporate leasing		6,132,552	10,555,547	5,779,308	20,636,172	43,103,579
Retail portfolio and retail leasing		578,059	2,541,817	2,370,618	13,219,828	18,710,322
Mortgage residential portfolio and Mortgage Leasing		68,377	250,635	234,903	5,028,307	5,582,222
Repos and interbank		15,449	-	-	-	15,449
Derivative trading instruments		477,389	552,332	97,596	105,797	1,233,114
Other accounts receivable		396,100	104,745	5,587	80,022	586,454
Other assets		13,562	-	-	-	13,562
Total assets	**$**	**12,742,589**	**14,696,860**	**9,149,948**	**45,006,851**	**81,596,248**

Liabilities		Less than one month	One to six months	Six to twelve months	More than one year	Total
Current Accounts	$	7,092,626	-	-	-	7,092,626
Term deposit certificates		2,984,133	8,051,168	5,325,519	3,457,236	19,818,056
Savings Accounts		24,153,811	-	-	-	24,153,811
Other Deposits		62,846	-	-	-	62,846
Interbank Funds		3,687,655	745,578	-	-	4,433,233
Lease liabilities		9,002	45,132	49,250	402,257	505,641
Loans from banks and others		354,767	1,791,574	352,597	1,709,774	4,208,712
Bonds and Investment Securities		42,798	179,284	134,613	2,099,530	2,456,225
Obligations with rediscount entities		40,336	69,696	42,945	7,707,196	7,860,173
Derivative trading instruments		380,037	448,794	78,559	112,184	1,019,574
Hedging derivative instruments		-	-	1,459	-	1,459
Other accounts payable		1,605,834	-	-	-	1,605,834
Total liabilities	**$**	**40,413,845**	**11,331,226**	**5,984,942**	**15,488,177**	**73,218,190**

December 31, 2022

Assets		Less than one month	One to six months	Six to twelve months	More than one year	Total
Cash and cash equivalents	$	$ 3.878.224	-	-	-	3,878,224
Investments in debt securities at fair value FVTPL		2,149	60,232	95,059	993,151	1,150,591
Investments in debt securities at fair value FVTOCI		35,465	344,965	335,628	2,817,057	3,533,115
Investments at amortized cost		151,076	1,028,160	721,220	-	1,900,456
Corporate portfolio and Corporate leasing		5,311,848	9,033,975	5,039,027	17,642,446	37,027,296
Retail portfolio and retail leasing		428,254	1,988,446	1,946,833	10,987,280	15,350,813
Mortgage residential and Mortgage Leasing		37,480	222,361	200,344	4,175,562	4,635,747
Microloans and Leasing Microloans Portfolio		-	-	-	-	-
Repos and interbank		1,120,454	-	-	-	1,120,454
Derivative trading instruments		91,684	286,686	166,065	232,097	776,532
Derivative hedging instruments		-	-	-	-	-
Other accounts receivable		357,359	-	-	79,303	436,662
Other assets		22,755	-	-	-	22,755
Total assets	**$**	**11,436,748**	**12,964,825**	**8,504,176**	**36,926,896**	**69,832,645**

Liabilities		Less than one month	One to six months	Six to twelve months	More than one year	Total
Current Accounts	$	7,586,598	-	-	-	7,586,598
Term deposit certificates		1,994,563	5,856,788	3,405,007	3,342,914	14,599,272
Savings Accounts		22,021,958	-	-	-	22,021,958
Other Deposits		96,584	-	-	-	96,584
Interbank Funds		1,386,413	247,689	-	858,411	2,492,513
Lease liabilities		7,524	37,127	42,993	386,775	474,419
Loans from banks and others		467,524	2,567,022	100,607	2,613,990	5,749,143
Bonds and Investment Securities		46,227	-	167,463	2,413,427	2,627,117
Obligations with rediscount entities		568	158,383	37,513	3,955,067	4,151,531
Derivative trading instruments		142,133	423,734	190,911	249,945	1,006,723
Hedging derivative instruments		-	-	-	-	-
Other accounts payable		1,146,962	-	-	-	1,146,962
Total liabilities	**$**	**34,897,054**	**9,290,743**	**3,944,494**	**13,820,529**	**61,952,820**

4.5 Adequate capital management

The parent company's objectives regarding the management of its adequate capital, are oriented to: a) Comply with the capital requirements established by the Colombian Government for financial entities and, b) Maintain an adequate equity structure that allows it to keep the parent company as a going concern and generate value for its shareholders.

In accordance with current legislation, financial institutions in Colombia must maintain a minimum technical equity that cannot be less than 9% of assets weighted by credit risk, market risk exposure and operational risk exposure.

The classification of risk assets in each category is made based on the regulatory provisions established by the Ministry of Finance in Decree 2555 of 2010 and the instructions issued by the Financial Superintendence of Colombia through External Circular Letter 020 of September 2019.

The following is a summary of the parent company's solvency ratios as of December 31, 2023 and December 31, 2022:

Technical Equity	December 31, 2023 Current Period Entity	December 31, 2022 Previous Period Entity
A. Basic Ordinary Equity- BOE	**5,064,770**	**4,418,771**
B. Additional Basic Equity - ABE	-	-
C.Total Basic Equity (C= A+B)	5,064,770	4,418,771
D. Additional Equity (AE)	649,305	834,895
E. Technical Equity Deductions	-	-
F. Technical Equity - TE (F=C+D-E)	5,714,075	5,253,666
G. Credit APNR	41,324,390	37,591,858
H. Market risk (VaR $_{RM}$)	2,426,174	3,027,946
I. Operational risk (VaR $_{RO}$)	2,624,877	2,524,786
J. Assets Weighted by Risk Level (Credit + Market + Operational)	46,375,441	43,144,590

Ordinary Basic Solvency Ratio (RSB in Spanish) I min 4.5%	10.92%	10.24%
Additional Basic Solvency Ratio (RSBA in Spanish) I min 6% [1/]	10.92%	10.24%
Total Solvency Ratio (RST in Spanish) I min 9%	12.32%	12.18%
Combination Buffer (RSB% - 4.5%)	6.42%	5.74%
Leverage Value -$ MM	70,759,147	62,211,737
Leverage ratio (min. 3%)	7.16%	7.10%

1. For the additional basic solvency ratio, the transition scheme established in Article 13 of Decree 1477 of 2018 must be taken into account (from the first (1st) of January 2021 min. 4.875%, from the first (1st) of January 2022 min. 5.25%, from the first (1st) of January 2023 min. 5.625%, From the first (1st) of January 2024 min. 6%)

4.6 Operational risk

The Parent Company has an Operational Risk Management System (SARO in Spanish) included in the Comprehensive Risk Management System (SIAR), implemented in accordance with the guidelines established in Chapter XXXI of the Basic Accounting and Financial Circular Letter (External Circular 100 of 1995) by the Financial Superintendence of Colombia.

Thanks to SARO, the Parent Company has strengthened the understanding and control of risks in processes, activities, products and operating lines; it has been able to reduce errors and identify opportunities for improvement that support the development and operation of new products and/or services.

The Operational Risk Manual, contains the policies, standards and procedures that guarantee the management of the business within defined risk appetite levels. There is also a Business Continuity Plan Manual for the operation of the Parent Company in the event of interruption of critical processes.

The Parent Company keeps a detailed record of its Operational Risk events, provided by the information systems and Risk Managers. This record is posted to the expense accounts assigned for the correct accounting follow-up.

On a monthly and quarterly basis, the SARO Committee and the Integral Risk Committee of the Board of Directors, respectively, are informed on the most important aspects of the operational risk, including the follow-up of the implementation of corrective actions aimed at mitigating the risks rated in extreme and high zones, the evolution of operational risk losses, and the action plans based on the materialized events, among others. Likewise, changes in the risk profile are reported, based on the identification of new risks and controls in current and new processes.

The Operational Risk and Business Continuity Management, which reports to the Risk and Collections Vice-Presidency, is in charge of two Business Continuity analysts, a regulatory reporting control analyst, a high impact inherent risk analyst, a technology specialist, and an Operational Risk Coordination with five analysts.

The evolution of the figures for the Parent Company and its subsidiaries resulting from each update of the operational risk profile during the periods ended December 31, 2023 and 2022, is shown below:

	December 31, 2023	**December 31, 2022**
Processes	289	288
(*) Risks	1,227	1,231
Faults	2,267	2,415
(*) Controls	4,104	4,270

*The variation in risks and controls, is due to the dynamics of updating risk and control matrices.

The net losses recorded for operational risk events for the year 2023 were $14,005, broken down as follows: gross loss for operational risk events of $23,787, and recoveries of $9,782.

Therefore, when grouping the allocation of accounting by account group, the behavior of gross losses is as follows: loan portfolio claims 76%, other assets 12%, other operational risk 7%, penalties and other litigation in administrative, judicial or arbitration proceedings and other operational risk accounts 5%.

On the other hand, recoveries equivalent to $9,782 are broken down as follows: insurance recoveries 59% and non-insurance recoveries 41%.

According to the Basel risk classification, the events originated in: external fraud 109%, $15,228, technological failures 8%, $1,047, others 7%, $1,035; in turn, for damage to physical assets, recoveries of $3,305 were received, which in percentage terms of the total, represents -24%.

In external fraud, the most relevant events were: an event for $11,595, in which the QR code was falsified, which allowed the granting of loans with false information; on the other hand, fraud with credit and debit cards for $1,135 and $62 respectively, under the modalities of non-face-to-face purchases, impersonation, falsification or copying of magnetic strip, substitution, lost card, improper use, lower value and stolen card; and 21 fraud events under the modality of impersonation that affected several products for $1,573.

In technological failures, the most relevant events were as follows

• $305 for erroneous credit to beneficiaries of the Solidarity Income Program - PIS.

• $223 for untimeliness in the presentation of the report to the District Treasury Department, containing the information on collections corresponding to the 2020 period.

• $275 corresponding to two events due to failures in the core business application (Flexcube) that generated duplicity of transactions and non-collection of unpaid amounts from customers.

In labor relations, there was an event for $586 for loss of supporting documentation for pension payments made between 1994 and 2006.

However, recoveries were received for the April 2021 vandalism related to the national strike, in the amount of $3,305.

Business Continuity Plan

In accordance with the definition of the Financial Superintendence of Colombia, and as part of Operational Risk management, the Business Continuity Plan refers to the detailed set of actions that describe the procedures, systems and resources necessary to return and continue the operation in case of interruption.

During 2023, work continued on the permanent updating of the Continuity model (updating of strategies, process tests, business impact analysis (BIA), and call tree), as well as monitoring compliance with service level agreements for their respective updating.

On the other hand, in order to strengthen the business continuity management system, the bank developed a crisis communication drill, with the participation of senior management. The purpose of the drill was to ratify roles and responsibilities, the decision-making process and communication management in the event of a crisis.

At the technological level, throughout the year 2023, activities were carried out on the infrastructure that supports the critical applications of the Parent Company; some applications were able to operate in the Alternate Computer Center, guaranteeing that, in the event of a service failure in the main computer center, the banking operation would continue.

Finally, and in order to comply with External Circular Letter 042 of 2012 issued by the Superintendence of Finance, the continuity plans of third parties that provide critical services to the Bank were monitored, a scheme that has been strengthened with the support of Asobancaria.

4.7 Risk of money laundering and financing of terrorism

Within the framework of the regulations of the Financial Superintendence of Colombia, and especially following the instructions given in the Basic Legal Circular Letter, Part I, Title IV, Chapter IV, the Parent Company has a Money Laundering and Terrorists Financing Risk Management System (SARLAFT), adjusted to the regulations in force, the policies and methodologies adopted by our Board of Directors, and the recommendations of international standards related to this scourge.

Following the recommendations of international bodies and national legislation on SARLAFT, the risks of Money Laundering and Financing of Terrorisms (ML/FT) identified by the Parent Company, are satisfactorily managed within the concept of continuous improvement, and aimed at reasonably minimizing the existence of these risks in the organization.

The Parent Company maintains the policy that states that operations must be processed within the highest ethical and control standards, placing ethical and moral principles before the achievement of business goals, aspects that from a practical point of view have been translated into the implementation of criteria, policies and procedures used for the management of the risk of money laundering and financing of terrorism and related crimes, which have been arranged for the mitigation of these risks, reaching the lowest possible level of exposure.

For the continuous development of this management, we have technological tools that allow us to identify unusual transactions and report suspicious transactions to the Financial Information and Analysis Unit (UIAF) in a timely manner. It should be noted that our entity is continuously improving the functionalities that support the development of SARLAFT in the Compliance Division, related to the different applications and analysis methodologies that allow the mitigation of possible risks of Money Laundering and Financing of Terrorisms.

This risk management system is strengthened by the segmentation of risk factors developed by the Parent Company using data mining tools of recognized technical value, which allow us, for each risk factor (customer, product, channel and jurisdiction), to identify risk and monitor the transactions carried out in the Parent Company, in order to detect unusual transactions based on the profile of the segments.

On the other hand, the Parent Company maintains its institutional training program for employees, in which guidelines are given regarding the regulatory framework and control mechanisms for ML/FT prevention, thus promoting a culture of compliance to the satisfaction of the organization and in accordance with the program.

In compliance with the provisions of legal regulations, and in accordance with the amounts and characteristics required in Part I, Title IV, Chapter IV of the Basic Legal Circular Letter of the Financial Superintendence of Colombia, the Parent Company timely submitted the institutional reports and reports to the different control entities.

During the year 2023, we followed up on the reports prepared by the Internal Audit and the Statutory Auditor's Office, regarding the management of the risk of money laundering and financing of terrorism, in order to address the recommendations aimed at optimizing the System.

The Bank, as parent company, communicates to the subsidiaries the policies, guidelines and best practices to carry out the processes related to the operation of the ML and FT Risk Management System - SARLAFT in each of them. For foreign subsidiaries, policies and guidelines are implemented taking into account the regulations governing each jurisdiction.

4.8 Legal risk

The Legal Vice-Presidency of the Parent Company supports the work of legal risk management in the operations carried out by the Parent Company and the proceedings that may be brought against it. In particular, it defines and establishes the necessary procedures to adequately control the legal risk of operations, ensuring that they comply with legal regulations, that they are documented, and analyzes and drafts the contracts that support the operations carried out by the different business units. The Financial Vice-Presidency supports the management of the Parent Company's legal tax risk, and the Human Resources Vice-Presidency supports the management of the legal labor risk of the Parent Company.

The Parent Company, in accordance with the instructions issued by the Superintendence of Finance of Colombia, valued the claims of the lawsuits against it based on the analysis and concepts of the attorneys in charge; and in the required cases, the respective contingencies are duly provisioned.

With regard to copyrights, the Parent Company uses only legally acquired software or licenses, and does not allow any software other than those officially approved to be used on its equipment.

Details of provisions for legal contingencies and other provisions are shown in note 20 to the financial statements.

Note 5. - Estimated fair values

The fair value of financial assets and liabilities traded in active markets (such as financial assets in debt and equity securities and derivatives actively traded on stock exchanges or in interbank markets) is based on prices provided by the price vendor, Precia PPV S.A., which determines them through weighted averages of transactions occurring during the trading day.

An active market is a market in which transactions for assets or liabilities take place with sufficient frequency and volume to provide price information on an ongoing basis.

The fair value of financial assets and liabilities that are not traded in an active market, is determined using valuation techniques determined by the provider. Valuation techniques used for non-standardized financial instruments such as options, currency swaps and over-the-counter derivatives, include the use of interest rate or currency valuation curves constructed by pricing vendors, from market data and extrapolated to the specific conditions of the instrument being valued, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants that make maximum use of market data, and rely as little as possible on entity-specific data.

The Parent Company and subsidiaries may use internally developed models for financial instruments that do not have active markets. These models are generally based on valuation methods and techniques generally standardized in the financial sector. The valuation models are mainly used to value unlisted equity financial instruments, debt securities and other debt instruments for which the markets were or have been inactive during the financial year. Some inputs to these models may not be observable in the market, and are therefore 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 employed may not fully reflect all factors relevant to the Parent Company's positions. Therefore, valuations are adjusted, if necessary, to allow for additional factors, including country risk, liquidity risk and counterparty risk.

The fair value of non-monetary assets, such as investment property or loan guarantees for purposes of determining impairment, is based on appraisals performed by independent appraisers, with sufficient experience and knowledge of the real estate market or the asset being appraised. These valuations are generally made by reference to market data or based on replacement cost when there is insufficient market data.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets, for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy, within which the fair value measurement is categorized in its entirety, is determined based on the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed in relation to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the fair value measurement as a whole requires judgment, taking into account factors specific to the asset or liability.

The determination of what constitutes as "observable", requires significant judgment on the part of the Parent Company. The Parent Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, non-proprietary, and provided by independent sources actively participating in the relevant market.

a) Fair value measurements on a recurring basis

Fair value measurements, on a recurring basis, are those that are required or permitted by MFRS in the statement of financial position at the end of each accounting period.

The following table analyzes, within the fair value hierarchy, the assets and liabilities (by class) of the Parent Company measured at fair value as of December 31, 2023 and 2022 on a recurring basis.

December 31, 2023

			Fair values calculated using internal models		
		Level 1	Level 2	Level 3	Total
Assets					
Investments in debt securities with changes in income					
Issued or guaranteed by the Colombian government	$	3,086,047	35,860	-	3,121,907
Issued or guaranteed by other Colombian government entities		-	34,609	-	34,609
Issued or guaranteed by other Colombian financial institutions		-	116,718	-	116,718
Issued or guaranteed by entities of the Colombian real sector		-	1,840	-	1,840
Issued or guaranteed by Foreign Governments		382	-	-	382
Issued or guaranteed by other foreign financial institutions		-	161,722	-	161,722
Issued or guaranteed by real sector entities abroad		-	3,412	-	3,412
Other		-	19,002	-	19,002
Investments in debt securities with changes in OCI					
Issued or guaranteed by the Colombian government	$	2,439,340	682,922	-	3,122,262
Issued or guaranteed by other Colombian government entities		-	67,400	-	67,400
Issued or guaranteed by other Colombian financial institutions		-	665,510	-	665,510
Issued or guaranteed by foreign governments		72,552	47,680	-	120,232
Issued or guaranteed by other foreign financial institutions		-	398,898	-	398,898
Issued or guaranteed by real sector entities abroad		-	34,539	-	34,539
Other		-	56,845	-	56,845
Investments in equity instruments with changes in income		-	5,532	703,988	709,520
Investments in equity instruments with changes in OCI		4,774	-	127,337	132,111
Trading derivatives					
Currency forward		-	949,020	-	949,020
Forward interest rate		-	18,447	-	18,447
Interest rate swap		-	264,056	-	264,056
Currency swap		-	13,219	-	13,219
Other		-	31,981	-	31,981
Investment property at fair value		-	214,080	-	214,080
Total recurring fair value assets		**5,603,095**	**3,823,292**	**831,325**	**10,257,712**

			Fair values calculated using internal models		
		Level 1	Level 2	Level 3	Total
Liabilities					
Trading derivatives					
Currency forward		-	614,533	-	614,533
Forward interest rate		-	120,647	-	120,647
Interest rate swap		-	285,952	-	285,952
Other		-	34,764	-	34,764
Hedging Derivatives					
Interest rate swap		-	2,494	-	2,494
Total recurring fair value liabilities	$	**-**	**1,058,390**	**-**	**1,058,390**

December 31, 2022

		Level 1	Fair values calculated using internal models Level 2	Level 3	Total
Assets					
Investments in debt securities with changes in income					
Issued or guaranteed by the Colombian government	$	1,031,887	174,904	-	1,206,791
Issued or guaranteed by other Colombian government entities		-	31,381	-	31,381
Issued or guaranteed by other Colombian financial institutions		-	58,359	-	58,359
Issued or guaranteed by entities of the Colombian real sector		-	1,483	-	1,483
Other		-	1,873	-	1,873
Investments in debt securities with changes in OCI					
Issued or guaranteed by the Colombian government	$	1,846,928	1,262,956	-	3,109,884
Issued or guaranteed by other Colombian government entities		-	43,420	-	43,420
Issued or guaranteed by other Colombian financial institutions		-	482,049	-	482,049
Issued or guaranteed by foreign governments		-	52,387	-	52,387
Issued or guaranteed by other foreign financial institutions		-	115,571	-	115,571
Issued or guaranteed by real sector entities abroad		-	11,664	-	11,664
Other		-	84,718	-	84,718
Investments in equity instruments with changes in income		-	39,866	540,644	580,510
Investments in equity instruments with changes in OCI		2,851	-	119,596	122,447
Trading derivatives					
Currency forward		-	316,887	-	316,887
Forward interest rate		-	1,691	-	1,691
Interest rate swap		-	398,028	-	398,028
Currency swap		-	-	-	-
Other		-	38,362	-	38,362
Investment property at fair value		-	216,897	-	216,897
Total recurring fair value assets		**2,881,666**	**3,332,496**	**660,239**	**6,874,401**

Liabilities		Level 1	Fair values calculated using internal models Level 2	Level 3	Total
Trading derivatives					
Currency forward		-	446,222	-	446,222
Forward interest rate		-	2,144	-	2,144
Interest rate swap		-	452,760	-	452,760
Currency swap		-	-	-	-
Other		-	29,676	-	29,676
Total recurring fair value liabilities	$	**-**	**930,802**	**-**	**930,802**

Investments, whose values are based on quoted market prices in active markets, and are therefore classified in Level 1, include equity investments active in the stock market, certain investments issued or guaranteed by the Colombian government, other Colombian financial institutions, and Colombian real sector entities.

Financial instruments that are quoted in markets that are not considered active, but are valued according to quoted market prices, broker quotes or alternative price sources supported by observable inputs, are classified in Level 2. Includes other investments issued or guaranteed by the Colombian government, other Colombian financial institutions, Colombian real sector entities, foreign governments, other foreign financial institutions, foreign real sector entities, derivatives and investment properties. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity or non-transferability, which are generally based on available market information.

As indicated above, the fair value of investment properties is determined based on the appraisal performed by independent expert appraisers as of December 31, 2023, which were prepared under the methodology of comparative sales approach (market approach), determining the value of the assets based on comparison with other similar assets that are being or have been traded in the real estate market, this comparative approach considers the sale of similar or substitute assets, as well as data obtained from the market, and establishes an estimate of value using processes that include comparison.

b) Determination of fair values

The following table shows information about valuation techniques and significant inputs when measuring fair value on a recurring basis for assets and liabilities whose fair value hierarchy classification is level 2 or level 3.

Assets and Liabilities	Valuation technique for levels 2 and 3	Main input data
Investments in debt securities at Fair Value		
Through profit or loss		
Issued or guaranteed by the Colombian government Issued or guaranteed by other Colombian government entities Issued or guaranteed by other Colombian financial institutions Issued or guaranteed by real sector entities abroad Issued or guaranteed by foreign governments Issued or guaranteed by other foreign financial institutions Issued or guaranteed by real sector entities abroad	Market focus	*Market Price
Issued or guaranteed by foreign real sector entities Other	Interest rate	Transactional Systems
With changes in OCI		
Issued or guaranteed by the Colombian government Issued or guaranteed by other Colombian government entities Issued or guaranteed by other Colombian financial institutions Issued or guaranteed by real sector entities abroad Issued or guaranteed by foreign governments Issued or guaranteed by other foreign financial institutions Issued or guaranteed by real sector entities abroad	Market focus	*Market Price
Other	Interest rate	Transactional Systems
Investments in equity instruments with changes in profit or loss	Unit value	*Market value of the underlying assets, are real estate, minus management fees and expenses.
Investments in equity instruments with changes in OCI	Discounted cash flow	*Growth during the five-year projection period. *Net income *Growth in residual values after five years *Discounted interest rate
Trading derivatives		
Currency forward Forward interest rate Interest rate swap Currency swap	Discounted cash flow	*Curves by functional currency of underlying *Underlying security price/ Curves by functional currency of underlying *Swap curves assigned according to the underlying *Swap curves assigned according to the underlying
Other	Black & Scholes & Merton	*Matrices and implied volatility curves
Hedging derivatives		
Interest rate swap		*Swap curves assigned according to underlying
Investment property at fair value	Discounted cash flow	*Processes used to collect data and determine the fair value of investment properties

c) Transfer of levels

The following table presents the transfers between levels 1 and 2 for the years ended December 31, 2023 and 2022:

Fair value measurements for recurring		December 31, 2023			December 31, 2022	
		Level 1 to Level 2	Level 2 to Level 1		Level 1 to Level 2	Level 2 to Level 1
Assets						
Fixed-income fair value investments	$	-	-	$	-	420,145

At the December 2023 cut-off date, there were no transfers between level 1 and 2 and between level 2 and 1.

Investments transferred from Level 2 to Level 1 as of December 31, 2022, are fixed TES, maturing in 2028, 2030, 2032, 2034 and 2036, and UVR TES, maturing in 2027, whose issuer is the national government, which have gained liquidity in the market and present greater depth in trading.

d) Fair value measurements on non-recurring basis

Valuation of equity instruments with changes in OCI Level 3

Investments classified, in Level 3, have significant unobservable inputs. Level 3 instruments primarily include investments in equity instruments, which are not publicly traded.

The Bank has equity investments in various entities with a participation of less than 20% of the Bank's equity, some of them received in payment of customer obligations in the past, and others acquired because they are necessary for the development of operations, such as: ACH S.A., Cámara de Riesgo Central de Contraparte S.A., Redeban S.A. and Credibanco S.A. The valuation of these instruments is made with the following frequency:

- Monthly: Credibanco S.A.
- Quarterly: ACH S.A.
- Semiannual: Redeban S.A.
- Annual: Cámara de Riesgo Central de Contraparte S.A, Aportes En Línea S.A and Casa de Bolsa S.A. The frequency is due to the fact that their fair value does not vary significantly, and yet possible effects on fair value are monitored at each reporting date.

For ACH S.A, Redeban S.A, Cámara de Riesgo Central de Contraparte S.A, Aportes En Línea S.A and Casa de Bolsa S.A. the determination of their fair value as of December 31, 2023, given they do not list their shares in a public stock market and therefore, was made with the help of an external advisor to the Bank, who has used the discounted cash flow method for such purpose, constructed based on the appraiser own projections of income, costs and expenses of each valuation entity over a period of five years, taking as a basis for them some historical information obtained from the companies, and residual values determined with growth rates in perpetuity established by the appraiser according to his experience. These projections and residual values were discounted based on interest rates constructed with curves taken from price vendors, adjusted by risk premiums estimated based on the risks associated with each valued entity.

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

Variable	Range
Revenues (% Growth)	Average 9.96%
Revenue (% growth over 5 years min - max.)	6.19% - 6.78%
Growth in residual values after 5 years	6.19%
Discount rates	15.60% - 13.74%
Average WACC discount interest rates	15.36%

The following table includes the sensitivity analysis of changes in such variables used in the valuation of the investment, taking into account that changes in fair value of such investments are recorded in equity, as they correspond to investments classified as equity instruments at fair value with changes in equity:

Methods and Variables	Variation	Favorable impact	Unfavorable impact
Revenues	+/- 1%	$ 2.376.195.71	$ 2.297.164.51
Growth in residual values after 5 years	+/- 1%	2,197,312.21	2,114,373.37
Perpetuity growth	+/- 1% of gradient	16,407.89	15,527.34
Gradient	+/- 1% +/- 30PB	177,503.02	159,034.27
Operating Expenses	+/- 1%	16,809.53	14,946.00
Discount Rate	+/- 50PB	2,357,864.51	2,285,950.38

Based on the variations and impacts presented in the previous box, as of December 31, 2023, there would be a favorable effect on the Bank's equity of $5,044 and an unfavorable effect of $4,518. These values were calculated by valuing the investment with the favorable and unfavorable price, according to the variations presented and the number of shares held by the Bank in each entity.

The following table presents the movement of equity instruments of lesser interest (less than 20%) classified in level 3 measured at fair value for the years ended December 31, 2023 and 2022:

		Equity instruments
Balance as of December 31, 2022	**$**	**660,239**
Valuation adjustment with effect on income (1)		61,209
Valuation adjustments with effect on OCI		7,742
Additions (1)		140,105
Redemptions (1)		(37,970)
Balance as of December 31, 2023	**$**	**831,325**
Balance as of December 31, 2021	**$**	**552,248**
Valuation adjustment with effect on income		62,653
Valuation adjustments with effect on OCI		11,595
Additions		65,378
Withdrawals / Sales		(1,363)
Redemptions		(30,272)
Balance as of December 31, 2022	**$**	**660,239**

(1) As of December 31, 2023 in investments in equity instruments at fair value through profit or loss, the most significant variation is presented in the Nexus Inmobiliario Compartimento Inmuebles Occicliente Private Equity Fund for $162,153 with respect to December 31, 2022, with a capital call of $139,176, redemptions of ($37,970) and a valuation with effect in profit or loss of $60,947.

The OCI as of December 2023 and 2022 corresponding to the valuation of financial instruments measured at fair value level 3 is $7,742 and $11,595, respectively.

The following is the detail as of December 31, 2023 and 2022 of the assets that were measured at fair value as a result of impairment assessment in the application of IFRS standards applicable to each account, but that are not required to be measured at fair value on a recurring basis:

December 31, 2023		**Level 3**	**Total**
Collateralized loan portfolio financial instruments	$	534,910	534,910
Non-current assets held for sale		3,023	3,023
	$	**537,933**	**537,933**
December 31, 2022		**Level 3**	**Total**
Collateralized loan portfolio financial instruments	$	346,849	346,849
	$	**346,849**	**346,849**

The following table presents a summary of the Group's financial assets and liabilities recorded at amortized cost as of December 31, 2023 and 2022 compared to the values determined at fair value, for which it is practicable to calculate fair value:

		December 31, 2023		**December 31, 2022**	
		Carrying value	**Estimated Fair Value**	**Carrying value**	**Estimated Fair Value**
Assets					
Fixed-income investments at amortized cost	$	2,034,558	2,035,192	1,802,692	1,812,491
Loan Portfolio, net		47,082,116	57,752,515	43,668,497	45,606,276
Other accounts receivable		547,285	547,285	436,662	436,663
	$	**49,663,959**	**60,334,992**	**45,907,851**	**47,855,430**
Liabilities					
Certificates of Deposit	$	17,866,450	18,367,377	13,390,805	13,814,281
Interbank funds		4,403,111	4,403,108	2,202,043	1,909,058
Loans from banks and others		3,185,957	3,444,288	3,928,990	4,177,777
Obligations with rediscount entities		1,088,189	1,100,069	967,437	1,151,610
Bonds issued		2,171,345	2,166,124	2,322,416	2,104,154
	$	**28,715,052**	**29,480,966**	**22,811,691**	**23,156,880**

The estimated fair value of the loan portfolio is calculated as follows:

Portfolio rated A, B and C: the net present value of the contractual flows is obtained, discounted at the discount rate, which is equivalent to the market value of the transactions, based on the balances of each obligation, the maturity date of the transaction, the contractual rate, among others.

Portfolio rated D or E: calculated on the book value in percentage expected to be recovered from such obligations.

The **Discount Rate** comprises the following:

- **Credits rated A, B or C:** Risk-free rate + Risk points + Portfolio management fees.

The Risk Free Rate represents the opportunity cost incurred in placing resources through credit. Varies according to the remaining term of each obligation. For loans in legal currency, the TES curve is used as a reference and for foreign currency transactions, the 10-year U.S. treasury bond rate is used as a reference.

Credit risk points are obtained through the product of the Probability of Default (customer risk) and the Loss Given Default. The latter represents the risk of the credit operation, which in the Corporate portfolio depends on the collateral.

In the Portfolio Management Expense Ratio, the costs for human resources and outsourcing are reported.

The fair value methodologies for fixed income securities at time zero, correspond to the adjustment of the difference between the purchase price (IRR purchase) and the market price published by the price vendor *Precia PPV S.A*. For subsequent measurement, this fair value on each of the investments is determined with the daily valuation using the market price published by the same price vendor.

Other accounts receivable mature in a period equal to or less than one year; therefore, it is not considered necessary to perform a fair value calculation on the understanding that this value is the best estimate, since it is a short period.

The fair value methodology of the Parent Company's liabilities (CDTs and Bonds) is performed by means of the PWPREI application, which values the Parent Company's standardized liabilities in Colombian pesos at market prices, using the information published by the price provider *Precia PPV S.A*.

For Financial Obligations, the calculation is performed manually, in which the valuation is made using the discount curve calculated by the Parent Company's Treasury Risk Division.

Valuation of equity instruments with changes in Level 3 results

Likewise, the bank has an equity investment in the Nexus Private Equity Fund, in which the properties that are part of the fund are restated daily with the UVR, and the value of the unit is the result of how the income and expense moves in the Fund/compartment, the difference between the current fair value and the immediately preceding one is recorded as a higher or lower value of the investment, affecting the results of the period.

The following table summarizes the sensitivity analysis performed by the appraiser on the properties comprising the Private Equity Fund:

Sensitivity	Variation	Favorable impact	Variation	Unfavorable impact
Market comparison	+/-10%		+/-10%	
Initial Cap Rate	+/-50PB	$ 16,417	+/-50PB	$ 20,137
Market Income	+/-10%		+/-10%	
Discount Rate Cash Flow	+/-50PB		+/-50PB	

Note 6. - Cash and cash equivalents

Cash and cash equivalents balances as of December 31, 2023 and 2022, comprise the following:

		December 31, 2023	December 31, 2022
In Colombian pesos			
Cash	$	491,791	433,530
At *Banco de la República de Colombia*		3,030,785	2,054,545
Bank and other financial institutions on demand		1,859	5,663
Exchange		466	2,058
Liquidity management (*)		456,972	-
		3,981,873	**2,495,796**
In foreign currency			
Cash		6,264	7,532
Bank and other financial institutions on demand		980,766	1,374,896
		987,030	**1,382,428**
Total cash	**$**	**4,968,903**	**3,878,224**

(*) Money market operations (Repos and Simultaneous) with a term of less than 90 days, whose purpose is liquidity and whose counterparty is *Banco de la República* and/or are cleared or settled through the Central Counterparty Risk Clearing House - CRCC in Spanish, mitigating the credit risk.

Required bank reserves

The following is the bank reserve requirement:

Concept		December 31, 2023	December 31, 2022
Reserves 3.5%	$	350,793	200,973
Reserves 8%		2,499,222	2,187,932
Total Reserves	**$**	**2,850,015**	**2,388,905**

As of December 31, 2023, the legal reserve in Colombia is 8% for deposits in checking, savings and other accounts, and 3.5% for certificates of deposit of less than 18 months.

As of December 31, 2023, the legal reserve required to meet liquidity requirements for deposits in checking, savings and other accounts is $2,499,222.

As of December 31, 2023, the legal reserve required to meet liquidity requirements of certificates of deposit of less than 18 months was $350,793.

Note 7. - Financial assets from investment in debt securities and equity instruments at fair value

The balance of Financial Assets in debt securities and investments in equity instruments at fair value, comprises the following at December 31, 2023 and 2022:

Debt securities with changes in income		**December 31, 2023**	**December 31, 2022**
In Colombian pesos			
Issued or guaranteed by the Colombian government	**$**	3,105,170	1,128,863
Issued or guaranteed by other Colombian government entities		34,609	31,381
Issued or guaranteed by other Colombian financial institutions		96,631	56,192
Issued or guaranteed by entities of the Colombian real sector		1,840	1,483
Other		-	1,873
		3,238,250	**1,219,792**
In foreign currency			
Issued or guaranteed by the Colombian government		16,737	77,928
Issued or guaranteed by other Colombian financial institutions		20,087	2,167
Issued or guaranteed by Foreign Governments		382	-
Issued or guaranteed by other foreign financial institutions		161,722	-
Issued or guaranteed by real sector entities abroad		3,412	-
Other		19,002	-
		221,342	**80,095**
Total debt securities through profit or loss	**$**	**3,459,592**	**1,299,887**
Debt securities with changes in OCI In Colombian pesos			
Issued or guaranteed by the Colombian government	$	2,439,339	1,846,928
Issued or guaranteed by other Colombian government entities		67,400	43,420
Issued or guaranteed by other Colombian financial institutions		583,751	417,579
Other		-	1,873
		3,090,490	**2,309,800**
In foreign currency			
Issued or guaranteed by the Colombian government		682,923	1,262,956
Issued or guaranteed by other Colombian financial institutions		81,759	64,470
Issued or guaranteed by Foreign Governments		120,232	52,387
Issued or guaranteed by other foreign financial institutions		398,898	115,571
Issued or guaranteed by real sector entities abroad		34,539	11,664
Other		56,845	82,845
		1,375,196	**1,589,893**
Total debt securities with changes in OCI (1)	**$**	**4,465,686**	**3,899,693**

Equity instruments with adjustment to income		**December 31, 2023**	**December 31, 2022**
In Colombian pesos			
Mutual funds	$	709,520	580,510
Equity instruments with adjustment to income total		**709,520**	**580,510**
Trading derivative instruments with changes to income total	$	**-**	**754,968**
Financial instruments at fair value with changes total in profit or loss	$	**4,169,112**	**2,635,365**
Equity instruments with adjustment to OCI equity in Colombian pesos			
Corporate actions	$	132,111	122,447
Total equity instruments		**841,631**	**702,957**
Total financial assets in debt securities and investments in equity instruments at fair value	**$**	**8,766,909**	**6,657,505**
Total financial instruments at fair value with changes in OCI	**$**	**4,597,797**	**4,022,140**

(1) The valuation effect recognized in OCI for debt securities at December 31, 2023 is $393,581 and at $387,260 at December 31, 2022.

Financial assets at fair value, are carried at fair value based on observable market data, which also reflects the credit risk associated with the asset.

The following, is a detail of equity instruments with changes in other comprehensive income:

Entity		December 31, 2023	December 31, 2022
Redeban Multicolor S.A. (1)	$	17,951	18,883
A.C.H Colombia S.A. (1)		52,844	53,544
Central Counterparty Risk Clearing House of Colombia S.A. (1)		3,225	2,680
Bolsa de Valores de Colombia S.A. (1)		-	2,851
Credibanco (1)		43,136	36,933
Holding Bursatil Regional (1)		4,774	-
Aportes en Línea S.A. (Gestión y Contacto) (1)		4,495	3,741
Casa de Bolsa S.A Sociedad Comisionista de Bolsa (1)		5,686	3,815
Total	**$**	**132,111**	**122,447**

(1) These financial instruments were recognized at fair value, according to the market prices provided by Precia S.A. as indicated in paragraph i) of section 6.25 of chapter I-I; the effect of this valuation was recognized against OCI for the fair value of the equity instruments for $9,263 as of December 31, 2023 and as of December 31, 2022 for $10,415.

(2) On November 14, 2023, the merger was completed as part of the regional integration process of the Colombian Stock Exchange (BVC), the Santiago Stock Exchange and the BVL Group. In this share exchange transaction, Banco de Occidente delivered 408,231 shares to the BVC, and received 245,683 shares from Holding Bursátil Regional, recorded in an account in the records kept by Deceval. At initial recognition, the matching contribution or exchange ratio was 0.6018241658, and the price subscribed per share was 4,946.589190746520 Chilean pesos:

14/11/2023 - 1 Chilean peso = 4.492230	4.492230
Price per share in Chilean pesos	4,946.59
CLP units	1,215,294,262.28
Initial Recognition	**5,459,381,343.84**

Financial assets in equity instruments at fair value with adjustment to other comprehensive income, have been designated considering that they are strategic investments for the Parent Company, and therefore are not expected to be sold in the near future, and there is a higher degree of uncertainty in the determination of fair value that generates significant fluctuations from one period to another. During the period ended December 31, 2023, dividends of $5,702 ($5,580 during the period ended December 31, 2022) have been recognized in the statement of income for these investments.

Guaranteeing money market and central counterparty risk clearinghouse (futures) transactions

The following is a list of financial assets at fair value, that are used to guarantee repo transactions, those that have been pledged as collateral for transactions with financial instruments, and those that have been pledged as collateral to third parties in support of financial obligations with other banks (see note 18).

		December 31, 2023	December 31, 2022
Delivered in money market operations			
Issued or guaranteed by the Colombian government	$	2,731,746	1,307,927
Issued or guaranteed by other Colombian government entities		1,325,304	1,006
Issued or guaranteed by entities of the foreign real sector		-	-
Issued or guaranteed by other financial institutions		-	4,980
		4,057,050	**1,313,913**
Delivered as collateral for derivative transactions			
Issued or guaranteed by the Colombian government		542,733	393,462
Total	**$**	**4,599,783**	**1,707,375**

Changes in fair values primarily reflect changes in market conditions, due mainly to changes in interest rates and other economic conditions in the country in which the investment is held.

As of December 31, 2023, fixed income investments hedging Money Market operations are presented in Simultaneous Liabilities $2,082,478 and Repo Liabilities $1,783,598 and in derivative instruments $542,733 (in December 31, 2022 were presented in Simultaneous Liabilities $1,307,927 and Repo Liabilities $5,986, and in derivative instruments $393,462). Also, total debt securities that do not guarantee money market operations or derivatives, amount to $3,325,459 for 2023 and $3,492,205 for 2022.

There are no legal or economic restrictions, pledges or liens on financial assets in the form of debt securities and equity instruments at fair value, and there is no limitation on their ownership.

Note 8. - Financial assets in debt securities at amortized cost

The balance of financial assets in debt securities at amortized cost, comprises the following as of December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
Debt securities			
In Colombian pesos			
Issued or guaranteed by the Colombian government		689,731	670,442
Issued or guaranteed by other Colombian government entities	$	1,345,385	1,132,772
Total debt securities		**2,035,116**	**1,803,214**
Provisions for investments		(558)	(522)
Total financial assets in debt securities at amortized cost	**$**	**2,034,558**	**1,802,692**

The following is the movement in the provision for investments for the year ended December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
Balance at beginning of period	$	522	345
Reimbursement for impairment of investments at amortized cost		36	177
Balance at end of period	**$**	**558**	**522**

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

		December 31, 2023	December 31, 2022
Up to 1 month	$	146,021	135,877
more than 3 months and no longer than 1 year		1,889,095	1,667,337
Subtotal		**2,035,116**	**1,803,214**
Provisions for investments		(558)	(522)
Total	**$**	**2,034,558**	**1,802,692**

Note 9. - Derivative instruments and hedge accounting

a. Derivative financial instruments for trading

The following table sets forth the fair values as of December 31, 2023 and 2022 of forward contracts, futures, options, interest rate swaps and foreign currency swaps in which the Parent Company is engaged:

Concept		December 31, 2023		December 31, 2022	
		Notional amount	Fair value	Notional amount	Fair value
Assets					
Forward contracts					
Forward contracts of different currencies Peso/Dollar	$	29,126	631	103,476	3.108
Forward currency contracts Peso/Dollar		13,034,328	948,389	12,074,018	313.779
Securities forward contracts		635,918	18,447	966,132	1.691
Subtotal		**13,699,372**	**967,467**	**13,143,626**	**318,578**
Swap					
Foreign currency swap contracts		61,153	13,219	-	-
Interest rate swap contracts		20,614,820	264,056	7,355,745	398,028
Subtotal		**20,675,973**	**277,275**	**7,355,745**	**398,028**
Purchase of options					
Currency purchase options		623,757	31,981	825,753	38,362
Subtotal		**623,757**	**31,981**	**825,753**	**38,362**
Total assets	$	**34,999,102**	**1,276,723**	**21,325,124**	**754,968**
Liabilities					
Forward contracts					
Forward currency contracts Peso/Dollar	$	8,405,709	613,939	14,738,027	443,281
Forward contracts of different currencies Peso/Dollar		29,348	594	103,711	2,942
Securities forward contracts		2,513,460	120,647	617,142	2,143
Subtotal		**10,948,517**	**735,180**	**15,458,880**	**448,366**
Swap					
Interest rate swap contracts		22,336,013	285,952	8,896,296	452,760
Subtotal		**22,336,013**	**285,952**	**8,896,296**	**452,760**
Options contracts					
Currency put options		683,247	34,764	856,310	29,676
Subtotal		**683,247**	**34,764**	**856,310**	**29,676**
Total liabilities	$	**33,967,777**	**1,055,896**	**25,211,486**	**930,802**
Net position		**$ 1.031.325**	**220,827**	**(3,886,362)**	**(175,834)**

Derivative instruments entered into by the Parent Company, are generally traded in organized markets and with local and foreign customers and counterparties of the Parent Company. Derivative instruments have net favorable (assets) or unfavorable (liabilities) terms as a result of fluctuations in foreign currency exchange rates and in the interest rate market or other variables related to their terms. The cumulative amount of the fair values of derivative assets and liabilities, may vary significantly from time to time.

As of December 31, 2023, there are no derivative contracts in other contracts that must be separated, accounted for and disclosed in accordance with IFRS 9.

Maturities by term of the derivative instruments held for trading as of December 31, 2023 and 2022 are as follows:

LESS THAN ONE YEAR

Concept		December 31, 2023		December 31, 2022	
		Notional amount	Fair value	Notional amount	Fair value
Assets					
Forward contracts					
Forward contracts of different currencies Peso/Dollar	$	29,126	631	103,476	3,108
Forward currency contracts Peso/Dollar		12,957,594	940,262	11,899,867	295,247
Securities forward contracts		635,918	18,447	966,132	1,691
Subtotal		**13,622,638**	**959,340**	**12,969,475**	**300,046**
Swap					
Foreign currency swap contracts		42,043	11,735	-	-
Interest rate swap contracts		16,567,800	108,638	4,068,034	87,355
Subtotal		**16,609,843**	**120,373**	**4,068,034**	**87,355**
Purchase of options					
Currency purchase options		511,007	27,110	455,450	21,094
Subtotal		**511,007**	**27,110**	**455,450**	**21,094**
Total assets	$	**30,743,488**	**1,106,823**	**17,492,959**	**408,495**
Liabilities					
Forward contracts					
Forward currency contracts Peso/Dollar	**$**	8,296,929	607,751	14,591,316	423,770
Forward contracts of different currencies Peso/Dollar		29,348	594	103,711	2,942
Securities forward contracts		2,513,460	120,647	617,142	2,144
Subtotal		**10,839,737**	**728,992**	**15,312,169**	**428,856**
Swap					
Interest rate swap contracts		17,738,310	133,969	4,826,383	103,788
Subtotal		**17,738,310**	**133,969**	**4,826,383**	**103,788**
Options contracts					
Currency put options		570,496	28,892	486,007	15,764
Subtotal		**570,496**	**28,892**	**486,007**	**15,764**
Total liabilities	$	**$ 29.148.543**	**891,853**	**20,624,559**	**548,408**
Net position	$	**$ 1.594.945**	**214,970**	**(3,131,600)**	**(139,913)**

OVER ONE YEAR

Concept	December 31, 2023		December 31, 2022	
	Notional amount	Fair value	Notional amount	Fair value
Assets				
Forward contracts				
Forward currency contracts Peso/Dollar	76,734	8,127	174,151	18,532
Subtotal	**76,734**	**8,127**	**174,151**	**18,532**
Swap				
Foreign currency swap contracts	19,110	1,484	-	-
Interest rate swap contracts	4,047,020	155,418	3,287,711	310,673
Subtotal	**4,066,130**	**156,902**	**3,287,711**	**310,673**
Purchase of options				
Currency purchase options	112,750	4,871	370,303	17,268
Subtotal	**112,750**	**4,871**	**370,303**	**17,268**
Total assets	**4,255,614**	**169,900**	**3,832,165**	**346,473**
Liabilities				
Forward contracts				
Forward contracts of different currencies Peso/Dollar	108,780	6,188	146,711	19,511
Subtotal	**108,780**	**6,188**	**146,711**	**19,510**
Swap				
Interest rate swap contracts	4,597,703	151,983	4,069,913	348,972
Subtotal	**4,597,703**	**151,983**	**4,069,913**	**348,972**
Options contracts				
Currency put options	112,751	5,872	370,303	13,912
Subtotal	**112,751**	**5,872**	**370,303**	**13,912**
Total liabilities	**4,819,234**	**164,043**	**4,586,927**	**382,394**
Net position	**(563,620)**	**5,857**	**(754,762)**	**(35,921)**

Trading derivative financial instruments contain the CVA/DVA component associated with the credit component of these contracts. At December 31, 2023 and 2022, the effect of CVA/DVA on the statement of income was an expense of $1,242 and $3,588, respectively.

Definition of credit risk adjustment model - CVA/DVA for derivative instruments of the Parent Company:

- For the incorporation of credit risk into the valuation methodology under IFRS 13 for the Parent Company's derivative instruments, it was decided to do so under the premise of affecting the discount rate, within the valuation of such instruments at the corresponding closing date. This is done by consolidating all derivative transactions by counterparty.

- In the case of derivatives traded in a standardized market or novated before a Central Counterparty Risk Clearing House, the price includes the concept of credit risk equal to zero, since a central counterparty risk clearing house is involved, and therefore, there is no need to perform the exercise. In the case of derivatives traded in the OTC market (Options, Forwards, Swaps), which do not include this concept, the analysis was performed.

  Credit risk was calculated for all non-standardized or novated derivative instruments held by the entities. For the determination of the credit risk adjustment for the portfolios.

b. Financial instruments and hedging of investments abroad

In the development of its operations, the Parent Company has the following investments in foreign subsidiaries as of December 31, 2023 and 2022, whose financial statements in the consolidation process generate translation adjustments that are recorded in the other comprehensive income account in shareholders' equity, as follows:

December 31, 2023

		Thousands of U.S. dollars			Millions of Colombian pesos	
Detail of investment		**Value of covered investment**	**Value of hedged foreign currency obligations**		**Adjustment for translation of financial statements**	**Exchange difference on foreign currency obligations**
Occidental Bank Barbados Ltd.	USD	37,341	(37,341)	$	43,626	(43,626)
Banco de Occidente Panama S.A.		58,877	(58,877)		57,337	(57,337)
Total	**USD**	**96,218**	**(96,218)**	**$**	**100,963**	**(100,963)**

December 31, 2022

		Thousands of U.S. dollars			Millions of Colombian pesos	
Detail of investment		**Value of covered investment**	**Value of hedged foreign currency obligations**		**Adjustment for translation of financial statements**	**Exchange difference on foreign currency obligations**
Occidental Bank Barbados Ltd.	USD	28,755	(28,755)	$	74,582	(74,582)
Banco de Occidente Panama S.A.		35,151	(35,151)		99,428	(99,428)
Total	**USD**	**63,906**	**(63,906)**	**$**	**174,010**	**(174,010)**

Since these investments are denominated in U.S. dollars, which is the functional currency of the aforementioned subsidiaries, the Parent Company is subject to the risk of changes in the exchange rate of the Colombian peso, which is the Bank's functional currency, against the U.S. dollar. To cover this risk, the Parent Company has entered into foreign currency debt operations, and as such has designated foreign currency obligations for USD $96,218 as of December 31, 2023 and $63,906 as of December 31, 2022, which cover 100% of the current investments in those subsidiaries, the financial obligations have a short-term maturity; therefore, once such obligations mature, the Parent Company's management designates new obligations in foreign currency to maintain hedge for 100% of the investments.

For foreign currency debt designated as a hedging instrument, the gain or loss arising on translation of the debt into Colombian pesos, is based on the current exchange rate between the U.S. dollar and the Colombian peso, which is the Group's functional currency. To the extent that the notional amount of the hedging instrument exactly matches the portion of the hedged investment in the foreign operations, there is no hedge ineffectiveness.

c. Fair value hedge

During the third quarter of 2023, the Parent Company carried out hedging operations for $435,000 million to hedge the fair value of fixed rate CDTs in COP, in the event of changes in the IBR market rate.

As a risk management strategy, the Parent Company has determined that in order to hedge the fair value of a group of CDTs, it is necessary to contract a derivative swap instrument, which allows re-denominating fixed rate flows to flows indexed to a variable rate based on the IBR. The derivative instrument contracted is expected to be highly effective in hedging and mitigating the aforementioned risk.

Type of hedging

These types of hedges will be classified as fair value hedges under IAS 39, for which all the necessary procedures and documentation established in the regulations and compendium of accounting standards must be complied with. Under the accounting rules for this hedge category, changes in the market value of the derivative must be recorded in profit or loss (income or expense).

Nature of risk covered

The hedged risk corresponds to the variability of the fair value of the fixed rate CDTs in COP, due to the effect of the variation of the market rate (IBR prime rate).

The nature of this hedge will only cover the prime rate component of the CDTs, leaving out of the hedge the spreads associated with the financing.

The following is a detail of the fair value hedging derivatives as of December 31, 2023:

		December 31, 2023		
		Notional Amount		**Fair value**
		3 months to one year	Total	Liabilitie s
Fair value hedging derivatives	$			
Interest rate swaps		435,000	435,000	(1,351)
Subtotal		**435,000**	**435,000**	**(1,351)**

Quantitative results fair value hedges

The following is a breakdown of gains or losses on hedging instruments and hedged items of the fair value hedge as of December 31, 2023:

		Notional value	Assets	Liabilities	Fair value for the calculation of effectiveness	Efficiency hedge
Item hedged by covered item **Term deposit certificates**	**$**	435,000	-	734	(734)	-
Hedging instrument **Interest rate swaps**	**$**	435,000	850	-	850	(116)

Note 10. - Financial assets from loans and receivables at amortized cost, net

The financial assets account for loan portfolio at amortized cost in the consolidated statement of financial position, is shown classified by Corporate, retail and home mortgage portfolio, taking into account that this is the classification adopted by the Superintendence of Finance in the Single Catalog of Financial Information "CUIF". However, taking into account the importance that the financial leasing portfolio represents at the Group level, for disclosure purposes, these loans have been separated in all tables of the note on financial credit risks and in this note according to the following reclassification detail:

December 31, 2023

Modality		Balance according to balance sheet	Reclassification of leasing	Balance with disaggregation Leasing
Corporate	$	34,411,414	6,398,912	28,012,502
Retail		12,462,019	9,031	12,452,988
Residential		2,610,153	1,093,520	1,516,633
Corporate Leasing		-	(6,398,912)	6,398,912
Retail Leasing		-	(9,031)	9,031
Residential Leasing		-	(1,093,520)	1,093,520
Repos and interbank		15,449	-	15,449
Total	**$**	**49,499,035**	**-**	**49,499,035**

December 31, 2022

Modality		Balance according to balance sheet	Reclassification of leasing	Balance with disaggregation Leasing
Corporate	$	30,950,556	5,830,977	25,119,579
Retail		11,142,641	9,399	11,133,242
Residential		2,488,024	1,322,311	1,165,713
Corporate Leasing		-	(5,830,977)	5,830,977
Retail Leasing		-	(9,399)	9,399
Residential Leasing		-	(1,322,311)	1,322,311
Repos and interbank		1,120,454	-	1,120,454
Total	**$**	**45,701,675**	**-**	**45,701,675**

10.1. Loan portfolio by type

The distribution of the Group's loan portfolio by type is shown below:

		December 31, 2023	December 31, 2022
Ordinary loans	$	31,577,112	28,783,399
Real estate leased		1,028,661	4,519,937
Payroll deductions		4,351,414	3,988,697
Movable property leased		4,610,234	2,642,750
Credit cards		3,150,049	1,611,523
Home mortgage letter		1,812,989	1,165,712
Other		1,516,633	1,120,454
Loans with resources from other entities		15,449	871,782
Developer's credit		215,058	668,030
Discounts		30,049	177,083
Bank current account overdrafts		83,929	71,058
Letters of credit covered		32,387	53,908
Loans to employees		-	27,342
Deferred payment letters of credit		1,075,071	-
Total gross loan portfolio	**$**	**49,499,035**	**45,701,675**
Provision for impairment of financial assets for loan portfolio		(2,416,920)	(2,033,178)
Total net loan portfolio	**$**	**47,082,115**	**43,668,497**

10.2. Loan portfolio movement in impairment

The following is the movement in the impairment of the loan portfolio during the years ended December 31, 2023 and 2022:

		Corporate				Repos and Interbank			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2022	**$**	**251,647**	**50,722**	**700,164**	**1,002,533**	**1,434**	**-**	**-**	**1,434**
Period write-offs		(101)	-	(222,171)	(222,272)	-	-	-	-
Sale of loan portfolio		-	-	-	-	-	-	-	-
Reversal of accrued interest Stage 3		-	-	105,065	105,065	-	-	-	-
Expenses		1,322	4,589	535,648	541,559	-	-	-	-
Expenses for disbursements or origination's		151,879	16,622	36,304	204,805	-	-	-	-
Reimbursement		(83,369)	(10,702)	(49,799)	(143,870)	(25)	-	-	(25)
Cancellation or payment in full		(118,290)	(12,638)	(293,606)	(424,534)	(1,391)	-	-	(1,391)
Reclassification from Stage 1 to Stage 2		(3,953)	3,953	-	-	-	-	-	-
Reclassification from Stage 1 to Stage 3		(5,728)	-	5,728	-	-	-	-	-
Reclassification from Stage 2 to Stage 3		-	(4,505)	4,505	-	-	-	-	-
Reclassification from Stage 3 to Stage 2		-	3,194	(3,194)	-	-	-	-	-
Reclassification from Stage 2 to Stage 1		23,574	(23,574)	-	-	-	-	-	-
Reclassification from Stage 3 to Stage 1		10,609	-	(10,609)	-	-	-	-	-
Difference in exchange		(5,379)	-	(2,031)	(7,410)	-	-	-	-
Balance as of December 31, 2023	**$**	**222,211**	**27,661**	**806,004**	**1,055,876**	**18**	**-**	**-**	**18**

	Retail				Residential			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as of December 31, 2022 $	**261,303**	**84,379**	**349,488**	**695,170**	**11,948**	**3,088**	**37,130**	**52,166**
Period write-offs	(516)	(1,017)	(856,313)	(857,846)	-	-	-	-
Sale of loan portfolio	(3)	(162)	(1,637)	(1,802)	-	-	-	-
Reversal of accrued interest Stage 3	-	-	57,244	57,244	-	-	2,443	2,443
Expenses	304,550	198,715	474,849	978,114	162	1,299	5,466	6,927
Expenses for disbursements or origination's	125,947	24,666	211,190	361,803	3,935	832	397	5,164
Reimbursement	(90,311)	(9,722)	(3,565)	(103,598)	(5,464)	(648)	(11,124)	(17,236)
Cancellation or payment in full	(50,627)	(14,765)	(31,314)	(96,706)	(539)	(204)	(1,849)	(2,592)
Reclassification from Stage 1 to Stage 2	(12,907)	12,907	-	-	(464)	464	-	-
Reclassification from Stage 1 to Stage 3	(299,036)	-	299,036	-	(242)	-	242	-
Reclassification from Stage 2 to Stage 3	-	(210,725)	210,725	-	-	(1,006)	1,006	-
Reclassification from Stage 3 to Stage 2	-	4,851	(4,851)	-	-	330	(330)	-
Reclassification from Stage 2 to Stage 1	17,581	(17,581)	-	-	1,137	(1,137)	-	-
Reclassification from Stage 3 to Stage 1	16,875	-	(16,875)	-	1,476	-	(1,476)	-
Difference in exchange	-	-	-	-	-	-	-	-
Balance as of December 31, 2023 $	**272,856**	**71,546**	**687,977**	**1,032,379**	**11,949**	**3,018**	**31,905**	**46,872**

	Corporate Leasing				Retail Leasing			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as of December 31, 2022 $	**26,576**	**8,262**	**202,694**	**237,532**	**182**	**25**	**755**	**962**
Period write-offs	-	-	(65,816)	(65,816)	-	-	(3,027)	(3,027)
Sale of loan portfolio	-	-	-	-	-	-	-	-
Reversal of accrued interest Stage 3	-	-	18,640	18,640	-	-	85	85
Expenses	8,038	6,226	89,650	103,914	11	-	2,951	2,962
Expenses for disbursements or origination's	8,610	2,047	10,907	21,564	55	106	-	161
Reimbursement	(13,729)	(6,519)	(17,768)	(38,016)	(188)	(18)	(4)	(210)
Cancellation or payment in full	(1,786)	(605)	(19,566)	(21,957)	(24)	(8)	-	(32)
Reclassification from Stage 1 to Stage 2	(1,019)	1,019	-	-	(2)	2	-	-
Reclassification from Stage 1 to Stage 3	(875)	-	875	-	(32)	-	32	-
Reclassification from Stage 2 to Stage 3	-	(1,505)	1,505	-	-	-	-	-
Reclassification from Stage 3 to Stage 2	-	6,475	(6,475)	-	-	18	(18)	-
Reclassification from Stage 2 to Stage 1	3,652	(3,652)	-	-	17	(17)	-	-
Reclassification from Stage 3 to Stage 1	4,366	-	(4,366)	-	119	-	(119)	-
Difference in exchange	-	-	-	-	-	-	-	-
Balance as of December 31, 2023 $	**33,833**	**11,748**	**210,280**	**255,861**	**138**	**108**	**655**	**901**

	Residential Leasing				Total Financial Leasing			
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balance as of December 31, 2022 $	**13,814**	**3,512**	**26,055**	**43,381**	**40,572**	**11,799**	**229,504**	**281,875**
Period write-offs	-	-	(6,724)	(6,724)	-	-	(75,567)	(75,567)
Sale of loan portfolio	-	-	-	-	-	-	-	-
Reversal of accrued interest Stage 3	-	-	439	439	-	-	19,164	19,164
Expenses	173	1,305	7,051	8,529	8,222	7,531	99,652	115,405
Expenses for disbursements or origination's	1,635	314	177	2,126	10,300	2,467	11,084	23,851
Reimbursement	(4,173)	(168)	(5,773)	(10,114)	(18,090)	(6,705)	(23,545)	(48,340)
Cancellation or payment in full	(3,714)	(1,368)	(7,542)	(12,624)	(5,524)	(1,981)	(27,108)	(34,613)
Reclassification from Stage 1 to Stage 2	(428)	428	-	-	(1,449)	1,449	-	-
Reclassification from Stage 1 to Stage 3	(231)	-	231	-	(1,138)	-	1,138	-
Reclassification from Stage 2 to Stage 3	-	(898)	898	-	-	(2,403)	2,403	-
Reclassification from Stage 3 to Stage 2	-	-	-	-	-	6,493	(6,493)	-
Reclassification from Stage 2 to Stage 1	900	(900)	-	-	4,569	(4,569)	-	-
Reclassification from Stage 3 to Stage 1	796	-	(796)	-	5,281	-	(5,281)	-
Difference in exchange	-	-	-	-	-	-	-	-
Balance as of December 31, 2023 $	**8,772**	**2,225**	**14,016**	**25,013**	**42,743**	**14,081**	**224,951**	**281,775**

		Total			
		Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2022	$	**566,904**	**149,988**	**1,316,286**	**2,033,178**
Period write-offs		(617)	(1,017)	(1,154,051)	(1,155,685)
Sale of loan portfolio		(3)	(162)	(1,637)	(1,802)
Reversal of accrued interest Stage 3		-	-	183,916	183,916
Expenses		314,256	212,134	1,115,615	1,642,005
Expenses for disbursements or origination's		292,061	44,587	258,975	595,623
Reimbursement		(197,259)	(27,777)	(88,033)	(313,069)
Cancellation or payment in full		(176,371)	(29,588)	(353,877)	(559,836)
Reclassification from Stage 1 to Stage 2		(18,773)	18,773	-	-
Reclassification from Stage 1 to Stage 3		(306,144)	-	306,144	-
Reclassification from Stage 2 to Stage 3		-	(218,639)	218,639	-
Reclassification from Stage 3 to Stage 2		-	14,868	(14,868)	-
Reclassification from Stage 2 to Stage 1		46,861	(46,861)	-	-
Reclassification from Stage 3 to Stage 1		34,241	-	(34,241)	-
Difference in exchange		(5,379)	-	(2,031)	(7,410)
Balance as of December 31, 2023	$	**549,777**	**116,306**	**1,750,837**	**2,416,920**

		Corporate				Repos and Interbank			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	$	**145,787**	**76,438**	**645,945**	**868,170**	**77**	**-**	**-**	**77**
Period write-offs		(1,572)	(1,000)	(304,566)	(307,138)	-	-	-	-
Reversal of accrued interest Stage 3		-	-	96,107	96,107	-	-	-	-
Expenses		290	13,762	621,117	635,169	15	-	-	15
Expenses for disbursements or origination's		180,275	22,896	47,722	250,893	1,391	-	-	1,391
Reimbursement		(46,673)	(10,424)	(17,683)	(74,780)	-	-	-	-
Cancellation or payment in full		(62,806)	(29,859)	(378,910)	(471,575)	(49)	-	-	(49)
Reclassification from Stage 1 to Stage 2		(4,868)	4,868	-	-	-	-	-	-
Reclassification from Stage 1 to Stage 3		(959)	-	959	-	-	-	-	-
Reclassification from Stage 2 to Stage 3		-	(7,742)	7,742	-	-	-	-	-
Reclassification from Stage 3 to Stage 2		-	10,090	(10,090)	-	-	-	-	-
Reclassification from Stage 2 to Stage 1		28,307	(28,307)	-	-	-	-	-	-
Reclassification from Stage 3 to Stage 1		8,179	-	(8,179)	-	-	-	-	-
Difference in exchange		5,688	-	-	5,688	-	-	-	-
Balance as of December 31, 2022	$	**251,648**	**50,722**	**700,164**	**1,002,534**	**1,434**	**-**	**-**	**1,434**

		Retail				Residential			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	$	**162,034**	**200,701**	**312,815**	**675,550**	**11,615**	**7,926**	**33,753**	**53,294**
Period write-offs		(122,493)	(162,564)	(259,161)	(544,218)	-	-	-	-
Reversal of accrued interest Stage 3		-	-	32,731	32,731	-	-	2,117	2,117
Expenses		134,052	166,378	225,134	525,564	214	1,314	10,973	12,501
Expenses for disbursements or origination's		124,628	34,690	116,500	275,818	3,944	732	101	4,777
Reimbursement		(128,238)	(19,849)	(2,521)	(150,608)	(13,278)	(892)	(1,631)	(15,801)
Cancellation or payment in full		(41,305)	(41,956)	(36,406)	(119,667)	(1,060)	(974)	(2,688)	(4,722)
Reclassification from Stage 1 to Stage 2		(7,916)	7,916	-	-	(214)	214	-	-
Reclassification from Stage 1 to Stage 3		(4,323)	-	4,323	-	(64)	-	64	-
Reclassification from Stage 2 to Stage 3		-	(14,198)	14,198	-	-	(958)	958	-
Reclassification from Stage 3 to Stage 2		-	13,583	(13,583)	-	-	978	(978)	-
Reclassification from Stage 2 to Stage 1		100,322	(100,322)	-	-	5,252	(5,252)	-	-
Reclassification from Stage 3 to Stage 1		44,542	-	(44,542)	-	5,539	-	(5,539)	-
Difference in exchange		-	-	-	-	-	-	-	-
Balance as of December 31, 2022	$	**261,303**	**84,379**	**349,488**	**695,170**	**11,948**	**3,088**	**37,130**	**52,166**

		Corporate Leasing				Retail Leasing			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	**$**	**22,839**	**24,661**	**264,160**	**311,660**	**202**	**274**	**480**	**956**
Period write-offs		(28)	-	(169,936)	(169,964)	-	-	(2,361)	(2,361)
Reversal of accrued interest Stage 3			-	16,791	16,791	-	-	58	58
Expenses		2,899	2,433	125,050	130,382	2	10	2,441	2,453
Expenses for disbursements or origination's		7,949	868	4,788	13,605	74	-	165	239
Reimbursement		(22,091)	(8,904)	(23,935)	(54,930)	(204)	(54)	(25)	(283)
Cancellation or payment in full		(1,628)	(1,833)	(6,551)	(10,012)	(48)	(48)	(4)	(100)
Reclassification from Stage 1 to Stage 2		(1,179)	1,179	-	-	(5)	5	-	-
Reclassification from Stage 1 to Stage 3		(449)	-	449	-	-	-	-	-
Reclassification from Stage 2 to Stage 3		-	(3,538)	3,538	-	-	(62)	62	-
Reclassification from Stage 3 to Stage 2		-	5,499	(5,499)	-	-	61	(61)	-
Reclassification from Stage 2 to Stage 1		12,103	(12,103)	-	-	161	(161)	-	-
Reclassification from Stage 3 to Stage 1		6,161	-	(6,161)	-	-	-	-	-
Difference in exchange		-	-	-	-	-	-	-	-
Balance as of December 31, 2022	**$**	**26,576**	**8,262**	**202,694**	**237,532**	**182**	**25**	**755**	**962**

		Total Residential Leasing				Financial Leasing			
		Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	**$**	**13,993**	**12,429**	**31,652**	**58,074**	**37,034**	**37,364**	**296,292**	**370,690**
Period write-offs		-	-	(2,398)	(2,398)	(28)	-	(174,695)	(174,723)
Reversal of accrued interest Stage 3		-	-	928	928	-	-	17,777	17,777
Expenses		310	1,363	7,906	9,579	3,211	3,806	135,397	142,414
Expenses for disbursements or origination's		3,336	492	709	4,537	11,359	1,360	5,662	18,381
Reimbursement		(19,149)	(938)	(2,355)	(22,442)	(41,444)	(9,896)	(26,315)	(77,655)
Cancellation or payment in full		(988)	(1,050)	(2,860)	(4,898)	(2,664)	(2,931)	(9,415)	(15,010)
Reclassification from Stage 1 to Stage 2		(208)	208	-	-	(1,392)	1,392	-	-
Reclassification from Stage 1 to Stage 3		(117)	-	117	-	(566)	-	566	-
Reclassification from Stage 2 to Stage 3		-	(807)	807	-	-	(4,407)	4,407	-
Reclassification from Stage 3 to Stage 2		-	1,426	(1,426)	-	-	6,986	(6,986)	-
Reclassification from Stage 2 to Stage 1		9,611	(9,611)	-	-	21,875	(21,875)		-
Reclassification from Stage 3 to Stage 1		7,025	-	(7,025)	-	13,186		(13,186)	-
Difference in exchange		-	-	-	-	-	-	-	-
Balance as of December 31, 2022	**$**	**13,813**	**3,512**	**26,055**	**43,380**	**40,571**	**11,799**	**229,504**	**281,874**

		Total			
		Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	**$**	**356,547**	**322,429**	**1,288,805**	**1,967,781**
Period write-offs		(124,093)	(163,564)	(738,422)	(1,026,079)
Reversal of accrued interest Stage 3		-	-	148,732	148,732
Expenses		137,782	185,260	992,621	1,315,663
Expenses for disbursements or origination's		321,597	59,678	169,985	551,260
Reimbursement		(229,633)	(41,061)	(48,150)	(318,844)
Cancellation or payment in full		(107,884)	(75,720)	(427,419)	(611,023)
Reclassification from Stage 1 to Stage 2		(14,390)	14,390	-	-
Reclassification from Stage 1 to Stage 3		(5,912)	-	5,912	-
Reclassification from Stage 2 to Stage 3		-	(27,305)	27,305	-
Reclassification from Stage 3 to Stage 2		-	31,637	(31,637)	-
Reclassification from Stage 2 to Stage 1		155,756	(155,756)	-	-
Reclassification from Stage 3 to Stage 1		71,446	-	(71,446)	-
Difference in exchange		5,688	-	-	5,688
Balance as of December 31, 2022	**$**	**566.904**	**149,988**	**1,316,286**	**2,033,178**

10.3. Individual and collectively evaluated loan portfolio

The following is a detail of the credit risk impairment constituted as of December 31, 2023 and 2022, taking into account the manner in which they were determined, individually for loans over $2,000 and collectively for other loans.

The impaired portfolio represents loans with associated credit risk, while the past-due portfolio considers only days past due or default by the client (without identifying whether there is associated credit risk or not). Allowances for loan portfolio are determined based on the impaired loan portfolio.

December 31, 2023

		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Financial Leasing	Repos and Interbank	Total
Provision for impairment										
Credits assessed individually	$	544,726	84	529	125,649	-	219	125,868	-	671,207
Collectively assessed loans		511,149	1,032,295	46,343	130,212	901	24,795	155,908	18	1,745,713
Total provision for impairment	$	**1,055,875**	**1,032,379**	**46,872**	**255,861**	**901**	**25,014**	**281,776**	**18**	**2,416,920**

December 31, 2022

		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Financial Leasing	Repos and Interbank	Total
Provision for impairment										
Credits assessed individually	$	479,932	361	256	134,726	-	-	134,726	-	615,275
Collectively assessed loans		522,601	694,809	51,910	102,806	962	43,381	147,149	1,434	1,417,903
Total provision for impairment	$	**1,002,533**	**695,170**	**52,166**	**237,532**	**962**	**43,381**	**281,875**	**1,434**	**2,033,178**

(1) Include the total of appraised assets over $2,000 regardless of whether they were considered impaired or not impaired as a result of the appraisal.

10.4. Individually assessed loan portfolio

The following is a detail of loans individually assessed for impairment as of December 31, 2023 and 2022:

December 31, 2023

		Gross book value	Collateral guarantees	Provision constituted
No impairment recorded				
Corporate Leasing	$	421	-	-
Subtotal		**421**	**-**	**-**
With recorded impairment				
Corporate		1,394,777	246,694	544,726
Retail		361	-	84
Residential		2,167	1,970	529
Corporate Leasing		518,751	108,737	125,649
Residential Leasing		219	-	219
Subtotal		**1,916,275**	**357,401**	**671,207**
Totals				
Corporate		1,394,777	246,694	544,726
Retail		361	-	84
Residential		2,167	1,970	529
Corporate Leasing		519,172	108,737	125,649
Residential Leasing		219	-	219
Total	$	**1,916,696**	**357,401**	**671,207**

December 31, 2022		Gross book value	Collateral guarantees	Provision constituted
No impairment recorded				
Corporate Leasing	$	5,302	-	-
Subtotal		**5,302**	-	-
With recorded impairment				
Corporate		1,175,945	174,709	479,932
Retail		3,020	-	361
Residential		3,996	-	256
Corporate Leasing		525,421	124,710	134,726
Subtotal		**1,708,382**	**299,419**	**615,275**
Totals				
Corporate		1,175,945	174,709	479,932
Retail		3,020	-	361
Residential		3,996	-	256
Corporate Leasing		530,723	124,710	134,726
Total	**$**	**1,713,684**	**299,419**	**615,275**

10.5. Loan portfolio maturity period

The distribution of the Group's loan portfolio by maturity period is shown below:

December 31, 2023		Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Corporate	$	18,203,831	6,471,700	2,043,366	1,293,605	28,012,502
Retail		3,575,025	4,708,795	2,770,974	1,398,194	12,452,988
Residential		162,999	218,382	208,140	927,112	1,516,633
Corporate Leasing		2,045,587	2,272,349	1,108,548	972,428	6,398,912
Retail Leasing		3,980	3,838	1,001	212	9,031
Residential Leasing		112,308	157,955	144,339	678,918	1,093,520
Repos and interbank		15,449	-	-	-	15,449
Total portfolio	**$**	**24,119,179**	**13,833,019**	**6,276,368**	**5,270,469**	**49,499,035**

December 31, 2022		Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Corporate	$	15,649,472	5,992,359	2,189,908	1,287,840	25,119,579
Retail		3,008,656	4,280,541	2,596,962	1,247,083	11,133,242
Residential		115,005	169,098	161,651	719,959	1,165,713
Corporate Leasing		1,827,316	2,109,468	1,025,939	868,254	5,830,977
Retail Leasing		4,308	3,869	1,124	98	9,399
Residential Leasing		127,357	190,466	176,966	827,522	1,322,311
Repos and interbank		1,120,454	-	-	-	1,120,454
Total loan portfolio	**$**	**21,852,568**	**12,745,801**	**6,152,550**	**4,950,756**	**45,701,675**

10.6. Loan portfolio by type of currency

The classification of the loan portfolio by type of currency is presented below:

December 31, 2023		Colombian pesos	Foreing [(1)] currency	Total
Corporate	$	22,580,253	5,432,249	**28,012,502**
Retail		12,401,961	51,027	**12,452,988**
Residential		1,516,633	-	**1,516,633**
Corporate Leasing		6,398,912	-	**6,398,912**
Retail Leasing		9,031	-	**9,031**
Residential Leasing		1,093,520	-	**1,093,520**
Repos and interbank		13,349	2,100	**15,449**
Total loan portfolio	$	**44,013,659**	**5,485,376**	**49,499,035**

[(1)] The main foreign currency is the US dollar (USD)

December 31, 2022		Colombian pesos	Foreing [(1)] currency	Total
Corporate	$	19,750,511	5,369,068	**25,119,579**
Retail		11,075,611	57,631	**11,133,242**
Residential		1,165,713	-	**1,165,713**
Corporate Leasing		5,830,977	-	**5,830,977**
Retail Leasing		9,399	-	**9,399**
Residential Leasing		1,322,311	-	**1,322,311**
Repos and interbank		848,000	272,454	**1,120,454**
Total loan portfolio	$	**40,002,522**	**5,699,153**	**45,701,675**

(1) The main foreign currency is the US dollar (USD)

10.7. Lease receivables

The following is the reconciliation between the gross investment in capital leases, and the present value of the minimum lease payments receivable as of December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
Total gross lease payments to be received in the future	$	17,981,028	11,846,285
Plus Estimated residual value of leased assets (unsecured)		696	696
Gross investment in leasing contracts		**17,981,724**	**11,846,981**
Minus unrealized financial income		(10,480,261)	(4,684,294)
Net investment in capital leases		**7,501,463**	**7,162,687**
Impairment of net investment in finance leases	**$**	**281,776**	**281,875**

The following is a detail of the gross investment and net investment in capital leases to be received as of December 31, 2023 and 2022 in each of the following years:

		December 31, 2023		December 31, 2022	
		Gross investment	Net Investment	Gross investment	Net Investment
Up to 1 year	$	12,901,404	6,159,307	3,745,685	1,609,384
Between 1 and 5 years		2,728,241	277,752	5,019,048	2,995,241
More than 5 years		2,352,079	1,064,404	3,082,248	2,558,062
Total	**$**	**17,981,724**	**7,501,463**	**11,846,981**	**7,162,687**

In financial leasing transactions, the Parent Company, as lessor, delivers assets to the lessee for use for an established term, in exchange for a fee, and the lessee, upon termination, has the right to acquire the assets through a purchase option agreed from the beginning, which generally corresponds to a price substantially lower than the Corporate value at the time it is exercised. In most contracts, the fee is calculated based on the DTF or IBR plus a few nominal points. Insurance, maintenance, and any charges on the asset are the responsibility of the lessee. On the other hand, there are lease transactions without purchase option that have guaranteed residuals from the beginning or, if not guaranteed, the residuals correspond to a low percentage of the value of the asset. In most of the above contracts, the rent is calculated based on the DTF or IBR, plus or minus a few nominal points, and the lessee is responsible for VAT, insurance and maintenance of the asset.

Note 11. - Other accounts receivable, net

The following is the detail of other current accounts receivable as of December 31, 2023 and 2022

Detail		December 31, 2023	December 31, 2022
Other	$	199,932	138,868
Donations		88,151	84,036
ICETEX abandoned accounts		80,022	79,303
Advance payment of supplier contract		74,539	50,129
Accounts receivable on sale of goods and services		48,230	30,971
Taxes		27,851	18,545
Commissions		13,884	10,799
Prepaid expenses		13,788	9,460
Deposits		13,361	4,810
Credit Card Offsets and Network Offsets		12,571	2,886
Transfers to the National Treasury Directorate		4,052	3,790
Balances in favor in compliance with forward contracts		3,811	1,739
Rentals of assets given under operating leases		1,469	939
Contributions		1,349	271
Claims to insurance companies		1,266	222
Advance payment of industry and commerce tax		965	1,051
Leases		879	210
Shortfalls in exchange		146	61
Deficiency in savings accounts		55	-
Dividends		39	16,578
Interests		33	186
To parent company, subsidiaries, related companies and associates		28	79
Shortages in cash		28	38
Fees, Services and Advances		4	300
Wire transfers in process		1	323
Currency Contraction Deposits	**$**	-	515
Subtotal		**586,454**	**456,109**
Provision for other accounts receivable		(39,169)	(19,447)
Total	**$**	**547,285**	**436,662**

(*) The balance in accounts receivable from Forward settlements, is due to the conditions of the rate, and in this case, it is in favor of the Bank; this increases the accounts receivable in settlements, and also impacts the amount of operations that have compliance for that month.

Accounts receivable from contracts with customers for compliance with IFRS 15

The following is a detail of the items comprising the balance of accounts receivable commissions arising from contracts with customers:

Goods and Services		**December 31, 2023**	**December 31, 2022**
Fees for banking services	$	151	29
Fiduciary Activities		7,703	5,334
Other Commissions		6,030	5,436
Total	**$**	**13,884**	**10,799**

The following is the movement in impairment for years ended December 31, 2023 and 2022:

		December 31, 2023	**December 31, 2022**
Balance as of December 31, 2022	**$**	**19,447**	**19,093**
Provision charged to profit or loss		21,311	6,488
Recoveries of other accounts receivable		(1,588)	(247)
Reclassification of Manifestly Bad Debts		3,729	-
Write-offs		(3,666)	(5,883)
Adjustment for foreign exchange differences		(64)	(4)
Balance as of December 31, 2023	**$**	**39,169**	**19,447**

Note 12. - Profit from non-current assets held for sale

The following is a detail of the net income generated on the sale of assets, classified as held for sale during the periods ended December 31, 2023 and 2022:

		December 31, 2023			**December 31, 2022**		
		Carrying value	**Amount of the sale**	**Profit**	**Carrying value**	**Amount of the sale**	**Profit**
Real estate (1)	$	80,144	103,637	23,493	13,058	18,299	5,241
Movable assets		1,690	2,151	461	1,969	2,988	1,019
	$	**81,834**	**105,788**	**23,954**	**15,027**	**21,287**	**6,260**

(1) The profit recorded in non-current assets held for sale note of $23,954, corresponds to $191 for the sale of two repositioned real estate assets; $462 corresponding to the sale of 38 repositioned movable assets that entered and were sold in the same period, and $23,301 corresponding to the sale of 1 asset and the mobilization of 21 own assets that were reclassified to held for sale.

Changes in assets held for sale are presented below.

		December 31, 2023
Balance as of December 31, 2022	**$**	**-**
Increases by addition during the year		2,890
Cost of ANCMVs sold, net		18,183
Sale and leaseback		(100,017)
Reclassifications from/to own use		81,967
Balance as of December 31, 2023 $	$	**3,023**

		December 31, 2022
Balance as of December 31, 2021	**$**	**5,378**
Increases by addition during the year		4,378
Cost of ANCMVs sold, net		152
Sale and leaseback		(15,179)
Reclassifications from/to own use		5,271
Balance as of December 31, 2022	$	-

Note 13. - Investments in associates, joint ventures and joint operations

13.1. Investments in associates and joint ventures

Below is a detail of investments in associates and joint ventures:

		December 31, 2023	December 31, 2022
Associated	$	1,799,081	1,645,976
Joint ventures		1,721	1,584
Total	**$**	**1,800,802**	**1,647,560**

The percentages of ownership interest in each of the associates and joint ventures are presented below:

	December 31, 2023			December 31, 2022		
	% of participation		Carrying value	% of participation		Carrying value
Associated						
A Toda Hora	20.00%		2,779	20.00%		2,577
Corficolombiana	4.18%		779,450	4.18%		760,263
Aval Soluciones Digitales	26.60%		3,731	26.60%		3,859
Porvenir (*)	33.09%		1,013,121	33.09%		879,276
		$	**1,799,081**		**$**	**1,645,975**
Joint ventures						
A Toda Hora S.A	25.00%	$	1,718	25,00%	$	1,580
Aval Soluciones Digitales S.A. - Joint Ventures	26.34%		3	0.00%		3
		$	**1,721**		**$**	**1,583**

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

Changes in investments in associates and joint ventures for the years ended December 31, 2023 and 2022 are presented below:

Associated companies		December 31, 2023	December 31, 2022
Balance at beginning of year	$	**1,645,976**	**1,663,510**
Dividends Declared		(87,251)	(99,554)
Equity method with effect in OCI		21,611	(39,917)
Equity method with effect in income		218,745	121,937
Balance at the end of the year	**$**	**1,799,081**	**1,645,976**

Joint ventures		December 31, 2023	December 31, 2022
Balance at beginning of year	**$**	**1,584**	**1,480**
Equity method with effect in income		137	104
Balance at the end of the year	**$**	**1,721**	**1,583**

The corporate purpose of *A Toda Hora S.A.*, is to provide the services referred to in Article 5 of Law 45 of 1990 and other complementary regulations, specifically the programming of computers, the Corporatization of programs, the representation of national or foreign companies that produce or Corporatize programs, the organization and administration of networks of automatic teller machines for the execution of transactions or operations; data processing and management of information in its own or third party equipment for the elaboration of accounting, the creation and organization of files and the execution of calculations, statistics and information in general; as well as the communication and electronic transfer of data.

The corporate purpose of *Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.*, is the administration of the Pension and Severance Funds authorized by law, as well as the administration of the Autonomous Trusts constituted by the territorial entities, their decentralized entities and private companies, in accordance with Article 16 of Decree 941 of 2002, with the purpose of providing resources for the payment of their pension obligations; such as pensions, pension bonds, parts of pension bonds and parts of pension quotas, under the terms of article 23 of Decree 1299 of 1994, regulated by Decrees 810 of 1998 and 941 of 2002; which constitute Autonomous Trusts independent of the Company's assets.

The exclusive purpose of *Aval Soluciones Digitales S.A.*, will be to provide authorized services to companies specialized in electronic deposits and payments in the development of its corporate purpose.

Corporación Financiera Colombiana S.A. Corficolombiana, is a credit institution whose main function is to collect term funds through deposits or term debt instruments, in order to carry out active credit operations and make investments, with the primary purpose of fostering or promoting the creation, reorganization, merger, transformation and expansion of companies in the sectors established by the rules that regulate its activity, organized in accordance with the rules established by the Organic Statute of the Financial System (Decree 663 of 1993) and other rules that modify, repeal or replace them. The Corporation may change its registered office at the will of the General Meeting of Shareholders, and may establish branches or agencies within the national territory or abroad at the will of the Board of Directors.

The condensed financial information of investments in associates accounted for under the equity method is as follows:

	December 31, 2023					
	Assets	Liabilities	Equity	Revenues	Expenses	Profit or loss
A Toda Hora	15,169	1,276	13,893	16,879	15,870	1,009
Corficolombiana	26,732,793	14,848,630	11,884,163	9,688,435	8,879,454	808,982
Aval Soluciones Digitales	38,874	24,847	14,027	7,063	7,545	(482)
Porvenir	3,540,313	674,432	2,865,881	2,677,008	2,118,350	558,658
$	**30,327,149**	**15,549,185**	**14,777,964**	**12,389,385**	**11,021,219**	**1,368,167**

	December 31, 2022					
	Assets	Liabilities	Equity	Revenues	Expenses	Profit or loss
A Toda Hora	14,616	1,731	12,885	15,838	15,225	613
Corficolombiana	24,180,664	12,755,765	11,424,899	2,820,617	1,037,752	1,782,865
Aval Soluciones Digitales	40,511	26,002	14,509	941	3,066	(2,125)
Porvenir	3,493,763	1,032,337	2,461,426	3,058,424	2,904,457	153,967
$	**27,729,554**	**13,815,835**	**13,913,719**	**5,895,820**	**3,960,500**	**1,935,320**

The following is the detail of dividends received from associates during the years ended December 31, 2023 and 2022:

Porvenir S.A.		**December 31, 2023**	**December 31, 2022**
Cash	$	66,354	99,315

Corficol S.A.		**December 31, 2023**	**December 31, 2022**
Cash	$	20,897	-
Shares		-	31,722

The condensed financial information of investments in joint ventures accounted for under the equity method is presented below:

		December 31, 2023					
		Assets	Liabilities	Equity	Revenues	Expenses	Results
A Toda Hora - Joint Ventures	$	80,435	73,564	6,871	397,891	397,345	546
Aval Soluciones Digitales S.A. - Joint Ventures - Dale! (*)		123,480	123,470	10	80,111	80,111	--
		December 31, 2022					
		Assets	Liabilities	Equity	Revenues	Expenses	Results
A Toda Hora		78,721	72,396	6,325	350,131	349,718	414
Aval Soluciones Digitales S.A. - Joint Ventures - Dale! (*)		88,331	88,321	10	40,801	40,801	-

During the years ended December 31, 2023 and 2022, no dividends were received from joint ventures.

For the development of its operations, ATH has entered into a joint account agreement with other financial entities of Grupo Aval, in order to develop all Corporate operations related to the centralized management of electronic data, and funds transfer operations through ATMs, Internet or any other electronic means.

ATH participates in its capacity as manager of said contract to develop in its sole name and under its personal credit the purpose of the contract.

(1) Dale! - Aval Soluciones Digitales, is a company specialized in Electronic Deposits and Payments - SEDPE, which through a technological platform allows banked and unbanked individuals and businesses to open a deposit, with which they can perform financial transactions from a single 100% digital solution.

13.2 Jointly controlled operations

A joint operation is a joint arrangement, whereby the parties that have joint control of the arrangement have rights to the assets, and obligations with respect to the liabilities, relating to the arrangement. These parts are called joint operators.

These joint operations are recognized in each line item of the Entity's financial statement in the proportional part of its share of the assets, liabilities, revenues and expenses of each joint operation in effect during the period.

The following is a summary of the participation in joint operations in which the subsidiary Fiduciaria de Occidente has an interest as of December 31, 2023 and 2022:

			December 31, 2023		**December 31, 2022**	
	Participation %		Assets	Liabilities	Assets	Liabilities
Emcali	25	$	106	73	112	88
Fosyga in Liquidation	6.55		28	1,202	47	1,272
Pensions Cundinamarca 2012	55		6	30	27	27
Calimio Concessionaire	56		11	4	8.9	2.8
Sop 2012 Consortium	33.33		1,242	(12)	612	21
Adaptation Fund	50		326	16	304	18.3
Vinus Consortium	33		165	145	201	117
Total		**$**	**1,884**	**1,458**	**1,312**	**1,546**

			December 31, 2023			December 31, 2022		
	Participation %		Revenues	Expenses	Profit (Loss)	Revenues	Expenses	Profit (Losses)
Emcali	25	$	488	342	146	416	320	97
Fosyga in Liquidation	6.55		179	128	51	1	147	(146)
Pensions Cundinamarca 2012	55		-	24	(24)	-	-	-
Calimio Concessionaire	56		57	17	40	47	14	33
Sop 2012 Consortium	33.33		3,030	458	2,572	597	648	(52)
Adaptation Fund	50		516	252	264	486	243	243
Vinus Consortium	33		160	60	100	144	60	84
Total		$	4,430	1,281	3,149	1,691	1,432	259

The interests of the joint ventures in the assets of the company, comprise the following as of December 31, 2023 and 2022:

Asset participation		**December 31, 2023**	**December 31, 2022**
Cash and cash equivalents	$	329	334
Deposits and investments in debt securities		11	8
Accounts receivable		1,512	918
Property and equipment for own use		33	43
Other activities in joint operations		-	10
Total assets	**$**	**1,885**	**1,312**

Participations of the joint liability operations of the subsidiary Fiduciaria de Occidente S.A., comprise the following as of December 31, 2023 and 2022:

Share of liabilities		**December 31, 2023**	**December 31, 2022**
Accounts payable	$	187	243
Other liabilities		-	-
Other liabilities contributions		133	84
Other provisions		1,102	1,173
Liabilities at amortized cost		37	47
Total liabilities	**$**	**1,459**	**1,546**

The economic activity of joint ventures (consortiums) is listed below:

Name	ACTIVITY
Emcali	By means of contract 160GF-CF-001-2005, the Autonomous Trust is constituted, which will have the following purposes, among others: (i) collect all of Emcali's revenues through the mechanisms and procedures defined in the Operating Manual; (ii) administer the Trust Revenues in the manner established in this contract; (iii) pay, upon EMCALI's instructions, and in accordance with the provisions of this contract, all operating and administrative expenses of the business through the trust, observing the provisions of Annex No. 4 of the contract. The main domicile where the consortium develops its operations, is at Carrera 5 No. 12-42 in the city of Cali.
Fosyga (in liquidation)	The purpose of this contract is the collection, administration and payment by the consortium of the resources of the Solidarity and Guarantee Fund of the General Social Security Health System, under the terms established in Law 100 of 1993. The main domicile, where the consortium carries out its operations, is at Calle 31 No. 6-39, 19th floor, in the city of Bogotá.
Pensiones Cundinamarca (in liquidation)	Administration of the funds of the Public Pension Fund of Cundinamarca, destined to cover the Department's pension liabilities. The main domicile, where the consortium carries out its operations, is at Carrera 13 No. 26A-47, 9th floor, in the city of Bogotá.
SOP 2012 Consortium	Administration of the funds that make up the autonomous assets that make up the National Pension Fund of the Territorial Entities (FONPET), and the related and complementary activities involved in such administration. The main domicile, where the consortium carries out its operations, is at Carrera 13 No. 26A-47, 9th floor, in the city of Bogotá.
Adaptation Fund	THE TRUST undertakes with THE FUND to constitute an autonomous trust with the investment funds of the Adaptation Fund for the collection, administration, investment and payments inside and outside Colombia, pursuant to the provisions of Article 5 of Decree 4819 of 2010, regulated by Decree 2906 of 2011. The contract shall be performed in accordance with the terms, conditions and requirements set forth in the contractual terms and conditions and its technical annex, as well as the offer submitted by THE TRUSTEE on April 27, 2012 for the original execution of the contract, and the offer submitted by the Trust on December 30, 2013 for the execution of Addendum No. 1, documents that are an integral part of this contract. Additionally, the Trust as spokesperson of the autonomous trust, may enter into credit operations with the National Treasury and/or financial entities supervised by the Financial Superintendence, under the terms of Article 84 of Law 1687 of 2013. PARAGRAPH: The Trust undertakes to carry out the contractual purpose with complete autonomy and independence, at its own risk and under its sole responsibility, for which reason, this contract does not generate any labor relationship between the Trustee and the Fund. The main domicile where the consortium carries out its operations, is at Carrera 13 No. 26A-47, 9th floor, in the city of Bogotá.
Calimio Concessionaire	Collection and Administration of the resources destined to the development of the projects, and those derived from it, including capital contributions made by the trustor, the proceeds from the use of the Syndicated loan, and the payments corresponding to the Economic Participation received from the MIO System.

Name	ACTIVITY
	The main domicile where the consortium carries out its operations, is at Carrera 13 No. 26A-47, 9th floor, in the city of Bogotá.
Vinus FBO Consortium	CONCESION VÍAS DEL NUS S.A.S., requested the assignment of the contractual position of trustee of the PROJECT'S TRUST AGREEMENT to FIDUCIARIA BANCOLOMBIA S.A., so that once the assignment of the contractual position is formalized, it will be administered by FIDUCIARIA DE OCCIDENTE S.A. and FIDUCIARIA BOGOTÁ S.A., having to constitute for such purpose a consortium that allows them to manage the trust business. The purpose of the Consortium Agreement is: (i) The constitution of the CONSORTIUM; (ii) To establish the terms and conditions under which the joint will of these will be regulated to implement and start up the administrative, organizational and technological structure required for the fiduciary administration of the Autonomous Trust for the development of the Project, under the terms of the PROJECT'S TRUST AGREEMENT. The participation corresponds to Fiduciaria de Occidente S.A. 33% and Fiduciaria Bogotá S.A. 67%. The main domicile where the consortium carries out its operations is at Calle 67 No. 7 - 37 Piso 3 in the city of Bogotá.

As of December 31, 2023 and 2022, the joint agreements managed by Fiduciaria de Occidente S.A., such as Calimio, Pensiones Cundinamarca (in liquidation), Fondo de Adaptación and Sop 2012, Emcali and Consorcio Vinus FBO, in their financial statements do not present contingent liabilities or assets that could jeopardize their normal operating performance; however, for Consorcio Fosyga (in liquidation) a provision is recorded for possible contingencies for MPS fines and risk of lawsuits.

Legal and Financial Situation of the joint operation (consortium) FOSYGA 2005 "In Liquidation"

In relation to the legal contingencies related to the FIDUFOSYGA 2005 Consortium, in liquidation, in which Fiduoccidente S.A. has a 6.55% shareholding, there are contingencies in third party proceedings against the State in which the Consortium has been included as allegedly liable without contingencies derived from fiscal responsibility proceedings. Provisions in this Consortium, as of December 31, 2023, decreased by COP 2,954.7 million, of which were recognized as a recovery in expense; to date the value amounts to the sum of COP 16,829 million.

Note 14. - Tangible assets, net

The following is the movement in the carrying amount of tangible asset accounts (property and equipment for own use, operating leases and investment properties) for the years ended December 31, 2023 and 2022:

		For own use	Leased under operating leases	Investment properties	Right-of-use assets	Total
Cost or fair value:						
Balance as of December 31, 2022	**$**	**502,303**	**75,363**	**216,897**	**385,432**	**1,179,995**
Increase or decrease due to change in lease variables					30,845	30,845
Purchases		24,127	23,905	51,841	63,576	163,449
Addition for decommissioning costs		-	-	-	46	46
Withdrawals from sales (net)		(12,234)	-	(74,167)	(2,124)	(88,525)
Impairment charges (net)		(13,373)	-	-	(20,704)	(34,077)
Transfers from / to ANCMV		(113,151)	-	-	-	(113,151)
Transfers from / to Investment Properties		(128)	-	36	-	(92)
Adjustment for exchange differences		(1,809)	-	-	(495)	(2,304)
Other reclassifications		-	(2,290)	-	-	(2,290)
Change in fair value		-	-	19,328	-	19,328
Revaluation of investment properties		-	-	145	-	145
Balance as of December 31, 2023	$	385,735	96,978	214,080	456,576	1,153,369
Balance as of December 31, 2021	**$**	577,433	47,657	171,419	358,510	1,155,019
Increase or decrease due to change in lease variables					26,399	26,399
Purchases		32,180	33,993	57,518	45,545	169,236
Addition for decommissioning costs		-	-	-	44	44
Withdrawals from sales (net)		(77,755)	-	(55,064)	(1,519)	(134,338)
Impairment charges (net)		(6,647)	-	-	(43,959)	(50,606)
Transfers from / to ANCMV		(8,531)	-	-	-	(8,531)
Transfers from / to Investment Properties		(12,546)	-	11,492	-	(1,054)
Adjustment for exchange differences		(1,831)	-	-	412	(1,419)
Other reclassifications		-	(6,287)	-	-	(6,287)
Change in fair value		-	-	30,735	-	30,735
Revaluation of investment properties		-	-	797	-	797
Balance as of December 31, 2022	**$**	**502,303**	**75,363**	**216,897**	**385,432**	**1,179,995**
Accumulated Depreciation:						
Balance as of December 31, 2022	**$**	**(303,766)**	**(17,755)**	**-**	**(144,935)**	**(466,456)**
Depreciation for the year charged to expense		(30,596)	(16,243)	-	(64,243)	(111,082)
Withdrawals from sales (net)		11,527	-	-	2,125	13,652
Impairment charges (net)		12,714	-	-	17,510	30,224
Transfers from / to ANCMV		31,184	-	-	-	31,184
Transfers from / to Investment Properties		92	-	-	-	92
Adjustment for exchange differences		1,085	-	-	210	1,295
Other reclassifications		-	2,290	-	-	2,290
Balance as of December 31, 2023	**$**	**(277,760)**	**(31,708)**	**-**	**(189,333)**	**(498,801)**
Balance as of December 31, 2021	**$**	**(327,844)**	**(9,979)**		**(116,880)**	**(454,703)**
Depreciation for the year charged to expense		(33,605)	(13,986)	-	(59,377)	(106,968)
Withdrawals from sales (net)		45,331	-	-	1,519	46,850
Impairment charges (net)		5,472	-	-	29,902	35,374
Transfers from / to ANCMV		3,260	-	-	-	3,260
Transfers from / to Investment Properties		1,055	-	-	-	1,055
Adjustment for exchange differences		2,565	-	-	(99)	2,466
Other reclassifications		-	6,210	-	-	6,210
Balance as of December 31, 2022	**$**	**(303,766)**	**(17,755)**	**-**	**(144,935)**	**(466,456)**
Impairment losses:						
Balance as of December 31, 2022	**$**	(227)	(374)	-	-	(601)
Impairment charge for the year		(77)	(35)	-	-	(112)
Impairment recovery		197	-	-	-	197
Balance as of December 31, 2023	**$**	**(107)**	**(409)**	**-**	**-**	**(516)**
Balance as of December 31, 2021	**$**	(294)	(157)	-	-	(451)
Impairment charge for the year		(1,400)	(217)	-	-	(1,617)
Impairment recovery		265	-	-	-	265
Withdrawals from sales (net)		1,202	-	-	-	1,202
Balance as of December 31, 2022	**$**	**(227)**	**(374)**	**-**	**-**	**(601)**
Tangible assets, net:						
Balance as of December 31, 2022	**$**	**198,310**	**57,234**	**216,897**	**240,497**	**712,938**
Balance as of December 31, 2023	**$**	**107,868**	**64,861**	**214,080**	**267,243**	**654,052**

The real estate assets were transferred to the Private Equity Fund of Nexus Inmobiliario Compartimento Inmuebles Occicliente, managed by "Nexus Capital Partners S.A.S", and managed by "Fiduciaria de Occidente", as consideration for the sale; the Parent Company and its subsidiaries received participation units from the Capital Fund, amounting at the closing of December 31, 2023 to $709,520, at 2022 in $538,105, at 2021 in $440,694 and in 2020 at $314,593, which are recorded in account 1302050001 - National Issuers with restriction.

From the beginning of the project in 2020 until December 31, 2023, 71 real estate assets were transferred by the parent company and 5 assets by the Trust, in accordance with the sale plan defined by management.

a) Property and equipment for own use

The following is the detail of the balance as of December 31, 2023 and 2022, by type of property and equipment for own use:

For own use		Cost	Accumulated depreciation	Impairment loss	Carrying amount
Land	$	8,954	-	-	8,954
Buildings		17,382	(6,635)	-	10,747
Office equipment, fixtures and accessOCIes		110,923	(81,656)	(49)	29,218
Computer equipment		206,613	(160,493)	(58)	46,062
Vehicles		800	(575)	-	225
Mobilization equipment and machinery		49	(47)	-	2
Improvements to other people's property		36,498	(28,353)	-	8,145
Construction in progress		4,515	-	-	4,515
Balance as of December 31, 2023	**$**	**385,734**	**(277,759)**	**(107)**	**107,868**

For own use		Cost	Accumulated depreciation	Impairment loss	Carrying amount
Land	$	26,720	-	-	26,720
Buildings		112,763	(36,251)	-	76,512
Office equipment, fixtures and fittings		118,793	(86,699)	(29)	32,065
Computer equipment		202,750	(153,029)	(198)	49,523
Vehicles		1,146	(785)	-	361
Mobilization equipment and machinery		49	(43)	-	6
Improvements to other people's property		35,410	(26,959)	-	8,451
Construction in progress		4,672	-	-	4,672
Balance as of December 31, 2022	**$**	**502,303**	**(303,766)**	**(227)**	**198,310**

There are no mortgages or pledges on the property and equipment of the Parent Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A., NEXA BPO, Banco de Occidente Panama S.A. and Occidental Bank Barbados Ltd.

The Parent Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A., NEXA BPO, Banco de Occidente Panama S.A. and Occidental. - All property and equipment of the Parent Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A., NEXA BPO, Banco de Occidente Panama S.A. and Occidental Bank Barbados Ltd. - NEXA BPO, Banco de Occidente Panama S.A. and Occidental Bank Barbados Ltd., as well as the assets under operating leases, are duly covered against fire, weak current and other risks with insurance policies in force. The Parent Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A., NEXA BPO, Banco de Occidente Panama S.A. and Occidental Bank Barbados Ltd., have insurance policies for the protection of their property and equipment for $995,574 and $947,637 as of December 31, 2023 and 2022, respectively, covering risks of theft, fire, lightning, explosion, earthquake, strikes, riots and others.

Occidental Bank Barbados Ltd. establishes impairment on property and equipment, when their carrying amount exceeds their recoverable amount. The Parent Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A., NEXA BPO, Banco de Occidente Panama S.A. and Occidental Bank Barbados Ltd. evaluate at the end of each reporting period whether there is any indication of impairment of the value of any asset, and if such indication exists, the recoverable amount of the asset is estimated.

The following factors are considered in assessing whether there is any indication that an asset may be impaired:

External sources of information:

a. There are observable indications that the value of the asset has decreased during the period, significantly more than would be expected as a result of the passage of time or normal use.

b. During the period, significant changes have taken place, or will take place in the immediate future, with an adverse effect on the entity, relating to the legal, economic, technological or market environment in which it operates, or in the market for which the asset is intended.

c. During the period, market interest rates, or other market rates of return on investments, have increased and are likely to affect the discount rate used to calculate the asset's value in use, thereby significantly decreasing its recoverable amount.

d. The carrying amount of the entity's net assets is greater than its market capitalization.

Internal sources of information:

a. Evidence of obsolescence or physical deterioration of an asset is available.

b. Significant changes in the scope or manner in which the asset is used or expected to be used that will adversely affect the entity, have occurred or are expected to occur in the foreseeable future.

c. Evidence is available from internal reports indicating that the economic performance of the asset is, or will be, worse than expected.

b) Property and equipment leased under operating leases

The following is the detail of the balance as of December 31, 2023 and 2022, by type of property and equipment leased under operating leases:

December 31, 2023		Cost	Accumulated depreciation	Impairment loss	Carrying amount
Computer equipment	$	45,873	(19,959)	(409)	25,505
Vehicles		22,905	(6,360)	-	16,545
Mobilization equipment and machinery		28,198	(5,387)	-	22,811
Total	**$**	**96,976**	**(31,706)**	**(409)**	**64,861**

December 31, 2022		Cost	Accumulated depreciation	Impairment loss	Carrying amount
Computer equipment	$	47,094	(11,807)	-	35,288
Vehicles		22,772	(3,580)	-	19,192
Mobilization equipment and machinery		5,496	(2,366)	(375)	2,755
Total	**$**	**75,362**	**(17,753)**	**(375)**	**57,234**

The following is a summary of the minimum lease payments to be received by the Parent Company in the next installments on assets delivered under operating leases as of December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
Not older than one year	$	24,904	18,734
Older than one year and less than five years		39,849	35,976
Total	**$**	**64,753**	**54,710**

During the years ended December 31, 2023 and 2022, no income was recorded in profit or loss for the period for contingent rents received on assets delivered under operating leases.

In operating leases, the Parent Company, as lessor, delivers goods to the lessee for use for an established term in exchange for a fee. At the end of the lease term, the lessee may purchase the asset at its market value, extend the lease or return the asset. In most contracts, the fee is calculated based on the DTF or IBR, with the addition or subtraction of nominal points, and fixed fees are established for extensions. VAT, insurance, maintenance and any charges on the asset are borne by the lessee. Returned assets are repositioned or marketed by the Parent Company.

c) Investment properties

The following is a detail of the balance as of December 31, 2023 and 2022, by type of investment property for the Group:

Investment properties		**Cost**	**Fair value adjustments**	**Carrying amount**
Land	$	69,006	9,823	78,829
Buildings		102,636	32,615	135,251
Balance as of December 31, 2023	**$**	**171,642**	**42,438**	**214,080**

Investment properties		**Cost**	**Fair value adjustments**	**Carrying amount**
Land	$	79,229	32,509	111,738
Buildings		90,002	15,156	105,158
Balance as of December 31, 2022	**$**	**169,231**	**47,665**	**216,896**

The following amounts have been recognized in the statement of income from investment property management during the years ended December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
Rental income	$	2,577	1,131
Direct operating expenses arising from investment properties that generate rental income		(422)	(362)
Direct operating expenses arising from investment properties that do not generate rental income		(6,566)	(3,919)
Net		**(4,411)**	**(3,150)**

The investment properties of the Parent Company and subsidiaries are valued annually at fair value based on market values determined by qualified independent appraisers who have sufficient experience in the valuation of similar properties. The significant methods and assumptions used in determining fair value in accordance with IFRS 13 were as follows:

- **Comparative market method**

  It is the devaluation technique that seeks to establish the Corporate value of the property, based on the study of recent offers or transactions of similar and comparable properties to the one under appraisal. Such offers or transactions must be classified, analyzed and interpreted to arrive at an estimate of Corporate value.

- **Sales comparison approach**

  The sales comparison approach, allows determining the value of the property being appraised by comparison with other similar properties that are being or have recently been traded in the real estate market.

This comparative approach considers sales of similar or substitute goods, as well as data obtained from the market, and establishes a value estimate using processes that include comparison. In general, a property whose value (the property being appraised) is compared with sales of similar properties that have been traded on the open market. Advertisements and offers may also be considered.

To date, the Parent Company has no restrictions on the collection of rental income, or on the realization of assets classified as investment property.

d) Rights-of-use assets

The following is the detail of the balance as of December 31, 2023 and 2022 of the right-of-use assets by type:

Rights of use assets		**Cost**	**Accumulated depreciation**	**Carrying amount**
Buildings	$	383,798	(143,640)	240,158
Office equipment, fixtures and fittings		120	(52)	68
Computer equipment		70,079	(44,373)	25,706
Vehicles		2,579	(1,268)	1,311
Balance as of December 31, 2023	**$**	**456,576**	**(189,333)**	**267,243**
Rights of use		**Cost**	**Accumulated depreciation**	**Carrying amount**
Buildings	$	315,477	(111,641)	203,836
Office equipment, fixtures and fittings		120	(28)	92
Computer equipment		67,673	(32,883)	34,790
Vehicles		2,162	(383)	1,779
Balance as of December 31, 2022	**$**	**385,432**	**(144,935)**	**240,497**

Note 15. - Intangible assets, net

The following is the movement in intangible asset accounts for the years ended December 31, 2023 and 2022:

		Goodwill	Other Intangibles	Total intangible assets
Cost:				
balance as of December 31, 2022	**$**	**22,724**	**693,967**	**716,691**
Additions / Purchases (net)		-	135,103	135,103
Withdrawals / Sales (net)		-	(964)	(964)
Difference in exchange		-	(211)	(211)
balance as of December 31, 2023		**22,724**	**827,895**	**850,619**
balance as of December 31, 2021		**22,724**	**558,109**	**580,833**
Additions / Purchases (net)		**-**	141,308	141,308
Withdrawals / Sales (net)		-	(5,505)	(5,505)
Difference in exchange		-	55	55
balance as of December 31, 2022	**$**	**22,724**	**693,967**	**716,691**
Accumulated Depreciation:				
balance as of December 31, 2022	**$**		**176,490**	**176,490**
Amortization for the year charged to income		-	74,763	74,763
Withdrawals / Sales (net)		-	(952)	(952)
Difference in exchange		-	(33)	(33)
balance as of December 31, 2023	**$**	**-**	**250,268**	**250,268**
balance as of December 31, 2021	**$**	-	**125,811**	**125,811**
Amortization for the year charged to income		-	55,988	55,988
Withdrawals / Sales (net)		-	(5,319)	(5,319)
Difference in exchange		-	10	10
balance as of December 31, 2022	**$**	**-**	**176,490**	**176,490**
Intangible assets, net:				
balance as of December 31, 2022	**$**	**22,724**	**517,477**	**540,201**
balance as of December 31, 2023	**$**	**22,724**	**577,627**	**600,351**

In the aforementioned cutoffs, the Parent Company and subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. - NEXA BPO, do not present impairment loss of these intangibles.

Goodwill

Goodwill recorded arose from the merger of the Parent Company with Banco Unión. For valuation purposes, goodwill have been allocated to the Parent Company as a single cash generating unit.

The technical valuation study for the year 2023 of the goodwill arising from the acquisition of Banco Unión, was prepared with the technical support of the firm PricewaterhouseCoopers Asesores Gerenciales S.A.S. Evaluation of the goodwill recorded by the Parent Company as of December 2023, concluded that the goodwill assigned to the Cash Generating Unit is not impaired, and presents an excess of $322,869 in value in use (2022: 80,873) with respect to book value.

The recoverable amount of the cash generating unit, was determined based on value in use calculations. These calculations used management-approved cash flow projections, covering periods of five years and three months. The following are the main macroeconomic assumptions used in the 2023 valuation:

Macroeconomic Information						
Index	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**
Gross Domestic Product (Real GDP)	0.9%	0.1%	2.7%	3.6%	3.3%	3.3%
CPI Colombia	11.8%	5.8%	3.5%	3.2%	3.1%	3.1%
US CPI	4.1%	2.8%	2.1%	2.1%	2.1%	2.1%
IBR	12.8%	9.0%	8.0%	6.8%	5.8%	5.8%
Income Tax Rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Financial Sector Surcharge	5.00%	5.00%	5.00%	5.00%	5.00%	0.00%

In accordance with IAS 36, cash flow projections in the most recent financial budgets or forecasts, have been approved by the Bank's management, excluding any estimates of cash inflows or outflows expected to arise from future restructuring or improvements in asset performance. Projections, based on these budgets or forecasts, will cover a maximum period of five years.

The valuation approach and methodology applied by PricewaterhouseCoopers Asesores Gerenciales S.A.S., considers an income approach based on expected dividend flows.

Income Approach

The future dividend flow methodology, seeks to obtain the total value of the Cash Generating Unit, through the projection of the cash that would be paid to the Shareholder, which is determined as a percentage of the net income projections, ensuring compliance with the solvency margin, and the hedge of the reinvestment needs in assets, operating funds (costs, expenses, taxes, working capital) and the payment of the cost of debt. This analysis requires the projection of the cash flows generated during a determined period of time, to subsequently bring them to present value, by discounting them at an appropriate rate for such operation, also considering a terminal value.

Discount rate

The discount rate should consider the time value of money, inflation and the risk inherent in the transaction being carried out.

To define the discount rate, the concept of cost of equity is used as a reference framework, based on the Capital Asset Pricing Model (CAPM). This is defined as a function of a risk-free rate, considering a series of additional premiums, such as the market risk premium, which may increase or decrease depending on the market performance of the asset whose valuation is to be advanced (beta coefficient).

The following aspects were considered in the construction of the discount rate used in the valuation of the 2023 business:

a) Risk-free rate (Rf): The risk-free rate was taken as the U.S. Treasury rate with a 10-year term. Rf = 4.6%. Source: US Treasury Department.

b) Country risk (Cr): The Colombian EMBI was used, which indicates the difference in return between U.S. bonds and Colombian bonds. Cr= 3.4%. Source: Invenómica.

c) Market risk premium (Rp): Extra return that the stock market has historically provided over the risk-free rate as compensation for market risk. Rp=6.0%. Source: PwC Research.

d) Size premium (Rt): Result 0.0%.

e) Beta (p): The beta coefficient was applied on the basis of data from comparable companies, resulting in 1.04. Source: S&P Global - Capitaliq.

f) Implicit Devaluation (Ri): For the calculation of the implicit devaluation, the long-term inflation rates of the United States and Colombia are considered to express the effect of the devaluation of the Colombian peso against the U.S. dollar. Source Oxford Economics - EMI.

g) Cost of Equity COP (Ke): According to the methodology used, a discount rate of 22.6% nominal in Colombian pesos was estimated.

Considering the above assumptions, the discount rate obtained is as follows:

Variable	Rate
Beta of leveraged equity	1.04
Market Risk Premium	6.00%
Risk-free rate	4.60%
Country risk	3.40%
Cost of Equity (USD)	**14.20%**
Long-term inflation Colombia	11.80%
Long-term inflation US	4.10%
Inflation differential	7.40%
Cost of Equity (COP)	**22.60%**

Sensitivity Analysis.

The sensitivity analysis shows the results of the Value in Use of Banco Unión (9.8% of Banco de Occidente's valuation). The central value has a spread of 0%, for both the Ke and the gradient; this value corresponds to the base scenario, which coincides with the Value in Use of Banco Unión ($803,877).

The values to the right and above the base value will be lower, considering that the discount rate is increasing and the perpetuity growth gradient is decreasing, with the value in the upper right corner being the most conservative scenario. Conversely, values downward and to the left of the base value will be higher, considering that the discount rate is decreasing and the growth gradient is increasing, with the value in the lower left corner being the most optimistic scenario. It is important to mention that, with the analyzed values of variation on the growth gradient and the discount rate, no impairment scenarios are evident, since no value is lower than the book value ($481,008).

Spread over Growth gradient (g)	Spread on Ke				
	1.00%	**-0.50%**	**0.00%**	**0.50%**	**1.00%**
1.0%	721,178	704,956	689,183	673,843	658,923
-0.5%	776,006	758,461	741,403	724,814	708,679
0.0%	841,601	822,474	803,877	785,794	768,207
0.5%	921,481	900,427	879,957	860,054	840,698
1.0%	1,020,882	997,429	974,629	952,461	930,905

	December 31, 2023			
UGE $	**Goodwill**	**Carrying value**	**Recoverable amount**	**Surplus**
Banco Unión	22,724	481,008	803,877	322,869

	December 31, 2022			
UGE $	**Goodwill**	**Carrying value**	**Recoverable amount**	**Surplus**
Banco Unión	22,724	451,420	532,293	80,873

Detail of intangible assets other than goodwill

The following is the detail of intangible assets other than goodwill as of December 31, 2023 and 2022:

As of December 31, 2023		**Cost**	**Accumulated amortization**	**Amount in books**
Licenses	$	8,623	5,763	2,860
Computer programs and applications		819,272	244,505	574,767
Total	**$**	**827,895**	**250,268**	**577,627**

As of December 31, 2022		**Cost**	**Accumulated amortization**	**Amount in books**
Licenses	$	4,802	1,510	3,292
Computer programs and applications		689,164	174,979	514,185
Total	**$**	**693,966**	**176,489**	**517,477**

Note 16. - Income tax

a. Components of income tax expense

Income tax expense for the years ended December 31, 2023 and 2022 comprises the following:

		December 31, 2023	December 31, 2022
Current year income tax	$	60,174	25,053
Rent surcharge		1,440	4,546
Subtotal for current year taxes		**61,614**	**29,599**
Adjustment for prior years		451	6,039
Adjustment for uncertain tax positions		-	(7,536)
Net deferred taxes for the year		(89,399)	97,529
Adjustment of deferred taxes of prior years		(11)	(8,175)
Subtotal deferred taxes		**(89,410)**	**89,354**
Total	**$**	**(27,345)**	**117,456**

In compliance with the provisions of paragraph 6 of article 240 of the Tax Code, the calculation of the Group's Tax Deduction Rate (TTDG) was made, the result of which from the consolidated for *Grupo AVAL* is higher than the 15% indicated in the current tax regulation and, therefore, did not give rise to any additional recognition to the current income tax expense.

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

Current tax provisions applicable to the Group stipulate that in Colombia:

- The income tax rate for the years 2023 and 2022 is 35%.

- In the year 2023, for financial institutions, insurance companies, reinsurance companies, stock exchange commission agent companies, agricultural commission agent companies, agricultural, agroindustrial 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 to or higher than 120,000 UVTs.

- In the year 2022 for financial institutions that obtain in the period a taxable income equal or higher than 120,000 UVTs, 3 additional points are applied, being the rate 38%.

- As of taxable year 2021, the presumptive income rate is zero percent (0%).

In accordance with paragraph 81 (C) of IAS 12, the following is a reconciliation between the Group's total income tax expense calculated at current tax rates and the tax expense (income) actually recorded in the results of operations for the periods ended December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
Profit before income tax	$	452,212	573,799
Total tax rate		40%	38%
Theoretical tax expense calculated according to current tax rates		180,885	218,044
Non-deductible expenses		16,120	17,816
Dividends received not constituting income		(2,281)	(2,120)
Income from the equity method not constituting income		(87,553)	(46,376)
Interest and other income not subject to income tax		(8,708)	(1,056)
Exempt income		(1,238)	(6,294)
Occasional income with different tax rates		-	(1,406)
Tax benefit in acquisition of productive assets		(31,057)	(25,747)
Tax discounts		(19,106)	(6,077)
Profits of subsidiaries in tax-exempt countries		(22,048)	(17,072)
Rate difference in earnings of subsidiaries with different tax rates		(7,349)	8,305
Effect of the application of different rates for the determination of deferred taxes		(36,523)	(5,779)
Adjustment for prior years		451	6,039
Adjustment for uncertain tax positions from prior years		-	(7,536)
Adjustment of deferred taxes of prior years		(11)	(8,175)
Other concepts		(8,927)	(5,109)
Total tax expense for the year	**$**	**(27,345)**	**117,456**

c. Tax uncertainties

The following is the movement in tax uncertainties during the years ended December 31, 2023 and 2022:

		December 31, 2022
Balance at beginning of year	**$**	**7,536**
Increase in the provision		-
Use of provision		(87)
Amount of unused provisions		(7,461)
Financial cost		12
Ending balance	**$**	**0**

As of December 31, 2023 and 2022, the Group has no tax uncertainties that would generate a provision for such concept, taking into account that the income and complementary taxes process is regulated under the current tax framework. Consequently, there are no risks that could imply an additional tax liability.

d. Deferred income taxes with respect to subsidiaries, associates and joint ventures

During the years ended December 31, 2023 and 2022 the Parent Company did not record deferred tax liabilities in respect of temporary differences on investments in subsidiaries and associates, as a result of the application of the exception provided in paragraph 39 of IAS 12, taking into account that the requirements established in such standard are met, because the Parent Company and subsidiaries have control over the reversal of such temporary differences, and management believes that it is probable that they will not reverse in the foreseeable future.

Temporary differences for the above items as of December 31, 2023 and 2022 amount to $953,734 and $800,314, respectively.

e. Deferred taxes by type of temporary difference

Differences between the carrying amounts of assets and liabilities and their tax bases, give rise to the following temporary differences that generate deferred taxes, calculated and recorded in the periods ended December 31, 2023 and 2022 based on the tax rates currently in effect for the years in which such temporary differences will be reversed.

As of December 31, 2023

		Balance at January 1, 2023	Credited (debited) to income	Credited (debited) to OCI	Exchange difference on translation of financial statements	December 31, 2023
Deferred tax assets						
Valuation of fixed income investments	$	159,010	(46,372)	(110,211)	-	2,427
Fixed Income Impairment		209	(209)	-	-	-
Valuation of derivatives		82,931	(31,688)	-	-	51,243
Impairment Accounts Receivable		2	(1)	-	-	1
Loan portfolio		-	9	-	(9)	-
Impairment of Loan Portfolio		9	16	-	-	25
Property, plant and equipment		12	5,242	-	-	5,254
Depreciation on Property, Plant and Equipment		-	45	-	-	45
Impairment of Property, Plant and Equipment		-	27	-	-	27
Tax losses		-	190,378	-	-	190,378
Non-deductible passive provisions		79	(3)	-	-	76
Employee benefits		10,983	(3,636)	1,935	-	9,282
Financial leasing contracts		60,241	4,694	-	-	64,935
Customer loyalty program		301	(10)	-	-	291
Other		73,434	35,369	(29,219)	-	79,584
Subtotal (1)		**387,211**	**153,861**	**(137,495)**	**(9)**	**403,568**
Deferred tax liabilities						
Investments in Equity Instruments		(18,218)	(331)	(820)	-	(19,369)
Loan portfolio		(88,146)	(149,793)	-	-	(237,939)
Impairment of Loan Portfolio		(95,936)	95,936	-	-	-
Property, Plant and Equipment		(51,883)	15,790	1,051	-	(35,042)
Depreciation on Property, Plant and Equipment		-	(5,147)	-	-	(5,147)
Rights of Use		(2,383)	(3,846)	-	-	(6,229)
Intangible Assets		(30,715)	(16,032)	-	-	(46,747)
Employee benefits		(17)	17	(15)	-	(15)
Goodwill		(9,089)	1,136	-	-	(7,953)
Financial leasing contracts		(4,273)	(847)	-	-	(5,120)
Other		(13,662)	(1,334)	-	-	(14,996)
Subtotal (2)		**(314,322)**	**(64,451)**	**216**	**-**	**(378,557)**
Total	**$**	**72,889**	**89,410**	**(137,279)**	**(9)**	**25,011**

As of December 31, 2022

		December 31, 2021	Credited (debited) to income	Credited (debited) to OCI	December 31, 2022
Deferred tax assets					
Valuation of fixed income investments	$	72,556	(5,833)	92,496	159,219
Valuation of derivatives		19,820	63,111	-	82,931
Provision for investments		1	(1)	-	-
Loan portfolio		10	(10)	-	-
Provision for loan portfolio		-	2	-	2
Property, plant and equipment		-	12	-	12
Non-deductible passive provisions		593	(514)	-	79
Employee benefits		10,705	278	-	10,983
Financial leasing contracts		53,577	6,664		60,241
Other		80,569	(28,510)	21,482	73,541
Subtotal (1)		**237,831**	**35,199**	**113,978**	**387,008**
Deferred tax liabilities					
Equity investments		(10,358)	(2,724)	(5,136)	(18,218)
Provision for loan portfolio		(78,846)	(105,033)	-	(183,879)
Property, plant and equipment		(43,922)	(7,590)	-	(51,512)
Depreciation of property, plant and equipment		(281)	105	-	(176)
Investment Properties		-	863	(863)	-
Right of use		(5,261)	(1,395)	-	(6,656)
Deferred charges for intangible assets		(33,608)	2,894	-	(30,714)
Employee benefits		-	(999)	(154)	(1,153)
Goodwill		(7,953)	-	-	(7,953)
Other		(3,184)	(10,674)	-	(13,858)
Subtotal (2)		**(183,413)**	**(124,553)**	**(6,153)**	**(314,119)**
Total	$	**54,418**	**(89,354)**	**107,825**	**72,889**

The following is an analysis of current and deferred tax assets and liabilities as of December 31, 2023 and 2022:

Deferred tax balances:

December 31, 2023		**Gross amounts of deferred tax**	**Compensation reclassifications**	**Balances in statements of financial position**
Deferred income tax assets	$	404,003	(378,992)	25,011
Deferred income tax liability		(378,992)	378,992	-
Net	**$**	**25,011**	**-**	**25,011**

Balance at December 31, 2022		**Gross amounts of deferred tax**	**Compensation reclassifications**	**Balances in statements of financial position**
Deferred income tax assets	$	387,008	(314,052)	72,956
Deferred income tax liability		(314,119)	314,052	(67)
Net	**$**	**72,889**	**-**	**72,889**

Current tax balances:

Balance at December 31, 2022		**Gross current tax amounts**	**Compensation reclassifications**	**Balances in statements of financial position**
Deferred income tax assets	$	877,764	(49,274)	828,490
Deferred income tax liability		(50,233)	49,274	(959)
Net	**$**	**827,531**	**-**	**827,531**

Balance at December 31, 2022		Gross current tax amounts	Compensation reclassifications	Balances in statements of financial position
Deferred income tax assets	$	589,234	(24,815)	564,419
Deferred income tax liability		(25,356)	24,815	(541)
Net	**$**	**563,878**	**-**	**563,878**

f. Effect of current and deferred taxes on each component of other comprehensive income in shareholders' equity

The effects of current and deferred taxes on each component of other comprehensive income, are detailed below for the years ended December 31, 2023 and 2022:

		Amount before tax	Deferred tax expense (income)	Net	Amount before tax	Deferred tax expense (income)	Net
Items that may be subsequently reclassified to profit or loss							
Exchange difference on net investment in foreign operations - Hedged portion	$	(73,047)	-	(73,047)	49,942	-	49,942
Hedge of net investment in foreign operations - Non Derivative Hedging Instrument		73,047	(29,219)	43,828	(49,942)	21,482	(28,460)
Diff. in Foreign Operations Exchange		(38,230)	-	(38,230)	32,823	-	32,823
Equity in OCI of investments in associated companies and joint ventures		21,610	-	21,610	(39,917)	-	(39,917)
Unrealized Net Gain/Loss on debt securities		393,661	(110,211)	283,450	(389,396)	92,496	(296,900)
Subtotals		377,041	(139,430)	237,611	(396,490)	113,978	(282,512)
Items that will not be reclassified to profit or loss							
Revaluation of Investment Properties		(2,375)	1,051	(1,324)	461	(863)	(402)
Unrealized Net Gain/Loss on Financial Instruments at Fair Value		9,263	(820)	8,443	10,415	(5,136)	5,279
Actuarial gain/loss from employee benefits		(4,810)	1,920	(2,890)	320	(154)	166
Subtotals		2,078	2,151	4,229	11,196	(6,153)	5,043
Total other comprehensive income for the period	$	379,119	(137,279)	241,840	(385,294)	107,825	(277,469)

g. Transfer pricing

Taxpayers who have entered into transactions with foreign related parties are required to determine, for income and supplementary tax purposes, their ordinary and extraordinary income, their costs and deductions, and their assets and liabilities, considering for these transactions the prices or profit margins that would be agreed upon by independent third parties (market value principle). To date, the management of the Parent Company and subsidiaries and their advisors, have not yet completed the study for the year 2023. However, they believe that based on the results of the study for the year 2022, no additional income tax provisions derived from the transfer pricing analysis will be required to affect the results for the period.

As of 2017, in accordance with Article 260-5 of the Tax Code, the country-by-country report containing information regarding the global allocation of income and taxes paid by the multinational group, together with certain indicators related to its economic activity at a global level, must be submitted as evidentiary documentation; the Parent Company and subsidiaries do not meet the requirements for its submission, therefore it will be submitted by the controlling company *Grupo Aval Acciones y Valores S.A.*

h. Realization of deferred tax assets

In future periods, it is expected to continue to generate taxable net income, against which the amounts recognized as deferred tax assets can be recovered. The estimate of future fiscal results, is based primarily on the projection of the entity's strategic plan.

The estimates of these financial projections are the basis for the recovery of deferred tax assets on tax credits arising from tax loss to be offset against future taxable income.

Note 17. - Customer deposits

The following is a detail of the balances of deposits received from customers of the Parent Company and its subsidiaries in the development of their deposit-taking operations:

Detail		December 31, 2023	December 31, 2022
Demand deposits			
Current accounts	$	7,092,625	7,586,598
Savings accounts		24,153,811	22,021,958
Other funds at sight		62,846	96,584
		31,309,282	**29,705,140**
Term			
Term deposit certificates		17,866,450	13,390,805
Total Deposits	**$**	**49,175,732**	**43,095,945**
By currency			
In Colombian pesos	$	44,903,705	38,382,393
In U.S. dollars		4,259,323	4,692,943
Other currencies		12,704	20,609
Total by Currency	**$**	**49,175,732**	**43,095,945**

Below is a detail of the maturity of the certificates of deposit outstanding as of December 31, 2023:

		December 31, 2023
Year		**Amount**
2024	$	11,660,115
2025		4,618,887
2026		495,785
2027		334,997
2028		646,976
After 2029		109,690
Total	$	**17,866,450**

The following is a summary of the effective interest rates charged on customer deposits:

	December 31, 2023		December 31, 2022	
	Deposits in Colombian pesos		Deposits in Colombian pesos	
	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %
Current accounts	0.00%	13.25%	0.00%	13.20%
Savings account	0.00%	13.79%	1.00%	17.20%
Term deposit certificates	0.04%	17.72%	0.00%	17.40%

Frequency of Interest Settlement: For Term Certificates of Deposit, the frequency of interest settlement corresponds to that agreed with each client within their security; for savings accounts, these frequencies are daily settlement.
The following is a detail of the concentration of customer deposits received by economic sector:

		December 31, 2023		December 31, 2022	
Sector		Amount	%	Amount	%
Government or entities of the Colombian Government (1)	$	6,872,366	13.98%	6,292,153	14.60%
Manufacturing		1,146,077	2.33%	886,456	2.06%
Real Estate		424,981	0.86%	508,446	1.18%
Trade		5,018,214	10.20%	5,339,261	12.39%
Agricultural and livestock		282,668	0.57%	276,004	0.64%
Individuals		4,905,341	9.98%	4,664,241	10.82%
Other (2)		30,536,533	62.10%	25,139,653	58.33%
Eliminations		(10,448)	-0.02%	(10,269)	-0.02%
Total	**$**	**49,175,732**	**100%**	**43,095,945**	**100%**

(1) The government includes sectors O and U (according to ISIC classification) corresponding to public administration and defense and compulsory social security schemes and activities of extraterritorial organizations and bodies, respectively.

(2) The most representative item included in this category, corresponds to financial and insurance activities (sector K), which as of December 31, 2023 presented a total balance of $21,194,553 million, representing 70.08% of the total of the category. (As of December 31, 2022, it presented a total balance of $16,696,053, representing 67.65% of the total of the category).

As of December 31, 2023, there were 13,699 customers with balances over $250 million for a total value of $43,523,419 million. (As of December 31, 2022, there were 13,221 customers with balances over $250 for a total value of $38,480,228 million)

For customer deposits, the expense incurred in income for interest on savings accounts, term deposit certificates and checking accounts in the years ended December 31, 2023 and 2022 are $4,346,644 and $1,912,314, respectively.

Note 18. - Financial Obligations

18.1. Financial obligations

The following is a summary of the financial obligations obtained by the Parent Company and its subsidiaries as of December 31, 2023 and 2022, mainly for the purpose of financing their international trade operations:

		December 31, 2023		December 31, 2022	
		Short-term portion	Long-term portion	**Short-term portion**	Long-term portion
Colombian Legal Currency					
Interbank and overnight funds					
Banks and correspondents	$	126	-	1,157	-
Ordinary purchased interbank funds		80,107	-	-	-
Transfer commitments in repo transactions		1,783,598	-	1,103,078	-
Simultaneous operations		2,082,478	-	44,986	-
Commitments arising from short positions		447,868	-	-	566,644
Total Interbank and overnight funds		**4,394,177**	**-**	**1,149,221**	**566,644**
Bank loans					
Loans		25	-	-	1,995
Total loans from banks		**25**	**-**	**-**	**1,995**
Lease agreements					
Lease liabilities		-	408,260	-	372,825
Total Lease agreements		**-**	**408,260**	**-**	**372,825**
Total liabilities in legal currency		**4,394,202**	**408,260**	**1,149,221**	**941,464**
Foreign Currency					
Interbank and overnight funds					
Banks and correspondents		8,934	-	-	-
Ordinary purchased interbank funds		-	-	70,591	-
Transfer commitments in repo transactions		-	-	342,399	-
Simultaneous operations		-	-	73,188	-
Total Interbank and overnight funds		**8,934**	**-**	**486,178**	**-**
Bank loans					
Loans		2,340,673	383,790	2,817,867	702,785
Acceptances		52,258	-	31,821	-
Total loans from banks		**2,392,931**	**383,790**	**2,849,688**	**702,785**
Lease agreements					
Lease liabilities		**951**	**-**	**1,696**	**-**
Total Lease agreements		**951**	**-**	**1,696**	**-**
Total foreign currency obligations		**2,402,816**	**383,790**	**3,337,562**	**702,785**
Total financial obligations	**$**	**6,797,018**	**792,050**	**4,486,783**	**1,644,249**

As of December 31, 2023, financial obligations corresponding to simultaneous and repo transactions for $4,313,944, were guaranteed with investments for $4,599,783 (as of December 31, 2022 for $2,130,295, guaranteed with investments for $1,313,913).

For loans from banks and others, interest expense for the years ended December 31, 2023 and 2022 is $251,754 and $100,751, respectively.

The following is a summary of the effective interest rates to be accrued on financial obligations as of December 31, 2023 and 2022:

	December 31, 2023 in Colombian pesos		December 31, 2022 in Colombian pesos	
	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %
Interbank funds and repo and simultaneous transactions	1.00	13.15	1.00	16.00
Correspondent banks	0.00	3.50	2.18	3.45

	December 31, 2023 in foreign currency		December 31, 2022 in Colombian pesos	
	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %
Interbank funds and repo and simultaneous transactions	0.00	0.00	4.20	5.53
Correspondent banks	1.00	8.78	2.17	7.93

For short-term financial obligations, the expense incurred in income for interest on money market operations of the interbank funds type, transfer commitments in repo and simultaneous operations and other interest for the years ended December 31, 2023 and 2022, are $431,210 and $133,287, respectively.

18.2. Bonds and investment securities

The Parent Company is authorized by Colombian Finance Superintendence, to issue or place Bonds or general guarantee bonds. All bond issues by the Parent Company, have been issued without guarantees, and represent exclusively the obligations of each of the issuers.

The detail of liabilities as of December 31, 2023 and 2022, by issuance date and maturity date in legal currency, is presented below:

Issuer	Date of Issue	December 31, 2023	December 31, 2022	Maturity Date	Interest Rate
Ordinary Bonds Banco de Occidente Subordinated	Between 09/AUG/2012 and 20/AUG/2020	1,458,983	1,609,382	Between 27/APR/2024 and 14/DEC/2032	Between CPI + 2.37% and 4.65% ; Fixed 5.83%
bonds Banco de Occidente	Between 30/01/2013 and on 12/OCT/2017	712,362	713,034	Between 30/JAN/2025 and on 10/JUN/2026	Between CPI + 3.58% - 3.64% and 4,60%
Total		**$ 2,171,345**	**2,322,416**		

Future maturities as of December 31, 2023 of outstanding investment securities in long-term debt are as follows:

Year		December 31, 2023 Amount
2024	$	315,325
2025		450,000
After 2026		1,406,020
Total		**2,171,345**

For long-term financial obligations from the issuance of bonds, interest accrued in income for the periods ended December 31, 2023 and 2022 was $335,437 and $286,904, respectively.

18.3. Financial obligations with rediscount entities

The Colombian government has established certain credit programs to promote the development of specific sectors of the economy, including foreign trade, agriculture, tourism, Residential construction and other industries. The programs are managed by various government entities such as Banco de Comercio Exterior ("BANCOLDEX"). Fondo para el Financiamiento del Sector Agropecuario ("FINAGRO") and Financiera de Desarrollo Territorial ("FINDETER").

The following is a detail of the loans obtained by the Parent Company from these entities as of December 31, 2023 and 2022:

	Interest rates in effect at the cutoff		December 31, 2023	December 31, 2022
Legal Tender				
Banco de Comercio Exterior - "BANCOLDEX'	Between DTF 0% and 3.60%; IBR 0% and 6.10%; Fixed 2.96% and 20.963%; SOFR 180	$	312,279	361,243
Financing Fund of the Agricultural and Livestock Sector - "FINAGRO"	Between DTF 0% and 1%; IBR 0% Fixed 0.11% and 15.69%		171,943	80,584
Financiera de Desarrollo Territorial "FINDETER" (Territorial Development Financial Institution)	Between DTF 1.90% and 3%; IBR 0% and 0.90%; Fixed 9.47% and 19.57%		599,687	525,168
Total legal currency		$	**1,083,909**	**966,995**
Foreign Currency				
Foreign Trade Bank - "BANCOLDEX"	SOFR 180	$	4,280	442
Total foreign currency			**4,280**	**442**
Total rediscount entities		**$**	**1,088,189**	**967,437**

The following is a detail of the maturities of the financial obligations with rediscount entities outstanding as of December 31, 2023:

		December 31, 2023
Year		**Amount**
2024	**$**	142,744
2025		111,274
2026		224,670
After 2027		609,501
Total	**$**	**1,088,189**

For financial obligations with rediscount entities, interest accrued in income for the periods ended December 31, 2023 and 2022 was $130,308 and $58,159, respectively.

18.4 Analysis of changes in the movements of financing activities

The following is a reconciliation of the movements of liabilities to cash flows derived from financing activities, as of December 31, 2023 and 2022:

		Dividends Payable	Loans from banks and rediscount entities	Finance Lease	Bonds and investment securities	Total
Balance at December 31, 2022	**Ps**	**41,354**	**4,521,906**	**374,521**	**2,322,416**	**7,260,197**
Cash flows from financing activities						
Dividends paid on controlling interest		(187,341)				(187,341)
Dividends paid on non-controlling interest		(39,738)	-	-	-	(39,738)
Lease payments		-	-	(73,901)	-	(73,901)
Payments on outstanding bonds		-	-	-	(148,040)	(148,040)
Acquisition of financial obligations		-	8,441,163	-	-	8,441,163
Payment of financial obligations		-	(8,410,433)	-	-	(8,410,433)
Cash used in financing activities		**(185,725)**	**4,552,636**	**300,620**	**2,174,376**	**6,841,907**
Cash flows from operating activities						
Interest accrued		-	351,175	30,887	335,437	717,499
Interest paid		-	(322,274)	(29,293)	(338,468)	(690,035)
Other Changes (*)		252,772	(716,602)	106,997	-	(356,833)
Balance at December 31, 2023		**67,047**	**3,864,935**	**409,211**	**2,171,345**	**6,512,538**

		Dividends Payable	Loans from banks and rediscount entities	Finance Lease	Bonds and investment securities	Total
Balance at December 31, 2021	**Ps**	**51,968**	**3,342,140**	**377,043**	**2,777,578**	**6,548,729**
Cash flows from financing activities						
Dividends paid on controlling interest		(117,867)				(117,867)
Dividends paid on non-controlling interest		(44,201)				(44,201)
Lease payments		-	-	(72,436)	-	(72,436)
Payments on outstanding bonds		-	-	-	(470,090)	(470,090)
Acquisition of financial obligations		-	6,939,381	-	-	6,939,381
Payment of financial obligations		-	(6,397,565.00)	-	-	(6,397,565)
Cash used in financing activities		**(110,100)**	**3,883,956**	**304,607**	**2,307,488**	**6,385,951**
Cash flows from operating activities						
Interest accrued			139,981	18,929	286,904	445,814
Interest paid		-	(104,166)	(18,924)	(271,976)	(395,066)
Other Changes (*)		151,454	602,135	69,909	-	823,498
Balance at December 31, 2022		**41,354**	**4,521,906**	**374,521**	**2,322,416**	**7,260,197**

(*) Other changes consist of dividends declared, exchange differences and changes in lease agreements.

Note 19. - Provisions for employee benefits

In accordance with Colombian labor legislation, and based on the labor agreements and collective bargaining agreements applicable to the Parent Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A., NEXA BPO, are entitled to short term benefits such as: salaries, vacations, legal and extra-legal bonuses and severance and severance interests, long term benefits such as: extra-legal bonuses and retirement benefits such as: severance to employees who continue with a labor scheme before Law 50 of 1990 and legal and extra-legal retirement pensions. In the case of the foreign subsidiaries Banco de Occidente Panama S.A. and Occidental Bank (Barbados) Ltd., according to the labor legislation of their country, they only have short-term benefits. For compensation of key management personnel, this includes salaries, non-cash benefits and contributions to a defined benefit post-employment plan, see note 30.

The following is a detail of the balances of provisions for employee benefits as of December 31, 2023 and 2022:

		December 31, 2023		December 31, 2022
Short-term benefits	$	77,520	$	75,779
Post-employment benefits		5,167		9,630
Long-term benefits		6,160		6,590
Total Liabilities	**$**	**88,847**	**$**	**91,999**

a) Post-employment benefits

- In Colombia, retirement pensions when employees retire after certain years of age and service, are assumed by public or private pension funds based on defined contribution plans, where entities and employees contribute monthly amounts defined by law, to have access to the pension at the time of retirement of the employee; however, for some employees hired by the Parent Company before 1968 who met the requirements of age and years of service, pensions are assumed directly by the Parent Company.
- In accordance with IAS 19, the pension liability was restated, resulting in a pension liability of $2,850.
- 34 employees hired by the Parent Company before 1990 are entitled to receive at the date of their retirement at the employee's or the Parent Company's discretion, a compensation corresponding to the last month's salary multiplied by each year worked; on December 31, 2023 the provision for this concept corresponds to $2,101.
- In the subsidiary Fiduciaria de Occidente S.A. an additional premium is recognized extra-legally or by collective bargaining agreements, to employees who retire when they reach the age and years of service to start enjoying the pension granted by the pension funds; as of December 31, 2023 the provision for this concept corresponds to $215.
- The subsidiary Fiduciaria de Occidente S.A., recognizes an extra-legal bonus to employees who retire when they reach the age and years of service required to receive the pension granted by the pension funds; this bonus is paid at the time of retirement of the employee. The amount assigned to professional personnel is $10 and to operational personnel is $5 (retirement pension bonus).
- In the Parent Company, there are employees who belong to previous labor schemes, according to which their severance payments are assumed by the Parent Company at the time of their retirement (severance payments of employees of previous law), the new schemes involve this benefit in the defined contribution plans.

b) Long-term employee benefits

- The Parent Company and its subsidiary, Ventas y Servicios S.A. - NEXA BPO, grants its employees long-term extralegal bonuses during their working life, depending on the number of years of service, every five, ten, fifteen and twenty years, etc., calculated as days of salary (between 15 and 180 days) for each payment. For the Parent Company as of the year 2021, only the employees who are covered by the Agreement continue in the plan, since the payment model was changed for those who are not covered by the Agreement.

- The Parent Company and its subsidiary, Ventas y Servicios S.A. - NEXA BPO, have recorded the liabilities corresponding to these benefits, based on the actuarial calculations made under the same parameters of the retirement benefits; the retirement benefits correspond to $6,160 as of December 31, 2023.

The following is the movement in employee retirement benefits and long-term benefits during the years ended December 31, 2023 and 2022:

	Post Employment Benefits		Long Term Benefits	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Balance at beginning of period	$ 9,630	$ 10,925	$ 6,590	$ 7,043
Costs incurred during the period	60	299	608	592
Interest costs	583	743	829	442
Past service costs	(2,079)	-	-	-
	$ 8,194	$ 11,967	$ 8,027	$ 8,077
(Gain)/loss on changes in demographic assumptions	1,130	581	(411)	(99)
(Gain)/loss on changes in financial assumptions	(203)	(902)	(329)	72
	$ 927	$ (321)	$ (740)	$ (27)
Payments to employees	(3,954)	(2,016)	(1,128)	(1,460)
Balance at end of period	**$ 5,167**	**$ 9,630**	**$ 6,159**	**$ 6,590**

Variables used to calculate the projected obligation for the different retirement and long-term employee benefits are shown below:

	Post Employment Benefits		Long-term benefits	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Discount rate	11.51%	13.63%	11.43%	13.75%
Inflation rate	0.00%	3.00%	0.00%	0.00%
Rate of salary increase	4.00%	4.00%	4.00%	4.00%
Pension increase rate	3.00%	3.00%	0.00%	0.00%
Employee turnover	15.81%	19.87%	15.81%	19.87%
Average plan duration (in years)	3.89	3.75	2.92	3.33

The expected life expectancy of employees, is calculated based on mortality tables published by the Colombian Superintendence of Finance, which have been constructed based on the mortality experience provided by the different insurance companies operating in Colombia.

The sensitivity analysis of the employee retirement benefit liability for the different financial and actuarial variables is as follows, holding all other variables constant:

	-0.50 Points		+0.50 Points	
As of December 2023	Post Employment	Long Term	Post Employment	Long Term
Discount rate	$ 103	92	$ (98)	(88)
Rate of salary increase	(87)	(120)	89	124
Pension increase rate	(84)	-	88	-

c) Expected future benefit payments

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

Year		Post-employment benefits	Other benefits Long-term
2024	$	1,216	$ 1.558
2025		917	1,205
2026		862	1,003
2027		731	933
2028		715	637
Years 2029-2032		2,696	2,369

The Parent Company will use its own funds to cover future cash flows for extra-legal and pension benefit payments.

As of December 31, 2023 and 2022, the number of post-employment and long-term benefit participants are as follows:

Benefit	2023	2022
Post-employment participants	566	6,776
Long-term participants	2,852	2,878

Note 20. - Provisions for legal contingencies and other provisions

The movement and balances of legal and other provisions during the periods ended December 31, 2023 and 2022 are described below:

		Legal provisions	Other Provisions	Total provisions
Balance as of December 31, 2022	**$**	**3,395**	**53,790**	**57,185**
Increase due to new provisions in the period		1,315	20,805	22,120
Increase in existing provisions in the period		223	304	527
Utilization of provisions		(958)	(356)	(1,314)
Amounts reversed for unused provisions		(1,487)	(12,861)	(14,348)
Conversion adjustments		-	(2)	(2)
Balance as of December 31, 2023	**$**	**2,488**	**61,680**	**64,168**
Balance as of December 31, 2021	**$**	**3,395**	**43,238**	**46,633**
Increase due to new provisions in the period		2,180	20,062	22,242
Increase in existing provisions in the period		177	182	359
Increases due to adjustments arising from the passage of time		-	13	13
Utilization of provisions		(1,898)	-	(1,898)
Amounts reversed for unused provisions		(459)	(9,706)	(10,165)
Conversion adjustments		-	1	1
Balance as of December 31, 2022	**$**	**3,395**	**53,790**	**57,185**

Other Provisions

Other legal provisions

The ten (8) civil lawsuits filed against the Parent Company, arising from the development of its business, which are mainly related to claims from customers who consider that: (i) checks were improperly paid from their accounts or (ii) without their authorization, funds were allowed to be withdrawn through electronic channels, as well as one (01) administrative investigation by State control and surveillance agencies and labor lawsuits that represent a risk, are duly provided for in the amount of $1,882 as of December 31, 2023.

Labor provisions

Of the labor lawsuits filed against the Group derived from the development of its purpose and that represent a risk, due to disagreements in the termination of the labor contract or the conditions of the contract, 3 are duly provisioned for the total amount of $184 as of December 31, 2023; on the other hand, the remaining 57 are not provisioned due to the analysis of the case and the risk and probability rating by the external labor advisor.

Tax provisions

Tax litigations of the Parent Company and subsidiaries derived from the development of its purpose, and which represent a risk are: i) an action for annulment and reestablishment of the right between the Tax Authority (DIAN) and Aloccidente, an entity merged with Banco de Occidente, provisioned for $229 and ii) statements of objections for sending information as a collecting entity, provisioned for $280 as of December 31, 2023.

Other provisions

Other provisions for the periods ended December 31, 2023 and 2022, consist of the following:

Asset stripping

The Parent Company and the subsidiary, Ventas y Servicios S.A. - NEXA BPO, established a provision for dismantling of assets, corresponding to the improvements made in the infrastructure of the leased offices as of December 31, 2022 and 2023. Dismantling is caused by the dismantling of improvements to leave the leased facilities in their original condition or as agreed in the contract. As of December 31, 2023, the Parent Company recorded a provision of $1,754, and Ventas y Servicios S.A. - NEXA BPO for $104; and as of December 31, 2022 the Parent Company recorded a provision for $1,754 and Ventas y Servicios S.A. - NEXA BPO for $191.

Provision for loan commitments

As of December 31, 2023, provisions for contingencies amounting to $58,251 were included at the head office, of which 78.43% correspond to Credit Cards and 21.57% to Letters of Credit and Bank Guarantees. Meanwhile, as of December 31, 2022, provisions for contingencies were included at the head office in the amount of $50,389, of which 53.55% correspond to Credit Cards and the remaining 46.45% to Letters of Credit and Bank Guarantees.

Other provisions

Fiduciaria de Occidente S.A. for December 31, 2023 constituted provisions for demand in Consorcio *Fidufosyga* for joint operations for $1,102; as of December 31, 2022 the balance recorded is $1,172.

Note 21. - Other liabilities

Other liabilities as of December 31, 2023 and 2022, comprise the following:

Items		December 31, 2023	December 31, 2022
Security deposit - Margin Call	$	355,795	-
Cashier's checks		294,056	250,668
Suppliers and accounts payable		254,512	375,300
Taxes, withholdings and labor contributions		148,026	128,871
Collections made		108,478	59,200
International exchange received		96,006	57,829
Withdrawals payable		72,848	43,450
Other		71,409	26,545
Dividends and surplus		67,047	41,354
Credit surpluses		36,955	40,368
National Guarantee Fund		29,758	22,942
Peace bonds		25,164	20,769
Payments to third parties Occired		21,310	21,147
Sales tax payable		17,452	10,169
Contributions on transactions		13,865	13,310
Bank items in clearing		12,349	30,880
Credit card receivables		11,536	11,242
Derivatives trading		11,267	3,857
Uncashed checks drawn		9,060	8,907
Accounts cancelled		5,488	5,342
Portfolio disbursements		3,835	2,971
Collection services		2,709	2,134
Prospective buyers		2,218	8,359
Forwards non delivery		1,665	341
Commissions and fees		1,432	2,288
Anticipated income		926	644
Loyalty programs		728	751
Deferred credits		424	656
Leases		391	530
Insurance and insurance premiums		146	38
Cash surpluses and redemption		114	40
Ath and ach transactions		30	2
Contributions and memberships		4	4
	$	**1,677,003**	**1,190,909**

Note 22. - Equity

The number of shares authorized, issued and outstanding as of December 31, 2023 and 2022 were as follows:

		December 31, 2023	December 31, 2022
Number of shares authorized	$	200,000,000	200,000,000
Number of shares subscribed and paid		155,899,719	155,899,719
Total shares outstanding		**155,899,719**	**155,899,719**

Total shares outstanding are as follows:

Common shares		155,899,719	155,899,719
Subscribed and paid-in capital, common shares	$	**4,677**	**4,677**

Appropriated retained earnings in reserves

The following is the detail of the composition as of December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
Legal reserve	$	3,134,027	3,134,027
Mandatory and voluntary reserves		1,075,910	823,923
Total		**4,209,937**	**3,957,950**

Legal reserve

Pursuant to current legal regulations, the Parent Company and its subsidiaries Fiduciaria de Occidente S.A. and Ventas y Servicios S.A. - NEXA BPO, must create a legal reserve by appropriating ten percent (10%) of the net profits of each year, until reaching an amount equal to fifty percent (50%) of the subscribed capital stock. This reserve may be reduced below fifty percent (50%) of the subscribed capital stock, to cover losses in excess of retained earnings. The legal reserve cannot be less than the aforementioned percentage, except to cover losses in excess of retained earnings.

Dividends Declared

Dividends are declared and paid to shareholders, based on net income for the immediately preceding year. Dividends declared by the Parent Company were as follows:

		December 31, 2023	December 31, 2022
Profits for the previous year, determined in the separate financial statements of the Parent Company	$	502,643	492,074
Dividends paid in cash		251,323	150,000
Outstanding common shares		155,899,719	155,899,719
Outstanding preferred shares		-	-
Total shares outstanding		**155,899,719**	**155,899,719**
Withholding tax (**)		**(263)**	**(323)**
Total Dividends Declared	$	**251,323**	**150,000**

(*) Earnings reported correspond to the end of December 2022 and 2021.
(**) Withholding tax transferable to shareholders (Art.242-1 ET)

The Parent Company and its subsidiaries have a simple capital structure, and therefore there is no difference between basic earnings per share and diluted earnings.

Note 23. - Non-controlling interests

The following table provides information about each subsidiary that has significant non-controlling interests as of December 31, 2023 and 2022:

December 31, 2023

Entity	Country	Participation		Value of equity interest	Value of profit (losses) sharing	Dividends declared in the period
Fiduciaria de Occidente S.A.	Colombia	4.44%	$	15,342	3,327	1,332
Ventas y Servicios S.A.	Colombia	19.99%		9,807	(73)	-
Banco de Occidente Panama S.A.	Panama	5.00%		11,848	2,756	-
			$	**36,997**	**6,010**	**1,332**

December 31, 2022

Entity	Country	Participation		Value of equity interest	Value of equity in income (loss)	Dividends declared in the period
Fiduciaria de Occidente S.A.	Colombia	4.44%	$	12,984	1,207	1,776
Ventas y Servicios S.A.	Colombia	19.99%		10,261	380	-
Banco de Occidente Panama S.A.	Panama	5.00%		8,901	2,246	-
			$	**32,146**	**3,833**	**1,776**

The following table shows information about each of the direct subsidiaries in which the Company has a significant non-controlling interest as of December 31, 2023 and 2022:

December 31, 2023

Entity		Assets	Liabilities	Total Revenues	Net income	Other Comprehensive Income	Operating cash flow
Fiduciaria de Occidente S.A.	$	437,019	36,537	204,698	74,933	3,177	21,010
Ventas y Servicios S.A.		100,067	51,005	297,534	(370)	-	9,377
Banco de Occidente Panama S.A.		3,561,350	3,324,400	233,681	55,120	(18,556)	(375,208)
	$	**4,098,436**	**3,411,942**	**735,913**	**129,683**	**(15,379)**	**(344,821)**

December 31, 2022

Entity		Assets	Liabilities	Total Revenues	Net income	Other Comprehensive Income	Operating cash flow
Fiduciaria de Occidente S.A.	$	390,766	42,149	138,005	27,191	380	12,491
Ventas y Servicios S.A.		110,143	58,811	320,457	1,899	-	20,850
Banco de Occidente Panama S.A.		3,998,939	3,820,914	164,744		(22,361)	(214,612)
	$	**4,499,848**	**3,921,874**	**623,206**	**29,090**	**(21,981)**	**(181,271)**

As of December 31, 2023, there are no significant transactions with non-controlling interests of the Parent Company, as well as protective rights or restrictions on access to the use of assets or cancellation of liabilities of them.

Note 24. - Commitments and contingencies

a. Commitments

Credit commitments

In the development of its normal operations, the Parent Company grants guarantees or letters of credit to its customers, in which it irrevocably undertakes to make payments to third parties in the event that the customers do not comply with their obligations to such third parties, with the same credit risk for the loan portfolio. The granting of guarantees and letters of credit, are subject to the same loan disbursement approval policies regarding the creditworthiness of customers, and guarantees are obtained as deemed appropriate under the circumstances.

Commitments to extend credit, represent unused portions of authorizations to extend credit in the form of loans, use of credit cards or letters of credit. With respect to credit risk on commitments to extend credit lines, the Parent Company is potentially exposed to losses in an amount equal to the total amount of unused commitments, if the unused amount were to be fully drawn down; however the amount of loss is less than the total amount of unused commitments, since most commitments to extend credit are contingent upon the customer maintaining specific credit risk standards. The Parent Company monitors the maturity terms of the relative commitments of credit quotas, because long-term commitments have a higher credit risk than short-term commitments.

The following is the detail of guarantees, letters of credit and credit commitments on unused lines of credit as of December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
	Notional amount	Fair Value	Notional amount	Fair Value
Collateral $	1,246,647	50,741	2,552,685	58,291
Unused letters of credit	138,249	1,002	255,381	375
Overdraft limits	2,014,636	2,014,636	2,241,656	2,241,656
Unused credit card limits	3,848,307	3,848,307	3,565,446	3,565,446
Opening of credit	173,598	173,598	158,696	158,696
Approved loans not disbursed	5,000	5,000	19,766	19,766
Other	1,913,328	1,913,329	1,023,527	1,023,527
Total $	**9,339,765**	**8,006,613**	**9,817,157**	**7,067,757**
Provision for loss contingencies	(58,263)	(58,263)	(50,394)	(50,394)
Total $	**9,281,502**	**7,948,350**	**9,766,763**	**7,017,363**

The outstanding balances of unused lines of credit and collateral, do not necessarily represent future cash requirements, because such limits may expire and not be used in whole or in part.

The following is a detail of credit commitments by type of currency:

		December 31, 2023	December 31, 2022
Colombian Pesos		7,432,997	7,663,151
Dollars		1,894,087	2,130,280
Euros		11,868	22,054
Other		813	1,672
Total	$	**9,339,765**	**9,817,157**

Capital expenditure disbursement commitments

As of December 31, 2023 and 2022, the Parent Company and subsidiaries had contractual commitments for capital expenditures (intangible and other) of $34,991 and $45,305, respectively. The Parent Company and subsidiaries have already allocated the necessary resources to meet these commitments, and believe that net income and funds will be sufficient to cover these and similar commitments.

b. Contingencies

Legal contingencies

From time to time, in the normal course of operations, claims arise against the Group, which, based on its own estimates and with the assistance of external advisors, the Parent Company's management is of the opinion that it is not probable that losses will be incurred in connection with the proceedings detailed below, and therefore no provision has been recognized in the consolidated financial statements.

As of December 31, 2023, the Group had civil lawsuits against it with claims for $114,619, not including those of remote qualification, which, based on analysis and opinions of the lawyers in charge, do not require provisioning, because they are uncertain obligations that do not imply an outflow of resources.

As of December 31, the following proceedings against it which are material (equal to or greater than $3,865) are:

(i) Popular action, filed by Carlos Julio Aguilar against Banco de Occidente and other financial entities before the Eleventh Administrative Court of the Circuit of Cali, under file number 2004-1924. The lawsuit was brought against the financial entities that participated in the Performance Plan of the Department of Valle in 1998, on the grounds that they agreed to charge interest on interest. The conclusion arguments were presented based on the evidence, which is considered not to prove the facts of the lawsuit, the proceeding is for first instance ruling. The claims were estimated at $15,900.

(ii) Process of delimitation and marking of boundaries promoted by Mrs. Carmen Capella de Escolar against Mosel SAS and others, before the Second Civil Judge of the Specialized Circuit in Land Restitution of Cartagena, with file number 0205 of 2014. The Bank appears in these proceedings, due to a complaint filed by the company Mosel SAS, by virtue of the fact that the Bank was the owner of the property that is the object of the proceedings, and in such capacity established the boundaries of the property, which was subsequently sold. The claim was timely answered, and it is firmly believed that the exceptions to merit raised by the Bank will be recognized by the judge at the time of rendering judgment, in addition to the fact that the damages claimed by the plaintiff in the amount of $4,000 are not duly supported.

(iii) Procedural incident of joint and several liabilities initiated against the Bank and other banking establishments by MEDICAL DUARTE ZF and other entities, within the collection proceeding that they are promoting against a client of the bank before the Fifth Labor Court of the Circuit of Barranquilla. The incident is based on the fact that the Bank allegedly did not comply with the attachment orders issued by the court on the customer's deposits, a situation that does not correspond to reality, since the customer's bank accounts had no funds and had already been previously seized by another judicial authority. The incident was answered in a timely manner by the Bank with the pertinent factual and legal arguments, however, the court decided to declare it jointly and severally liable, along with two other financial entities, for the amount of $70,980, based on a rule that is clearly not applicable to the case. The Bank filed a motion for reconsideration and an appeal against this decision. When deciding the motion for reconsideration, the court confirmed its decision, and processed the appeal, which is currently being processed, but it is firmly believed that it should be revoked, because it lacks factual support, in addition to the fact that there is no rule in the legislation that allows declaring a Bank jointly and severally liable for the breach of a seizure order issued from a labor collection proceeding.

(iv) Revocation action filed before the Superintendence of Companies, through which the revocation of a leasing contract entered into between the Bank and a company that is in corporate reorganization is sought, so that the assets given under the lease return to the supplier's assets, based on the fact that the entity allegedly did not pay the price of the goods. In the present case, the Bank acted in good faith, and has the payment supports of the assets delivered in leasing, therefore it is considered that the requirements for the action to prosper do not exist. The plaintiff estimated its claims in $8,255.

In relation to the aforementioned proceedings against the Company, after the corresponding evaluation, it was established that they do not require provision.

Tax contingencies

As of December 31, 2023, the Parent Company and subsidiaries have no claims for the existence of national and local tax proceedings that establish penalties in the exercise of its activity as a taxpayer entity, and that imply the constitution of contingent liabilities due to the remote possibility of an outflow of resources for such concepts.

Labor contingencies

In the course of the labor relationship between the Group and its employees, as a consequence of the reasons for the termination of the employment contract or its development, different claims arise against, on which it is not considered possible that significant losses will arise in relation to such claims according to the opinion of the lawyers as of December 31, 2023.

Note 25. - Revenues and expenses from contracts with customers

The following is a detail of commission income and expenses for the years ended December 31, 2023 and 2022:

Revenues		**December 31, 2023**	**December 31, 2022**
Fees for banking services	$	290,632	270,351
Credit card fees		161,012	143,319
Fiduciary activities		108,683	76,271
Commissions for drafts, checks and checkbooks		5,220	5,852
Office network services		1,908	1,299
Total	$	**567,455**	**497,092**
Expenses			
Banking services	$	99,158	22,887
Bank charges		1,622	1,056
Sales and service commissions		13,626	12,681
Bank guarantees		42	42
Fiduciary business		5	-
Placements		34,132	48,902
Credit Cards		428	5,715
Other		64,488	60,331
Total		**213,501**	**151,614**
Net commission income	$	**353,954**	**345,478**

The following table discloses revenues from customer contracts as of December 2023 and 2022:

		December 31, 2023	December 31, 2022
Revenues			
Revenues from customer contracts	$	567,454	497,092
Timing of revenue recognition			
At a point in time		22,966	7,151
Over time		544,488	489,941

Note 26. - Other income, net and other expenses

Following is a detail of other income and other expenses for the years ended December 31, 2023 and 2022:

Other income		**December 31, 2023**	**December 31, 2022**
Other operating[i] income**[1]	$	267,371	273,652
Equity in net income of associates and joint ventures		218,882	122,041
Profit on sale of property and equipment		1,244	9,708
Dividends		5,702	5,580
Profit on sale of non-current assets held for sale		23,954	6,260
Net gain on valuation of investment properties		19,328	30,735
Net loss on sale of investments		(12,445)	(28,970)
Net (loss) gain on foreign currency exchange differences		(53,273)	172,640
Other income total	**$**	**470,763**	**591,646**

[*] Other operating income is mainly composed of sales of other services, lease payments, operating leasing and profit on sale of BRPs and restituted.

For the period ended December 31, 2023 and 2022, the variation in other income was ($119,542), mainly due to the share in net income of associated companies and joint ventures for $96,841, due to the difference in foreign currency exchange, due to fluctuations in the TRM in the market, generating a variation of ($225,913), with gain on sale of non-current assets held for sale $17,694 and a gain on valuation of investment properties ($11,407).

Other expenses		December 31, 2023	December 31, 2022
Personnel expenses	$	867,105	811,302
Taxes and fees		315,805	208,810
Insurance		138,060	122,563
Consulting, audit and other fees		142,666	127,279
Contributions, memberships and transfers		47,433	113,604
Other(*)		95,750	82,541
Depreciation of right-of-use assets		64,243	59,377
Amortization of intangible assets		74,763	55,988
Depreciation of tangible assets		46,839	47,590
Maintenance and repairs		54,258	45,236
Utilities		32,458	30,982
Advertising Services		41,848	35,520
Electronic data processing		16,259	15,306
Leases		17,655	15,745
Transportation services		13,645	12,755
Losses on sale of property and equipment		16,326	9,594
Cleaning and security services		18,051	12,721
Supplies and stationery		5,501	4,470
Insurance claims losses		20,870	10,331
Adaptation and installation		5,895	6,982
Impairment losses on other assets		111	2,447
Travel expenses		4,323	4,328
Donation expenses		3,458	1,571
Assets write-off		479	293
Other expenses total	**$**	**2,043,800**	**1,837,335**

(*) Other expenses are mainly composed of administrative expenses, outsourcing services, contingent limits provisions, systematization services and database queries.

Note 27. - Analysis of operating segments

Operating segments are components of the Parent Company that engage in business activities that may generate revenues or incur expenses, and whose operating results are regularly reviewed by the Board of Directors, and for which specific financial information is available:

a. **Description of products and services from which each reportable segment derives its revenues:** The Parent Company is organized into four business segments comprised of the following companies: Fiduciaria de Occidente S.A., Banco de Occidente Panama S.A., Occidental Bank Barbados Ltd. and Ventas y Servicios S.A. - NEXA BPO. All these entities provide banking and financial services in Colombia in corporate or Corporate banking, retail and mortgage banking.

b. **Factors used by management to identify reportable segments:** The operating segments identified above, are based on the strategic organization of the Parent Company to serve the different sectors of the economy in Colombia, Panama and Barbados, taking into account that under the laws of these countries each of these companies have been operating for several years.

   The consolidated information of each entity is reviewed by the Parent Company's Board of Directors, which is available to the stock market only for the Parent Company, considering that it has its shares and securities registered in the Colombian National Securities Registry.

c. **Measurement of net income and assets and liabilities of operating segments:** The Board of Directors of the Parent Company, reviews the consolidated financial information of each of its operating segments prepared in accordance with MFRS.

   The Board of Directors evaluates the performance of each segment, based on each segment's net income and certain credit risk indicators.

d. **Information on net income, assets and liabilities of reportable operating segments:** The following is a detail of the summarized reportable financial information for each segment for the periods ended December 31, 2023 and 2022:

December 31, 2023

		Banco de Occidente S.A. (Parent Company)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panama S.A.	Occidental Bank (Barbados) Ltd.	Eliminations	Total
Assets								
Financial assets at fair value through profit or loss	$	5,363,274	77,439	4,235	887	-	-	5,445,835
Financial assets at fair value with changes in OCI		3,231,197	37,349	-	984,473	349,511	(4,733)	4,597,797
Financial assets in debt securities at amortized cost		2,034,558		-	-	-	-	2,034,558
Investments in associated companies and joint ventures		2,317,326	273,168	-	-	-	(789,692)	1,800,802
Financial assets for loan portfolio at amortized cost		46,808,300	(185)	-	2,143,867	547,053	-	49,499,035
Other Assets		4,510,469	49,064	95,832	432,123	154,128	(17,859)	5,223,757
Total Assets	$	**64,265,124**	**436,835**	**100,067**	**3,561,350**	**1,050,692**	**(812,284)**	**68,601,784**
Liabilities								
Customer deposits		44,973,650	-	-	3,317,028	895,502	(10,448)	49,175,732
Financial obligations		10,816,956	13,580	17,635	952	-	(521)	10,848,602
Other Liabilities		2,830,583	22,771	33,370	6,420	3,418	(7,195)	2,889,367
Total Liabilities	$	**58,621,189**	**36,351**	**51,005**	**3,324,400**	**898,920**	**(18,164)**	**62,913,701**
Equity	$	**5,643,935**	**400,484**	**49,062**	**236,950**	**151,772**	**(794,120)**	**5,688,083**

December 31, 2022

		Banco de Occidente S.A. (Parent Company)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panama S.A.	Occidental Bank (Barbados) Ltd.	Eliminations	Total
Assets								
Financial assets at fair value through profit or loss	$	2,549,767	73,206	11,285	1,107	-	-	2,635,365
Financial assets at fair value with changes in OCI		2,425,803	27,395	-	1,178,941	394,032	(4,031)	4,022,140
Financial assets in debt securities at amortized cost		1,802,692	-	-	-	-	-	1,802,692
Investments in associated companies and joint ventures		2,091,323	237,836	-	-	-	(681,599)	1,647,560
Financial assets for loan portfolio at amortized cost		43,245,944	(162)	-	1,971,234	555,887	(71,228)	45,701,675
Other Assets		2,868,805	52,328	98,857	847,657	359,651	(32,321)	4,194,977
Total Assets	**$**	**54,984,334**	**390,603**	**110,142**	**3,998,939**	**1,309,570**	**(789,179)**	**60,004,409**
Liabilities								
Customer deposits		38,479,688	-	-	3,468,809	1,161,304	(13,856)	43,095,945
Financial obligations		9,121,922	18,854	8,830	344,095	-	(72,815)	9,420,886
Other Liabilities		2,203,630	23,132	49,981	8,010	3,705	(16,955)	2,271,503
Total Liabilities	**$**	**49,805,240**	**41,986**	**58,811**	**3,820,914**	**1,165,009**	**(103,626)**	**54,788,334**
Equity	**$**	**5,179,094**	**348,617**	**51,331**	**178,025**	**144,561**	**(685,553)**	**5,216,075**

December 31, 2023

		Banco de Occidente S.A. (Parent Company)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panama S.A.	Occidental Bank (Barbados) Ltd.	Eliminations	Total
Income from continuing operations								
Financial Income	$	7,468,355	4,248	1,159	198,380	62,818	(2,202)	7,732,758
Fees and commissions		449,449	116,695	-	7,220	2,116	(8,025)	567,455
Other operating income		20,226,576	83,757	296,375	28,081	6,819	(251,125)	20,390,483
Total income	**$**	**28,144,380**	**204,700**	**297,534**	**233,681**	**71,753**	**(261,352)**	**28,690,696**
Financial Expenses								
Provision for impairment of Assets	$	1,385,134	662	1	539	(1,808)	(82)	1,384,446
Depreciation and amortization		163,006	6,062	15,458	1,775	142	(598)	185,845
Commissions and fees paid		275,279	3,124	59	3,598	993	(69,552)	213,501
Administrative expenses		906,515	27,775	48,012	10,918	7,254	(45,561)	954,913
Other operating expenses		24,982,304	80,622	235,215	161,731	44,443	(4,537)	25,499,778
Income tax		(38,785)	11,523	(841)	-	759	-	(27,344)
Total expenses	**$**	**27,673,453**	**129,768**	**297,904**	**178,561**	**51,783**	**(120,330)**	**28,211,139**
Profit for the period	**$**	**470,927**	**74,932**	**(370)**	**55,120**	**19,970**	**(141,022)**	**479,557**

December 31, 2022

		Banco de Occidente S.A. (Parent Company)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panama S.A.	Occidental Bank (Barbados) Ltd.	Eliminations	Total
Income from continuing operations								
Financial Income	$	4,521,395	3,554	720	126,958	41,664	(2,989)	4,691,302
Fees and commissions		412,207	85,311	-	6,021	2,398	(8,845)	497,092
Other operating income		10,905,646	49,140	319,737	31,766	8,089	(198,492)	11,115,886
Total income	**$**	**15,839,248**	**138,005**	**320,457**	**164,745**	**52,151**	**(210,326)**	**16,304,280**
Financial Expenses								
Provision for impairment of financial	$	932,174	199	4	9,556	1,364	-	943,297
Depreciation and amortization		138,417	5,023	18,097	1,714	184	(480)	162,955
Commissions and fees paid		223,672	1,783	41	2,656	903	(77,441)	151,614
Administrative expenses		785,460	20,651	45,414	9,548	6,654	(41,265)	826,462
Other operating expenses		13,196,746	77,810	253,823	96,342	25,810	(4,378)	13,646,153
Income tax		110,228	5,348	1,178	-	702	-	117,456
Total expenses	**$**	**15,386,697**	**110,814**	**318,557**	**119,816**	**35,617**	**(123,564)**	**15,847,937**
Profit for the period	**$**	**452,551**	**27,191**	**1,900**	**44,929**	**16,534**	**(86,762)**	**456,343**

e. Reconciliation of net income, assets and liabilities of the reportable operating segments

The following is a detail of the reconciliation of total segment revenues, expenses, assets and liabilities to the corresponding items consolidated at the Parent Company level:

1. Revenues

		December 31, 2023	December 31, 2022
Total reportable revenues by segment	$	28,952,047	16,514,605
a. Yield on demand deposits		(2,202)	(2,989)
b. Dividends		(177)	(234)
c. Equity Method		(143,190)	(87,805)
d. Other		(115,782)	(119,297)
Total consolidated revenues	**$**	**28,690,696**	**16,304,280**

2. Expenses

		December 31, 2023	December 31, 2022
Total reportable expenses by segment	$	28,350,208	15,971,504
a. Interest on bank loans		(2,288)	(3,024)
b. Equity Method		(2,112)	(1,283)
c. Others		(115,438)	(119,263)
Total consolidated expenses	**$**	**28,230,370**	**15,847,934**

3. Assets

		December 31, 2023	December 31, 2022
Total reportable assets by segment	$	69,414,068	60,793,589
a. Banks and other correspondents		(10,448)	(13,856)
b. Interbank funds sold		-	(71,228)
c. Investments		(794,425)	(685,630)
d. Accounts receivable		(6,981)	(16,562)
e. Other		(430)	(1,904)
Total consolidated assets	**$**	**68,601,784**	**60,004,409**

4. Liabilities

		December 31, 2023	December 31, 2022
Total reportable liabilities by segment	$	62,931,865	54,891,960
a. Checking accounts		(6,172)	(5,695)
b. Credit from Banks		-	(71,228)
c. Accounts payable		(7,194)	(16,558)
d. Other		(4,798)	(10,145)
Total consolidated liabilities	**$**	**62,913,701**	**54,788,334**

5. Equity

		December 31, 2023	December 31, 2022
Total reportable equity by segment	$	6,482,204	5,901,628
a. Capital stock		(36,500)	(41,351)
b. Additional paid-in capital		(198,940)	(198,940)
c. OCI		(855,390)	(951,468)
d. Surplus Equity method		75,002	169,366
e. Profit or loss		227,395	342,525
f. Other		(5,688)	(5,685)
Total consolidated liabilities	**$**	**5,688,083**	**5,216,075**

Assets by country

Country		December 31, 2023	December 31, 2022
Colombia	$	5,304,094	4,897,520
Panama		236,950	178,025
Barbados		147,039	140,530
Total Equity	**$**	**5,688,083**	**5,216,075**

6. Revenues by Country

Country		December 31, 2023	December 31, 2022
Colombia	$	28,391,782	16,094,049
Panama		227,335	158,314
Barbados		71,579	51,917
Total Consolidated Revenues	**$**	**28,690,696**	**16,304,280**

f. Largest customers of the parent company

There are no customers representing 10% of the Parent Company's total revenues during the periods ended December 31, 2023 and 2022.

Note 28. - Offsetting of financial assets with financial liabilities

The following is a detail of the financial instruments subject to contractually required offsetting as of December 31, 2023 and 2022:

As of December 31, 2023

		Gross amounts of recognized financial assets	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net Amount
				Financial Instruments	
Assets					
Derivative financial instruments	$	1,276,723	1,276,723	542,733	733,990
Total	$	**1,276,723**	**1,276,723**	**542,733**	**733,990**
Liabilities					
Derivative financial instruments	$	1,058,390	1,058,390	-	1,058,390
Repo and simultaneous transactions		4,309,278	4,309,278	4,599,783	(290,505)
Total	$	**5,367,668**	**5,367,668**	**4,599,783**	**767,885**

As of December 31, 2022

		Gross amounts of recognized financial assets	Net amount of financial assets presented in the statement of financial position	Related amounts not offset in the statement of financial position	Net Amount
				Financial Instruments	
Assets					
Derivative financial instruments	$	754,968	754,968	-	754,968
Repo and simultaneous transactions		766,848	766,848	393,462	373,386
Total	$	**1,521,816**	**1,521,816**	**393,462**	**1,128,354**
Liabilities					
Derivative financial instruments	$	930,802	930,802	-	930,802
Repo and simultaneous transactions		2,130,296	2,130,296	1,734,217	396,079
Total	$	**3,061,098**	**3,061,098**	**1,734,217**	**1,326,881**

The Parent Company and its subsidiary, Fiduciaria de Occidente S.A., have derivative financial instruments which are legally enforceable according to Colombian legislation or the country where the counterparty is located. In addition, Colombian legal regulations allow the Parent Company to offset instruments derived from its own liability obligations.

Note 29. - Unconsolidated structured entities

The following table shows the total assets of the unconsolidated structured entities, in which the Bank and Subsidiaries had an interest as of the reporting date and their maximum exposure to loss with respect to such interests:

Funds managed by Grupo Aval	**December 31, 2023**	**December 31, 2022**
Total assets under management	817,316	8,411,430
Investments at fair value through profit or loss	709,520	580,510
Other accounts receivable	1	2
total assets in relation to Grupo Aval's interests in unconsolidated structured entities	**1,526,837**	**8,991,942**
Maximum exposure of Grupo Aval	**1,526,837**	**8,991,942**

Note 30. - Related parties

In accordance with IAS 24, a related party is a person or entity that is related to the entity preparing its financial statements, which may exercise control or joint control over the reporting entity, exercise significant influence over the reporting entity, or be regarded as a member of key management personnel of the reporting entity or of a parent of the reporting entity. The definition of related party includes: persons and/or relatives related to the entity (key management personnel), entities that are members of the same group (parent company and subsidiary), associates or joint ventures of the entity or of Grupo Aval entities.

In accordance with the foregoing, the related parties for the Parent Company and subsidiaries, Fiduciaria de Occidente S.A., Occidental Bank Barbados Ltd, Banco de Occidente Panama S.A. and Ventas y Servicios S.A. - NEXA BPO, are classified in the following categories:

1. Individuals who exercise control or joint control over the Parent, i.e. who own more than a 50% interest in the reporting entity; additionally, includes close relatives who could be expected to influence or be influenced by that person.

2. Key management personnel, this category includes the Members of the Board of Directors and President of Grupo Aval, the Parent Company, Fiduciaria de Occidente S.A., the General Manager of Ventas y Servicios S.A. - NEXA BPO, Occidental Bank Barbados Ltd. and Banco de Occidente Panama S.A., plus the key management personnel of these entities, which are the persons who participate in the planning, direction and control of such entities.

3. Companies belonging to the same group, this category includes the controlling company, subsidiaries or other subsidiaries of the same controlling company of Grupo Aval.

4. Associated Companies and Joint Ventures: companies in which Grupo Aval has significant influence, which is generally considered when it owns between 20% and 50% of their capital.

5. This category includes entities that are controlled by individuals included in categories 1 and 2.

6. This item includes entities in which the persons included in items 1 and 2 exercise significant influence.

All transactions with related parties are carried out at market conditions, the most representative balances as of December 31, 2023 and 2022, with related parties are included in the following tables, whose headings correspond to the definitions of related parties, recorded in the three categories above:

December 31, 2023

		Categories					
		1	2	3	4	5	6
		Individuals with control over Banco de Occidente	Key Management Personnel	Companies belonging to the same group	Associates and joint ventures	Entities that controlled by persons included in category 1 and 2	Entities that have significant influence by persons included in category 1 and 2
Assets							
Elective and its equivalents	$	-	-	1,696	-	-	-
Financial assets in investments		-	-	-	113,931	-	-
Financial assets in credit operations		20	19,585	553,728	65,984	441,531	7,206
Accounts receivable		-	205	26,307	457	144,219	66
Other assets		-	1,065	26,300	-	233	-
Liabilities							
Deposits	$	141,699	69,872	1,423,443	19,455	342,812	7,820
Accounts payable		18	3,965	50,105	-	9,653	-
Financial obligations		-	133	70,051	-	59,325	-
Other liabilities		-	-	1,630	-	-	-

December 31, 2022

		Categories					
		1	2	3	4	5	6
		Individuals with control over Banco de Occidente	Key Management Personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by persons included in category 1 and 2	Entities with significant influence by persons included in category 1 and 2
Assets							
Cash and cash equivalents	$	-	-	8,129	-	-	-
Financial assets in investments		-	-	-	103,796	-	-
Financial assets in credit operations		14	16,986	331,057	21,603	326,530	-
Accounts receivable		-	189	25,937	927	112,019	-
Other assets		-	208	16,731	-	968	-
Liabilities							
Deposits		182,872	60,416	1,002,228	78,738	288,440	2,376
Accounts payable		292	2,977	30,273	-	53	-
Financial obligations		-	130	54,465	-	58,107	-
Other liabilities	$	-	21	1,905	-	-	-

The most representative transactions for the years ended December 31, 2023 and 2022 with related parties comprise:

a. Sales, services and transfers

December 31, 2023

		Categories					
		1	2	3	4	5	6
		Individuals with control over Banco de Occidente	Key Management Personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by persons included in category 1 and 2	Entities with significant influence by persons included in category 1 and 2
Interest income	$	1	1,332	71,341	4,382	57,192	583
Financial expenses		3,350	3,927	55,783	2,795	34,894	11
Fee and commission income		4	205	14,653	25,525	58,027	33
Fees and commissions expense		-	796	93,186	33,202	426	-
Other operating income		3	136	141,303	4,553	26,496	8
Other Expenses		-	214	23,152	11,726	10,139	-

December 31, 2022

		Categories					
		1	2	3	4	5	6
		Individuals with control over Banco de Occidente	Key Management Personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by persons included in category 1 and 2	Entities with significant influence by persons included in category 1 and 2
Interest income	$	4	1,015	37,593	1,243	27,979	43
Financial expenses		2,174	1,925	39,528	2,746	19,160	35
Fee and commission income		3	199	11,903	25,451	77,023	6
Fees and commissions expense		-	698	83,697	21,968	510	-
Other operating income		5	109	159,575	6,191	21,327	1
Other Expenses		-	129	13,472	11,641	7,424	-

Outstanding amounts are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years in respect of uncollectible or doubtful accounts related to amounts due from related parties.

b. Compensation of key management personnel

Compensation received by key management personnel, consists of the following for the periods ended December 31, 2023 and 2022:

Items		December 31, 2023	December 31, 2022
Salaries	$	28,803	25,593
Short-term employee benefits		5,690	4,924
Other long-term benefits		47	35
Termination benefits		156	229
Total	**$**	**34,696**	**30,781**

Note 31. - Events after the closing date of preparation of the consolidated financial statements

There are no subsequent events that have occurred between the closing date as of December 31, 2023 and February 23, 2024, the date of the statutory auditor's report, that have an impact on the consolidated financial statements as of that date or on the results and equity of the bank.

Note 32. - Approval of consolidated financial statements

The consolidated financial statements and accompanying notes were approved by the Board of Directors and the Legal Representative, in accordance with Minutes No.1660 dated February 23, 2024, to be submitted to the General Shareholders' Meeting for approval, which may approve or modify them.

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BANCO DE OCCIDENTE S.A.

Consolidated Financial Statements as of December 31, 2022 and 2021 with the Statutory Auditor's Report

KPMG S.A.S
Calle 6 Norte No. 1 - 42, Torre Centenario, Piso 6
Cali - Colombia

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STATUTORY AUDITOR'S REPORT

To the Shareholders
Banco de Occidente S.A.:

Opinion

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

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

Basis for opinion

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

Key audit matters

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

<table>
<tr><td colspan="2">Assessment of loan portfolio impairment under IFRS 9 (see notes 2.6, 4.1, and 10 to the consolidated financial statements)</td></tr>
<tr><td>Key audit matter</td><td>How it was addressed in the audit</td></tr>
<tr><td>The Group periodically reviews the credit risk exposure of its loan portfolio. Such determination is one of the most significant and complex estimates in the preparation of the accompanying consolidated financial statements, due to the high degree of judgment involved in the development of models to determine impairment based on an expected loss approach required by IFRS 9. The value of the loan portfolio and its respective impairment as of December 31, 2022 is COP$ 45,701,675 million and COP$ 2,033,178 million, respectively.

We considered the assessment of loan portfolio impairment as a key audit matter because it involved significant measurement complexity that required industry judgment, knowledge and expertise particularly in relation to: (1) the assessment of the used methodologies, including the methodology for estimating loss due to default; (2) the probability of loss due to default and its key factors and assumptions; (3) the loan rating and qualitative factors that are incorporated within the internal model variables, established by the Group; and (4) the calculations of the estimated credit risk impairment of the entire loan portfolio.</td><td>Our audit procedures to assess the credit risk impairment sufficiency included, among others, the following:

• Involvement of professionals with expertise and knowledge in credit risk assessment and Information technology, to assess certain internal controls related to the Group´s process to determine the loan portfolio impairment. This included controls related to: (1) validation of the models that determine the likelihood of loss, the severity and exposure at the time of default, (2) the Group’s monitoring on the portfolio impairment determination; (3) Information technology controls on the entry data to the models that determine credit impairment, as well as the related calculations; (4) the assessment to identify if there was a significant change in the credit risk; (5) the assessment of the macro-economic variables and the weighted scenarios used in the models for loan portfolio impairment determination; and (6) the verification of controls related to the assessment of individually analyzed commercial credits and penalties.

• The professionals with expertise in the assessment of credit and information technology risks assisted me in: (1) assessing the key methodologies and data used to determine the likelihood of loss, the severity and exposure in case of default, and the parameters produced for the models; (2) evaluating the macro-economic variables and the weighted probability scenarios used in the internal models including the consideration of alternative data for certain variables; (3) recalculating the expected loss model and its related data; and (4) assessing the qualitative adjustments applied to the model.</td></tr>
</table>

Other matters

The consolidated financial statements as of and for the year ended on December 31, 2021 are presented solely for comparative purposes, were audited by our and in our report dated February 25, 2022, we expressed an unqualified opinion thereon.

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

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

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

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

Responsibilities of the Auditor for the audit of the consolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one arising from error, because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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

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

- Conclude on the appropriateness of management's use of the going concern assumption and, based on the audit evidence obtained, whether or not a material uncertainty exists related to events or conditions that may indicate significant doubt about the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we should draw attention in our report to the disclosure that describes this situation in the consolidated financial statements or, if this disclosure is inadequate, we should modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to operate as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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

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

KPMG S.A.S.

KPMG S.A.S.
Cali, Colombia
February 24, 2023

BANCO DE OCCIDENTE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Expressed In millions of Colombian pesos)

	Notes		December 31, 2022	December 31, 2021
Assets				
Cash and cash equivalents	6	$	3,878,224	5,110,003
Financial assets at fair value through profit or loss	5 and 7		2,635,365	1,655,678
Investments in debt securities	7		1,299,887	711,135
Investments in equity instruments	7 and 30		580,510	480,813
Derivative trading instruments	9 and 28		754,968	463,730
Financial assets at fair value through OCI	7		4,022,140	5,443,788
Investments in debt securities	7		3,899,693	5,331,756
Investments in equity instruments at fair value	7		122,447	112,032
Financial assets in debt securities at amortized cost	8		1,802,692	883,207
Financial assets in loans and receivables at amortized cost, net			43,668,497	35,097,324
Loan portfolio at amortized cost	10		45,701,675	37,065,105
Corporate portfolio and corporate leasing			32,071,010	26,044,727
Corporate and corporate leasing			30,950,556	25,578,816
Repos and interbank and other			1,120,454	465,911
Loans and advances to retail customers and retail leasing			11,142,642	8,887,493
Mortgage lending and mortgage leasing			2,488,024	2,132,885
Impairment of loan portfolio at amortized cost	10		(2,033,178)	(1,967,781)
Impairment of corporate loans portfolio and corporate leasing			(1,241,499)	(1,179,907)
Impairment of retail loans portfolio and retail leasing			(696,132)	(676,506)
Impairment of mortgage lending and mortgage leasing portfolio			(95,547)	(111,368)
Other accounts receivable, net	11		436,662	320,896
Non-current assets held for sale	12		-	5,378
Investments in associated companies and joint ventures	13		1,647,560	1,664,990
Tangible assets, net	14		712,938	699,865
Property and equipment for own use			198,310	249,295
Equipment under operating lease			57,234	37,521
Right-of-use assets			240,497	241,630
Investment properties			216,897	171,419
Intangible assets, net	15		540,201	455,022
Goodwill			22,724	22,724
Other intangible assets			517,477	432,298
Income tax asset	16		637,375	306,417
Current			564,419	251,999
Deferred			72,956	54,418
Other assets			22,755	20,892
Total assets		$	60,004,409	51,663,460
Liabilities and Equity				
Liabilities				
Financial liabilities at fair value - derivative instruments			930,802	517,293
Derivative trading instruments	9 and 28	$	930,802	517,293
Financial liabilities at amortized cost			52,516,831	44,836,621
Deposits from customers	17		43,095,945	36,340,252
Current accounts			7,586,598	7,732,324
Savings accounts			22,021,958	19,385,348
Term certificates of deposit			13,390,805	9,169,470
Other deposits			96,584	53,110
Financial obligations	18		9,420,886	8,496,369
Interbank and overnight funds			2,202,043	1,999,608
Loans from banks and others			3,928,990	2,767,357
Bonds and investment securities			2,322,416	2,777,578
Obligations with rediscount entities			967,437	951,826
Provisions	20		57,185	46,633
Provision for legal contingencies			3,395	3,395
Other provisions			53,790	43,238
Income tax liability	16		608	8,148
Current			541	8,148
Deferred			67	-
Employee benefits	19		91,999	90,221
Other liabilities	21 and 30		1,190,909	975,964
Total liabilities		$	54,788,334	46,474,880
Equity				
Share capital	22	$	4,677	4,677
Share premium			720,445	720,445
Retained earnings			4,770,349	4,467,443
Other comprehensive income			(311,542)	(37,376)
Total stockholders' equity		$	5,183,929	5,155,189
Non-controlling interests			32,146	33,391
Total equity			5,216,075	5,188,580
Total liabilities and equity		$	60,004,409	51,663,460

The notes on pages 12 to 154 are an integral part of the consolidated financial statements.

BANCO DE OCCIDENTE S.A. AND SUBSIDIARIES
CONSOLIDATED INCOME STATEMENT
(Expressed In millions of Colombian pesos)

	Notes		December 31, 2022	December 31, 2021
Interest and valuation income		$	**4,691,301**	**2,741,958**
Interest on loan portfolio and financial leasing and repo and interbank transactions:			**4,368,348**	**2,560,992**
Interest on corporate portfolio			2,797,279	1,402,779
Interest on retail portfolio			1,311,170	969,567
Residential mortgage interest and related income			208,105	181,016
Repos and interbank income			51,794	7,630
Income from deposits			**12,754**	**5,575**
Interest income on other accounts receivable			**2,726**	**3,831**
Interest and valuation on investments in debt securities at amortized cost			**307,473**	**171,560**
Interest and similar expenses			2,491,415	769,620
Deposits			**1,912,314**	**494,151**
Current accounts			16,008	5,912
Savings deposits			1,134,737	231,553
Term certificates of deposit			761,569	256,686
Deposits from financial institutions				
Financial Obligations			579,101	275,469
Interbank loans			133,287	25,892
Loan from bank and other			100,751	38,686
Bonds and investment securities			286,904	184,658
Obligations with rediscount entities			58,159	26,233
Net interest and valuation income			**2,199,886**	**1,972,338**
Impairment loss on financial assets			745,219	723,644
Impairment for loan portfolio and interest receivable			943,297	882,538
Recovery for investments in debt securities			(2,213)	(487)
Recovery of write-offs			(195,865)	(158,407)
Income, net of interest after impairment			**1,454,667**	**1,248,694**
Revenue from costumer contracts, commissions and fees commissions and fee income	25		**497,092**	**458,215**
Commission and fee income	25		**151,614**	**126,399**
Net income from commissions and fees			**345,478**	**331,816**
Net income (expense) from financial assets or liabilities held for trading			**19,343**	**(67,782)**
Net gain on trading investments			33,239	21,178
Net loss on derivative financial instruments for trading			(13,896)	(88,960)
Other income, net	26		**591,646**	**789,526**
Net gain on foreign exchange difference			172,640	230,605
Net (loss) gain on sale of investments			(28,970)	1,345
Gain on sale of non-current assets held for sale	12		6,260	12,015
Equity in income of associated companies and joint ventures by equity accounting method	13		122,041	245,863
Dividends			5,580	3,138
Net gain on valuation of investment properties			30,735	17,691
Other operating income			283,360	278,869
Other expenses, net	26		**1,837,335**	**1,641,444**
Loss on sale of non-current assets held for sale	12 and 26		-	95
Provision for other assets			**2,447**	**1,699**
Personnel expenses	26		**811,302**	**759,171**
Indemnification			4,253	8,009
Bonus payments			30,916	23,963
Salaries and employee benefits			776,133	727,199
General administrative expenses			**826,462**	**730,655**
Depreciation and amortization expense			**162,955**	**145,982**
Amortization of intangible assets			55,988	45,312
Depreciation of tangible assets			47,590	45,770
Depreciation of Right-of-use asset			59,377	54,900
Other operating expenses, net			**34,169**	**3,842**
Donation expense	26		1,571	1,315
Other expenses			32,598	2,527
Income before income tax expense			**573,799**	**660,810**
Income tax expense	16		**117,456**	**74,903**
Profit for the year		$	**456,343**	**585,907**
Profit or loss attributable to:				
Holders of ordinary shares of the banks		$	452,509	580,222
Non-controlling interests		$	3,834	5,685

The notes on pages 12 to 154 are an integral part of the consolidated financial statements.

BANCO DE OCCIDENTE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Expressed In millions of Colombian pesos)

Profit of the year:	Notes		December 31, 2022	December 31, 2021
Items that will be reclassified subsequently to profit or loss		$	**456,343**	**585,907**
Net foreing exchange difference on conversion of foreign operations			32,821	(828)
Foreign exchange difference on investments in foreign subsidiaries			49,942	46,629
Net unrealized loss on foreign hedging transactions	**9**		(49,942)	(46,629)
Net unrealized loss on financial instruments measured at fair value in debt securities	**7**		(387,260)	(270,415)
Impairment on financial instruments measured at fair value with changes in OCI - debt securities, Net.			(2,134)	(1)
Net unrealized loss on investments accounted for by the equity accounting method	**13**		(39,917)	(23,260)
Deferred income tax on items that may be subsequently reclassified to profit or loss	**16**		113,978	85,240
Total items to be subsequently reclassified to profit or loss			**(282,512)**	**(209,264)**
Items that will not be reclassified to profit or loss				
Revaluation of investment properties			461	1,154
Net unrealized gain on equity financial instruments measured at fair value	**7**		10,415	23,559
Actuarial gain on defined benefit plans			320	1,860
Deferred tax recognized in other comprehensive income	**16**		(6,153)	(3,028)
Total items that will not be reclassified to profit or loss			**5,043**	**23,545**
Total other comprehensive income (loss) for the year, net of taxes			**(277,469)**	**(185,719)**
Total comprehensive income for the year		$	**178,874**	**400,188**
Comprehensive income attributable to:				
Holders of ordinary shares of the banks		$	**178,342**	**396,073**
Non-controlling interests		$	**532**	**4,115**

The notes on pages 12 to 154 are an integral part of the consolidated financial statements.

BANCO DE OCCIDENTE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Expressed In millions of Colombian pesos)

Years ended December 31, 2022 and 2021:		Subscribed and paid-in capital (Note 22)	Premium on share placement	Retained Earnings	Other comprehensive income	Total stockholders' equity	Non-controlling interests	Total equity, net
Balance as of December 31, 2020	**$**	**4,677**	**720,445**	**4,076,154**	**146,773**	**4,948,049**	**31,161**	**4,979,210**
Dividends to shareholders		-	-	(192,374)	-	(192,374)	(1,889)	(194,263)
Withholding tax on dividends declared in priorfiscal year in the statement of changes in equity		-	-	491	-	491	4	495
Realized other comprehensive income		-	-	-	(3,273)	(3,273)	-	(3,273)
Effect on retained earnings from realized other comprehensive income		-	-	3,273	-	3,273	-	3,273
Withholding tax on dividends for the current year in the statement of changes in equity		-	-	(323)	-	(323)	-	(323)
Other comprehensive income for the year		-	-	-	(180,876)	(180,876)	(1,570)	(182,446)
Profit for the year		-	-	580,222	-	580,222	5,685	585,907
Balance as of December 31, 2021	$	**4,677**	**720,445**	**4,467,443 -**	**37,376**	**5,155,189**	**33,391**	**5,188,580**
Balance as of December 31, 2021	$	**4,677**	**720,445**	**4,467,443**	**(37,376)**	**5,155,189**	**33,391**	**5,188,580**
Dividends to shareholders		-	-	(150,000)	-	(150,000)	(1,777)	(151,777)
Withholding tax on dividends declared in prior fiscal year in the statement of changes in equity		-	-	323	-	323	-	323
Realized other comprehensive income		-	-	(1,435)	(337)	(1,772)	(67)	(1,839)
Effect on retained earnings from realization of other comprehensive income		-	-	1,772	-	1,772	67	1,839
Withholding tax on dividends for the current year in the statement of changes in equity		-	-	(263)	-	(263)	-	(263)
Other comprehensive income for the year		-	-	-	(273,829)	(273,829)	(3,303)	(277,132)
Profit for the year		-	-	452,509	-	452,509	3,834	456,343
Balance as of December 31, 2022	$	**4,677**	**720,445**	**4,770,349**	**(311,542)**	**5,183,929**	**32,146**	**5,216,075**

The notes on pages 12 to 154 are an integral part of the consolidated financial statements.

BANCO DE OCCIDENTE S.A. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Expressed In millions of Colombian pesos)

For years ending at:	Notes		December 31, 2022	December 31, 2021
Cash flows from operating activities:				
Profit for the year before income tax		$	**573,799**	**660,810**
Reconciliation of net income for the period to net cash (used in) provided by operating activities:				
Net interest and valuation income			(2,199,886)	(1,972,336)
Depreciation of tangible assets and right-of-use assets	**14 and 26**		106,967	100,670
Amortization of intangible assets	**15 and 26**		55,988	45,312
Impairment for loan portfolio and accounts receivable, net			943,297	882,536
Impairment of tangible assets, net			1,352	28
Profit on sale of property and equipment for own use			(7,388)	(4,557)
Unrealized exchange difference			(152,773)	(192,958)
Profit on sale of non-current assets held for sale			(7,910)	(26,751)
Profit on sale of investments, net			(896)	(1,246)
Share of profit in associates and joint ventures	**13 and 26**		(122,041)	(245,863)
Dividends	**7 and 26**		(5,580)	(3,138)
Adjusted fair value over:				
Loss on valuation of derivative financial instruments			13,896	88,960
Profit on valuation of investment properties	**14**		(30,735)	(17,691)
Net change in operating assets and liabilities				
Negotiable investments			(622,885)	604,026
Derivative financial instruments			108,375	(990,980)
Loan portfolio			(8,208,329)	(3,967,699)
Accounts receivable			(183,659)	(86,958)
Other assets			34,795	38,796
Customer deposits			5,731,455	4,854,353
Interbank loans and overnight funds			157,575	677,899
Other liabilities and provisions			(79,286)	206,580
Employee benefits			751	(25,523)
Interest received on financial assets			3,988,295	2,595,473
Interest paid on financial liabilities			(2,257,301)	(673,205)
Payment of interest on financial leases			(18,924)	(21,836)
Income tax paid			(37,132)	(37,686)
Net cash (used in) provided by operating activities			**(2,218,180)**	**2,487,016**
Cash flows from investing activities:				
Acquisition of held-to-maturity investments			(1,772,133)	(928,491)
Redemption of held-to-maturity investments			926,137	892,762
Acquisition of investments with changes in other comprehensive income at fair value			(922,625)	(5,339,465)
Proceeds from the sale of investments with changes in other comprehensive income at fair value			2,515,453	4,115,023
Acquisition of interests in associates and joint ventures	**13**		-	(3)
Acquisition of tangible assets			(32,180)	(25,739)
Acquisition of assets delivered under operating leases	**14**		(33,993)	(33,762)
Acquisition of other intangible assets			(141,308)	(115,031)
Proceeds from sale of property and equipment			4,461	7,482
Proceeds from sale of non-current assets held for sale			6,108	3,554
Proceeds from sale of investment property			43,440	28,926
Dividends received			187,535	223,303
Net cash provided by (used in) investing activities			**780,895**	**(1,171,441)**
Cash flow from financing activities:				
Acquisition of financial obligations			6,939,381	13,598,697
Payment of financial obligations			(6,397,565)	(13,641,651)
Payments on outstanding investment securities			(470,090)	(346,640)
Payment of leasing fees			(72,436)	(61,931)
Dividends paid to shareholders			(117,867)	(155,708)
Dividends paid to non-controlling interests.			(44,201)	(58,510)
Net cash used in financing activities			**(162,778)**	**(665,743)**
Effect of exchange gains or losses on cash and cash equivalents			368,284	1,013,109
(Decrease) increase in cash, net			(1,231,779)	1,662,941
Cash and cash equivalents at beginning of year	**6**		5,110,003	3,447,062
Cash and cash equivalents at the end of the year	**6**	**$**	**3,878,224**	**5,110,003**

The notes on pages 12 to 154 are an integral part of the consolidated financial statements.

Note 1. - Reporting Entity

Banco de Occidente S.A., hereinafter the Parent Company, is a private held legal entity, duly constituted as a banking establishment, authorized to operate in accordance with Resolution No. 3140 of September 24, 1993 of the Office of the Financial Superintendent of Colombia. It is duly constituted as recorded in Public Deed 659 dated April 30, 1965 of the Fourth Notary's Office of Cali.

The Parent Company has its principal place of business in Santiago de Cali. The duration established in its bylaws is 99 years from its date of constitution. In compliance with its corporate purpose, it may enter into or execute all operations and contracts legally permitted to commercial banking establishments, subject to the requirements and limitations of Colombian law.

In pursuit of its corporate purpose, the Parent Company extends loans to its customers in the form credit portfolio, including corporate, retail, residential mortgage portfolios, and financial, operating residential leasing portfolios, it also engages in treasury in debt securities, mainly in the Colombian market. All these operations are financed with deposits received from clients in the form of current and savings accounts, term deposit certificates, outstanding investment securities in circulation with general guarantee in Colombian pesos and with financial obligations obtained from correspondent banks in local and foreign currency and from rediscount entities created by the Colombian government to stimulate various sectors of the Colombian economy.

As of December 31, 2022, the Parent Company has a total of 7,113 employees distributed in 6,262 with indefinite contracts, 521 with fixed-term contracts and 330 with apprenticeship contracts. The Parent Company provides its services through 191 service centers in Colombia territory, distributed in 176 offices, 8 vehicle and motorcycle credit centers and 7 leasing and home credit centers.

The Parent Company is under the control by Grupo Aval Acciones y Valores S.A., which is domiciled in Bogotá D.C., and holds a total shareholding of 72.27%, Grupo Aval Acciones y Valores S.A. is the ultimate controller, and in turn, exercises over foreign entities of 95% in Banco de Occidente Panamá S.A. and 100% in Occidental Bank Barbados Ltd. and in Colombian territory 94.98% in Sociedad Fiduciaria de Occidente S.A. and 45% in Ventas y Servicios S.A. - NEXA BPO.

The Parent Company has a non-bank correspondent agreement with Almacenes Éxito S.A. "Éxito," Efectivo Ltda "Efecty," Conexred S.A "Puntored," Servicios Postales Nacionales S.A "4/72", Empresa de Energía del Quindío S.A ESP "EDEQ," Quiceno y CIA S.C.A "Mercar," Soluciones en Red S.A.S "Punto de Pago," and Red Empresarial de Servicios S.A "SuperGiros."

Corporate information of subsidiaries

The corporate purpose of Fiduciaria de Occidente S.A. - Fiduoccidente is the execution of business trust agreements and non-transfer of ownership fiduciary mandates, in accordance with the legal provisions. Its main purpose is to acquire, dispose of, encumber, manage movable and immovable property and to intervene as debtor or creditor in all kinds of credit operations. As of December 31, 2022, Fiduciaria de Occidente S.A. has a total of 576 employees distributed in 48 with fixed-term contracts, 499 with indefinite contracts, 29 with apprenticeship contracts, through 10 agencies located in the cities of Bogotá, Medellín, Cali, Barranquilla, Manizales, Bucaramanga, Cartagena, Pereira, Santa Marta, and Monteria.

Banco de Occidente Panamá S.A. is an entity incorporated under the laws of the Republic of Panama and began banking operations in that country on June 30, 1982 under the international license granted by the National Banking Commission of the Republic of Panama. As of December 31, 2022, Banco de Occidente Panamá S.A. has a total of 57 employees distributed in 54 with indefinite contracts and 3 employees with fixed-term contracts. Of the total number of employees, 13 perform special tasks for Occidental Bank Barbados and 10 are shared between the both subsidiaries.

Occidental Bank Barbados Ltd. was incorporated under the laws of Barbados on May 16, 1991, with an international license that allows it to provide financial services to individuals and non resident companies in Barbados. As of December 31, 2022, Occidental Bank Barbados Ltd. has a total of 3 employees with indefinite contracts, 2 of whom work directly in Barbados and 1 in Colombia.

The corporate purpose of Ventas y Servicios S.A. - NEXA BPO is the provision of technical or administrative services referred to in Article 5 of Law 45 of 1990, such as: computer programming, marketing, creation and organization of files for consultation and statistical calculations and reports in general. The company Ventas y Servicios S.A. - NEXA BPO is consolidated due to the dominant administrative influence exercised by the Parent Company. As of December 31, 2022, Ventas y Servicios S.A. has a total of 7,799 employees distributed in 330 with fixed-term contracts, 5,746 with indefinite contracts, 1,500 with work or labor contracts and 223 with apprenticeship contracts across 85 cities grouped in 4 regions in the Colombian territory.

The consolidated financial statements as of December 31, 2022 and 2021 include Banco de Occidente S.A. and its subsidiaries, hereinafter referred to as the Group.

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

2.1. Statement of compliance and technical regulatory framework

The consolidated financial statements have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia (IFRS) in force as of December 31, 2015 included as an annex to Decree 2420 of 2015. Established in Law 1314 of 2009, regulated by Sole 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 and 938 of 2021.
NCIF Grupo 1 are based on the complete International Financial Reporting Standards (IFRS), issued and officially translated into Spanish by the International Accounting Standards Board (IASB).

For legal purposes in Colombia, the main financial statements are the separate financial statements.
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2.2. Presentation of consolidated financial statements

The accompanying consolidated financial statements are presented taking into account the following aspects:

- The consolidated statement of financial position is presented showing different asset and liability accounts, ordered according to their liquidity in case of realization or enforceability, as it is considered that for a financial entity this form of presentation provides more relevant and reliable information. Due to the above, in the development of each of the notes on financial assets and liabilities, the amounts expected to be recovered or paid within the following twelve months and after twelve months are disclosed, in accordance with IAS 1 "Presentation of Financial Statements".

- The consolidated statements of income and other comprehensive income are presented separately in two statements as permitted by IAS 1 "Presentation of Financial Statements". Likewise, the consolidated statement of income is presented according to the nature of expenses, which is the most commonly used model in financial institutions because it provides more appropriate and relevant information.
- The consolidated statement of cash flows is presented using the indirect method, in which net cash flows from operating activities are determined by adjusting net income before income taxes for the effects of items that do not generate cash flows, net changes in assets and liabilities derived from operating activities, and for any other items whose monetary effects are considered investing or financing cash flows. Interest income and interest expense are presented as components of operating activities.

2.3. Basis of consolidation

a. Subsidiaries

In accordance with International Financial Reporting Standard IFRS 10, the Parent Company must prepare consolidated financial statements with the entities it controls. The Parent Company controls another entity if, and only if, it has all of the following elements:

- Power over the investee that gives it the current ability to direct its relevant activities that significantly affect the investee’s returns.
- Exposure, or rights, to variable returns from its involvement with the investee.
- Ability to use its power over the investee to influence the amount of the investor’s returns.

In the consolidation process, the Parent Company combines the assets, liabilities and profit or loss of the entities it controls, after homogenizing its accounting policies and converting the financial statements of controlled entities abroad to Colombian pesos. In this process, reciprocal transactions and unrealized profits between them are eliminated. The non-controlling interests' equity of controlled entities is presented in equity separately from the equity of the Parent Company's stockholders.

In the consolidation process, financial statements of foreign controlled companies their financial statements are translated as follows: assets and liabilities are translated into Colombian pesos at the closing exchange rate, the income statement at the monthly average exchange rate for the period and the equity accounts at historical exchange rates, except for the accounts of Other Comprehensive Income - (OCI) due to adjustments to fair value. The resulting net adjustment in translation process is included in equity as "Adjustment for translation of foreign currency financial statements" in the "Other Comprehensive Income" account.

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

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

The consolidated financial statements include the following subsidiaries:

Subsidiaries	Origin	% of Ownership	No. of Shares as of December 31, 2022
Fiduciaria de Occidente S.A. (*)	National	94.98%	18,250,806
Ventas y Servicios S. A.	National	45%	1,343,300
Banco de Occidente Panamá S.A.	Foreign	95%	1,561,001
Occidental Bank Barbados Ltd.(*)	Foreign	100%	2,015

(*) Fiduciaria de Occidente S.A. has a 35% shareholding in Ventas y Servicios S.A. NEXA-BPO and Occidental Bank Barbados Ltd. has a 0.58% shareholding in Fiduciaria de Occidente S.A.

The total value of assets, liabilities, equity, operating income and profit or loss as of December 31, 2022 and 2021 of each of the subsidiaries included in the consolidation is as follows:

December 31, 2022	Assets	% Ownership interest	Liabilities	% Ownership interest	Equity	% Ownership interest	Operating Income	% Ownership interest	Results	% Owner ship interest
Banco de Occidente S.A. (Parent Company)	$ 54,232,274	90.4%	49,716,735	90.7%	4,515,539	86.6%	15,750,027	96.6%	366,695	80.4%
Fiduciaria de Occidente S.A.	362,292	0.6%	31,644	0.1%	330,648	6.3%	128,256	0.8%	26,523	5.8%
Banco de Occidente Panamá S.A.	3,995,338	6.7%	3,817,313	7.0%	178,025	3.4%	158,314	1.0%	44,927	9.8%
Occidental Bank Barbados Ltda.	1,305,142	2.1%	1,164,611	2.1%	140,531	2.7%	51,918	0.3%	16,299	3.6%
Ventas y Servicios S.A.	109,363	0.2%	58,031	0.1%	51,332	1.0%	215,765	1.3%	1,899	0.4%
Total	**$ 60,004,409**	**100%**	**54,788,334**	**100%**	**5,216,075**	**100%**	**16,304,280**	**100%**	**456,343**	**100%**
Consolidated Financial Statements Banco de Occidente S.A.	**$ 60,004,409**		**54,788,334**		**5,216,075**		**16,304,280**		**456,343**	

December 31, 2021	Assets	% Ownership interest	Liabilities	% Ownership interest	Equity	% Ownership interest	Operating Income	% Ownership ip	Results	% Owner Ship interest
Banco de Occidente S.A. (Parent Company)	$ 46,770,830	90.5%	42,305,355	91.0%	4,465,474	86.0%	8,714,991	93.9%	449,715	76.8%
Fiduciaria de Occidente S.A.	380,535	0.8%	29,465	0.1%	351,070	6.8%	166,906	1.8%	80,775	13.8%
Banco de Occidente Panamá S.A.	3,321,021	6.4%	3,128,087	6.7%	192,935	3.7%	120,956	1.3%	35,595	6.1%
Occidental Bank Barbados Ltda.	1,085,812	2.1%	956,145	2.1%	129,667	2.5%	36,284	0.4%	14,381	2.4%
Ventas y Servicios S.A.	105,261	0.2%	55,828	0.1%	49,433	1.0%	237,202	2.6%	5,441	0.9%
Total	**$ 51,663,459**	**100%**	**46,474,880**	**100%**	**5,188,579**	**100%**	**9,276,339**	**100%**	**585,907**	**100%**
Consolidated Financial Statements Banco de Occidente S.A.	**$ 51,663,459**		**46,474,880**		**5,188,579**		**9,276,339**		**585,907**	

(*) The operating income shown is a gross income, as opposed to the income statement, where a net income is reported.

Effect of consolidation

The effect of consolidation on the structure of the Parent Company's financial statements as of December 31, 2022 and 2021 was as follows:

	December 31, 2022		
	Total Parent Company	**Total Consolidated**	**Increase (Decrease)**
Assets	$ 54,232,274	60,004,409	5,772,135
Liabilities	49,716,735	54,788,334	5,071,599
Equity	4,515,539	5,216,075	700,536
Profit or Loss	$ 366,695	456,343	89,648

	December 31, 2021		
	Total Parent Company	**Total Consolidated**	**Increase (Decrease)**
Assets	$ 46,770,830	51,663,459	4,892,629
Liabilities	42,305,355	46,474,880	4,169,525
Equity	4,465,474	5,188,579	723,105
Profit or Loss	$ 449,715	585,907	136,192

b. Investments in associates companies

The Parent Company's investments in entities it does not control but over which it has significant influence are called “investments in associates” and are accounted for by the equity method. Significant influence is presumed to be exercised over another entity if it owns directly or indirectly between 20% and 50% of the voting rights of the investee, unless it can be clearly demonstrated that such influence does not exist. The equity method is an accounting method, whereby the investment is initially recorded at cost and subsequently adjusted periodically for changes in the investors interest in the investees net assets. Comprehensive income for the period includes its share in the investee's income for the period, and in the "other comprehensive income of the investor" account, and equity includes its share in the "other comprehensive income" account of the investee. (See note 13).

c. Joint arrangements

Joint arrangements are classified into joint operations and joint ventures, depending on the contractual rights and obligations of each investor. In joint operations, the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities relating to the arrangement. In joint ventures, the parties that have control of the arrangement have rights to the net assets of the arrangement. (See note 13).

Joint operations are included in the consolidated financial statements based on their proportional and contractual share of each of the assets, liabilities and profit or loss of the contract or entity in which the arrangement is held.

Joint ventures are accounted for by the equity method, as indicated above for the accounting of investments in associates.

d. Transactions eliminated in consolidation

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

e. Unconsolidated structured entities

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

2.4. Functional and presentation currency

The Parent Company's core business is the granting of credit to customers in Colombia and investment in securities issued by the Republic of Colombia or national entities, whether or not registered in the National Registry of Securities and Issuers (RNVE, for its Spanish acronym) - in Colombian pesos; and to a lesser extent in the lending of credit also to Colombian residents in foreign currency and investment in securities issued by banking entities abroad, securities issued by foreign companies in the real sector whose shares are listed in one or more internationally recognized stock exchanges, bonds issued by multilateral credit organizations, foreign governments or public entities. These loans and investments are financed primarily with customer deposits and obligations in Colombia, also in Colombian pesos. The Parent Company's performance is measured and reported to its shareholders and the general public in Colombian pesos. Due to the foregoing, the Parent Company's management considers that the Colombian peso is the currency that most faithfully represents the economic effects of the underlying transactions, events, and conditions of the Parent Company, and for this reason, the consolidated financial statements are in Colombian pesos as its functional currency.

The figures reported in the individual financial statements of the Parent Company's subsidiaries, are in the currency of the primary economic environment (functional currency) in which each entity operates:

Countries	Functional Currency
Colombia	Colombian Pesos
Panama	U.S. dollars
Barbados	U.S. dollars

The consolidated financial statements are in millions of Colombian pesos, which is the presentation and functional currency of the Parent Company, except where otherwise indicated. Consequently, all balances and transactions denominated in currencies other than the Colombian peso are translated into foreign currency.

The Parent Company and its subsidiaries carry out all currency translation of their financial statements under IFRS, in accordance with their accounting policies based on IAS 21.

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

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

a. Assets and liabilities in each of the statements of financial position reported (i.e., including comparative figures) are translated at the closing exchange rate as of December 31, 2022 and 2021 corresponding to the periods of the statements of financial position.
b. Revenues and expenses for each statement presenting profit or loss for the period and other comprehensive income (i.e., including comparative figures), are translated at the average exchange rates as of December 31, 2022 and 2021; and
c. All resulting exchange differences will be recognized in other comprehensive income.

As of December 31, 2022 and 2021, the exchange rates used for the translation from functional currency to presentation currency are as follows in relation to the Colombian peso (in pesos):

Currency Type		December 31, 2022	December 31, 2021
U.S. dollars (USD/COP)			
At closing	$	4,810.20	3,981.16
Average for the period		4,257.12	3,967.77
Euros (EUR/COP)			
At closing		5,121.32	4,513.08
Average for the period	$	4,472.21	4,482.92

Assets and liabilities of foreign operations are translated into Colombian pesos at the exchange rate in effect at the end of the reporting period, and their statements of income are translated at the average rates in effect at the dates of the transactions. Equity is translated at the respective historical rate.

2.5. Transactions in foreign currencies

Transactions in foreign currency are translated into Colombian pesos using the exchange rate in effect on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate prevailing at the balance sheet date and non-monetary assets denominated in foreign currencies are measured at the historical exchange rate. Gains or losses resulting from the translation process are included in the income statement, unless the financial liabilities serve as a hedging instrument for an investment in foreign operations, in which case they are recorded in equity in the Other Comprehensive Income account.

2.6. Financial assets

i. Recognition and initial measurement

A financial asset in accordance with IFRS 9 is any asset that is:

- cash
- an equity instrument of another entity
- a contractual right to:
  - receive cash or other financial assets from another entity; or
  - exchange financial assets or financial liabilities with another entity on terms that are potentially favorable to the entity; or
  - a contract that will or may be settled using the entity's own equity instruments.

Regular purchases and sales of investments are recognized on the trade date on which the Parent Company and subsidiaries commit to purchase or sell securities. Financial assets at fair value through profit or loss are initially recognized at fair value and transaction costs recognized expensed as incurred.

Financial assets classified at amortized cost are recorded at acquisition or grant at their transaction value in the case of investments, or at their nominal value in the case of loan portfolio, which, unless there is evidence to the contrary, coincides with their fair value, plus transaction costs directly attributable to their acquisition or grant, less commissions received.

ii. Classification and measurement

IFRS 9 has a classification and measurement approach for financial assets that reflects the business model in which these assets are managed and their cash flow characteristics.

This standard includes three main classification categories for financial assets: measured at amortized cost (AC), at fair value through other comprehensive income (FVTOCI), and at fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost rather than at fair value through profit or loss if it meets both of the following conditions:

- The asset is held within a business model whose objective is to hold assets to obtain contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

A debt instrument is measured at FVT|only if it meets both of the following conditions and has not been designated as FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling these financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the amount outstanding.

During the initial recognition of investments in equity instruments not held for trading, the Group may irrevocably elect to record subsequent changes in fair value as part of other comprehensive income in equity. This choice must be made on an instrument-by-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, at initial recognition, the Group may irrevocably designate a financial asset that meets the measurement requirements at AC or FVTOCI to be measured at FVTPL if doing so eliminates or significantly reduces an accounting asymmetry that might otherwise arise. The Group will not make use of this option for now.

A financial asset is classified in one of the aforementioned categories upon initial recognition.

Under IFRS 9, derivative contracts embedded in other contracts, where the host contract is a financial asset under the scope of IFRS 9, are not separated and instead the financial instrument is measured and recorded together as one instrument at fair value through profit or loss.

Business model assessment

The Group conducted an assessment of the objectives of the business models in which the different financial instruments are held at the portfolio level to best reflect how the business is managed by the Parent Company, each subsidiary and how information is provided to management. The information that was considered included:

- The policies and objectives outlined for each portfolio of financial instruments and the operation of those policies in practice. These include whether management's strategy focuses on collecting contractual interest income, maintaining a particular interest rate profile or coordinating the duration of financial assets with the duration of the liabilities that are funding them or the expected cash outflows or realizing cash flows through the sale of assets;
- How performance of the portfolio is evaluated and reported to key management personnel of each Group subsidiary;
- The risks that affect the performance of the business models (and the financial assets held in the business model) and how those risks are managed;
- How business managers are compensated (e.g., whether compensation is based on the fair value of assets under management or on contractual cash flows earned); and
- The frequency, value and timing of sales in prior periods, the reasons for those sales and expectations about future sales activity. However, information on sales activity is not considered in isolation, but as part of an assessment of how the objectives set by the Group to manage financial assets are achieved and how cash flows are realized.

Financial assets that are held or managed for trading and whose performance is evaluated on a fair value basis are measured at FVTPL, because they are not held within business models to collect contractual cash flows or to earn contractual cash flows and sell these financial assets.

Assessment of whether the contractual cash flows are solely payments of principal and interest (SPPI)

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

In assessing whether the contractual cash flows are SPPI, the Group considered the contractual terms of the instrument. This included assessing whether the financial asset contains a contractual term that could change the period or amount of the contractual cash flows so that it does not meet this condition. In making this assessment the Group considered:

- Contingent events that changed the amount and timing of cash flows;
- Leverage features;
- Prepayment terms and extension;
- Terms that limit the Group to obtain cash flows from specific assets (e.g. non-recourse asset agreements); and
- Features that modify the considerations for the time value of money.

Interest rates on certain consumer and commercial loans are based on variable interest rates that are set at the discretion of the Group. Variable interest rates are generally established in Colombia based on the DTF (Effective Annual Interest Rate for Fixed-Term Deposits) and IBR (Representative Market Rate) (published by banco de la republica). and in other countries according to local practices, plus certain additional discretionary points. In these cases, the Group will assess whether the discretionary feature is consistent with the solely payment of principal and interest criteria by considering a number of factors including whether:

- Debtors are able to prepay loans without significant penalties. In Colombia, it is forbidden by law to charge for prepayment of loans.
- Competitive market factors ensure that interest rates are consistent among banks;
- Any regulatory standard of protection put in place in favor of customers in the country that requires Banks to treat customers fairly.

All fixed-rate consumer and commercial loans contain prepayment terms.

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

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its nominal contractual amount, and the amount prepaid substantially represents the contractual amount at par plus contractually accrued but unpaid interest (which may include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant on initial recognition.

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

Financial assets at fair value through profit or loss (FVTPL)	These assets are subsequently measured at fair value. Net gains and losses, including interest or dividend income, are recognized in income.
Financial assets at amortized cost (AC)	These assets are subsequently measured at amortized cost using the effective interest method. Amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.
Debt investments through other comprehensive income (FVTOCI)	These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and impairment losses are recognized in income. Other gains and valuation losses are recognized in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to gains or losses on realization of OCI.
Equity investments through other comprehensive income (FVTOCI)	These assets are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in OCI and never reclassified to profit or loss.
Marketable in equity securities	An investment in securities made by mutual funds, which has been acquired for the principal purpose of making a profit from short-term fluctuations in price. The participations in private capital funds, in the development of securitization processes must be valued taking into account the value of the unit calculated by the managing company, on the day immediately prior to the valuation date. The difference between the present value and the immediately preceding value is recorded as an increase or decrease in the value of the investment and its balancing entry affects the income statement of the period. This procedure is performed daily.

iii. Reclassifications

Financial assets are not reclassified after initial recognition, except in the period after Grupo Aval entities change their business model for managing financial assets.

iv. Transfers and derecognition of financial assets

The accounting treatment of transfers of financial assets is conditioned by the manner in which the risks and rewards associated with the assets being transferred are transferred to third parties; thus, financial assets are only derecognized from the consolidated balance sheet when the cash flows they generate have been extinguished or when the risks and rewards associated with them have been substantially transferred to third parties. In the latter case, the transferred financial asset is derecognized from the consolidated balance sheet, recognizing simultaneously any right or obligation retained or created as a result of the transfer.

The Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panamá S.A. are deemed to transfer substantially all the risks and rewards if the risks and rewards transferred represent the majority of the total risks and rewards of the transferred assets. If the risks and/or rewards associated with the transferred financial asset are substantially retained:

- The transferred financial asset is not derecognized from the consolidated balance sheet and continues to be measured using the same criteria used before the transfer.
- An associated financial liability is recorded for an amount equal to the consideration received, which is subsequently measured at amortized cost.
- Both the income associated with the financial asset transferred (but not derecognized) and the expenses associated with the new financial liability continue to be recorded.

v. Restructured financial assets with collection problems

The Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panamá S.A. consider and identify as restructured financial assets with collection problems those assets in which the Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panamá S.A. grants the debtor a concession that otherwise would not have been considered. Such concessions generally refer to interest rate reductions, extensions of payment terms or reductions in outstanding balances.

vi. Offsetting of financial instruments in the statement of financial position

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

vii. Fair value measurement

In accordance with IFRS 13 "Fair value measurement", 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.

Accordingly, the fair value measurements of the Parent Company's financial assets are made as follows:

- For highly liquid investments, the last traded price at the cut-off date of the financial statements is used, where the last traded price falls within the bid-ask spread. The fair value of financial assets that are not quoted in an active market is determined using valuation techniques. The Parent Company uses a variety of methods and assumptions based on market conditions existing at each reporting date. Valuation techniques used include the use of recent comparable and arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly employed by market participants, making maximum use of market data and relying as little as possible on Parent Company specific data.

Measurement of Expected Credit Loss (ECL)

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

- Financial assets that are not credit-impaired at the reporting date: ECL is estimated for a 12-month period, considering the Probability of Default (PD), Loss Given Default (LGD) and Exposure at Default (EAD);
- Financial assets that are impaired at the reporting date: in these cases, ECL is estimated using a PD of 100% given that it is impaired, as well as LGD and EAD;
- Financial assets with indications of credit impairment at the reporting date: ECLs are estimated for the remaining life of the loan, additionally incorporating the Probability of Survival (PS); a financial asset shows signs of impairment when a) it is 30 to 90 days past due, b) when being current, it shows qualitative risk factors, and c) when there is a significant increase in its risk levels; this occurs when there is a deterioration in risk with respect to the time of granting that exceeds the previously defined thresholds, in which case the customer moves to stage 2 in the ECL model.
- Outstanding loan commitments: the present value of the difference between the contractual cash flows that are due to the Group in the event that the commitment is executed and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the payments expected to reimburse the holder less any amount the Group expects to recover.

2.7. Cash

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

2.8. Transactions with derivative financial instruments

In accordance with IFRS 9, a derivative is a financial instrument whose value changes over time based on an underlying variable, requires no or little initial net investment in relation to the underlying asset and is settled at a future date.

In the development of its operations, the Parent Company generally trades in the financial markets in financial instruments with forward contracts, futures contracts, swaps and options that meet the definition of a derivative.

All derivative transactions are initially recorded at fair value. Subsequent changes in fair value are adjusted with a charge or credit to income, as appropriate, unless the derivative instrument is designated as a hedge and if so, the nature of the hedged item.

Fiduciaria de Occidente S.A. implements economic hedging strategies with changes in results by taking positions in derivative financial instruments such as forward peso - dollar. Since the foreign currency exposure of the liabilities is hedged with the associated derivative financial instruments, with changes in results, both at the principal and interest levels, the exposure to this risk is neutralized, since the effects of the change in the exchange rate on the available balance are not significant.

The Parent Company hedges its investment in foreign subsidiaries as follows:

- Hedges of a net investment in foreign currency which are recorded in a manner similar to cash flow speculations above. Gains or losses accumulated in equity are included in the income statement when the net investment in a foreign subsidiary is fully sold or proportionally when it is partially sold.
  Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of a net investment, are accounted for in a manner similar to cash flow hedges; 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; and the ineffective portion is recognized in profit or loss. Upon partial or full disposal of a foreign operation, the gain or loss on the hedging instrument related to the effective portion of the hedge that has been recognized in other comprehensive income should be reclassified from equity to profit or loss as a reclassification adjustment.

- For hedging purposes, the Parent Company has decided to hedge its investments in foreign subsidiaries from January 1, 2014 with foreign currency obligations as established in paragraphs 72 and 78 of IFRS 9.

The Parent Company documents at the inception of the transaction the relationship between the speculation instrument and the hedged item, as well as the risk objective and the strategy for undertaking the speculation relationship. The Parent Company also documents its assessment both at the inception of the transaction and on a recurring basis that the hedging relationship is highly effective in offsetting changes in fair value or cash flows of hedged items, see hedge detail in note 9.

- Financial assets and liabilities from derivative transactions are not offset in the statement of financial position; however, when there is a legal and enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset and settle the liability simultaneously, they are presented net in the statement of financial position.
- Foreign investments have a hedge to offset exchange rate fluctuations, represented by a foreign currency obligation for the same dollar value of the investments at each cutoff; the effect on income and OCI resulting from these operations as a whole is neutral.

2.9. Investment securities

Subsequent recognition

After initial recognition, all financial assets classified as “at fair value through profit or loss” are measured at fair value. Gains and losses resulting from changes in fair value are presented net in the income statement under “net changes in fair value of debt financial assets.” Equity investments classified at fair value through OCI are recorded at fair value.

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

The effective interest method is a method of calculating the amortized cost of an asset and of allocating interest income or interest cost over the relevant period. The effective interest rate is the rate that exactly equals the estimated future cash payments or receipts over the expected life of the financial instrument, or, where appropriate, a shorter period, to the net book value of the asset at initial recognition. To calculate the effective interest rate, the Parent Company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses and considering the initial transaction or grant balance, transaction costs and premiums granted less commissions and discounts received which are an integral part of the effective rate.

Dividend income from financial assets in equity instruments is recognized in profit or loss in the account of other dividend income when the right to receive payment is established, regardless of the decision taken to record changes in fair value in profit or loss or in OCI.

2.10. Assets delivered under lease

Assets leased by the Parent Company are classified at the time of signing the contract as finance or operating leases. A lease is classified as a finance lease when it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. Lease agreements classified as finance leases are included in the balance sheet under “Loan portfolio and financial leasing operations” and are accounted for in the same way as other loans granted (see Note 4). Lease agreements classified as operating leases are included in property and equipment and are recorded and depreciated over the shorter of the useful life of the asset and the term of the lease contract. (See note 14).

2.11. Financial liabilities

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

Financial liabilities are only derecognized from the consolidated statement of financial position when the obligations they generate have been extinguished or when they are acquired (either with the intention to cancel them or to reposition them).

2.12. Non-current assets held for sale

Assets received in payment of loans and non-current assets held for sale where the Parent Company intends to sell them within a period not exceeding one year and their sale is considered highly probable, are recorded as “non-current assets held for sale”. These assets are recorded at the lower of their book value at the time of transfer to this account or their fair value less estimated costs to sell. Assets received in payment that do not meet the conditions to be held for sale are recorded in other balance sheet accounts according to their nature, such as investments, other assets or investment properties at cost or fair value, depending on the classification to which the asset applies.

2.13. Financial guarantees

“Financial guarantees” are contracts that require the issuer to make specified payments to reimburse the creditor for the loss incurred when a specified debtor defaults on its payment obligation under the original or modified terms of a debt instrument, regardless of its legal form. Financial guarantees may take the form of a bond or financial guarantee, among others.

Upon initial recognition, financial guarantees provided are recorded by recognizing a liability at fair value, which is generally the present value of the commissions and returns to be received on such contracts over their life, with a balancing entry in assets of the amount of commissions and similar returns collected at the beginning of the transactions and the accounts receivables for the present value of the future cash flows to be received.

Financial guarantees, regardless of their ownership, instrumentation, or other circumstances, are analyzed periodically in order to determine the credit risk to which they are exposed and, if applicable, to estimate the need to establish a provision for them, which are determined by applying criteria similar to those established for quantifying impairment losses experienced for financial assets.

Provisions made for financial guarantee contracts that are deemed to be impaired are recorded as a liability under “Implicit liabilities” and charged to profit or loss.

Income obtained from guarantee instruments is recorded in the commission income account of the income statement and is calculated by applying the rate established in the underlying contract to the nominal amount of the guarantee.

2.14. Property and equipment for own use

Property and equipment for own use includes assets, owned or leased, that the Parent Company and subsidiaries hold for current or future use and that are expected to be used for more than one year. They also include tangible assets received by subsidiaries for the total or partial liquidation of financial assets representing receivables from third parties and which are expected to be used on an ongoing basis.

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

Depreciation is calculated using the straight-line method on the basis of the acquisition cost of the assets, less their residual value, it being understood that the land on which the buildings and other structures are constructed has an indefinite useful life and, therefore, is not subject to depreciation.

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

a. The period over which the asset is expected to be available for use by the entity; or
b. The number of production or similar units expected to be obtained from the asset by an entity.

The residual value of an asset is defined as the estimated amount that an entity would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

In accordance with IAS 16, paragraph 50, the depreciable amount of an asset shall be allocated on a systematic basis over its useful life.

In accordance with IAS 16, paragraph 43, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately.

Such depreciation, which is charged to income, is calculated based on the following useful lives defined for the Parent Company and its subsidiaries:

Assets	Years
Buildings	
Foundations - structure and roof	50 to 70
Walls and partitions	20 to 30
Finishes	10 to 20
Office equipment, furniture, and fixtures	**10 to 25**
Furniture and fixtures	**3 to 10**
Transport, traction and lifting fleet and equipment	**5 to 10**
Computer equipment	**3 to 5**
Network and communication equipment	**3 to 5**
Mobilization equipment and machinery	**10 to 25**

For real estate, the Parent Company establishes 3 building components, which are: foundations - roof structure, walls and partitions and finishes, which have the following ranges of residual values:

Component	Residual Value
Foundations - structure and roof	0 - 20%
Walls and partitions	0 - 10%
Finishes	0 - 10%

Leasehold improvements may be capitalized if they are expected to be used for more than one period and are depreciated over the term of the lease.

The criteria used by the Parent Company and subsidiaries to determine the useful life and residual value of these assets and, specifically, of the buildings for own use, was based on independent valuations, so that these are not older than 3 years, unless there are indications of impairment.

At each year-end closing, the Parent Company and Ventas y Servicios S.A. - NEXA BPO analyze whether there are indications, both external and internal, that a tangible asset may be impaired. If there is evidence of impairment, the entity tests for impairment by comparing the net book value of the asset with its recoverable amount (the higher of its fair value less costs of disposal and its value in use). When the book value exceeds the recoverable amount, the book value is adjusted to its recoverable amount, modifying future depreciation charges in accordance with its new remaining useful life.

Similarly, when there are indications that the value of a tangible asset has been recovered, the Parent Company and Fiduciaria de Occidente estimate the recoverable amount of the asset and recognize it in the income statement, recording the reversal of the impairment loss recorded in prior periods, and adjust future depreciation charges accordingly. In no case may the reversal of an impairment loss on an asset result in an increase in its book value above that which it would have had if no impairment losses had been recognized in prior years.

Repair and maintenance expenses for property and equipment are recognized as an expense in the year in which they are incurred and are recorded under “Administrative expenses.”

Gains and losses on the sale of an item of property and equipment are recognized in profit or loss.

2.15. Leases

The Group leases property, equipment, and vehicles. Lease agreements are generally for fixed periods of 1 to 10 years, but may have extension options. The terms of the leases are negotiated on an individual basis, with a wide range of terms and conditions. The lease agreements do not impose covenants; however, these leased assets cannot be assigned as collateral for loans.

Leases are recognized as a right-of-use asset and a liability on the date on which the asset is leased and available for use by the Group. Each lease payment is allocated between the liability and the financing cost. The financing cost is recognized in the consolidated income statement during the lease term, in order to produce a constant periodic interest rate on the balance of the liability for each period. Right-of-use assets are depreciated over the shortest period of the useful life of the asset or the end of the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

• Fixed payments (including in-substance fixed payments), less any lease incentives receivable.

• Variable lease payments that depend on an index or a rate.

• Amounts expected to be payable by the lessee under residual value guarantees.

• The exercise price of a purchase option if the lessee is reasonably certain to exercise that option.

• Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

Lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined, or the Group's incremental borrowing rate.

Right-of-use assets are measured at cost, which comprises the following:

• The amount of the initial measurement of the lease liability.
• Any lease payments made at or before the commencement date, less any lease incentives received.
• Any initial direct costs.
• Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a term of 12 months or less. Retail-value assets include computer equipment and small items of office furniture.

Extension options and termination options are included in a number of property and equipment leases throughout the Group. These terms are used to maximize operational flexibility in terms of agreement management.

2.16. Investment property

In accordance with the International Accounting Standard IAS 40 “Investment Property,” investment property is property (land or a building in whole, in part or both) held by the Parent Company and Fiduciaria de Occidente to earn rentals or for capital appreciation or both, rather than for use for the Parent Company's and Fiduciaria de Occidente's own purposes. Investment property is recorded in the statement of financial position at fair value through profit or loss. Such fair value is determined based on appraisals performed periodically by independent experts using valuation techniques described in IFRS 13 “Fair Value Measurement.”

2.17. Assets received under lease

Assets received under lease upon initial receipt are also classified as finance or operating leases in the same manner as the assets leased described in paragraph 2.10 above. Lease agreements that are classified as finance leases are included in the balance sheet as property and equipment right-of-use assets according to their purpose and are initially recorded in assets and liabilities simultaneously at a value equal to the fair value of the asset received under lease or at the present value of the minimum lease payments, whichever is lower. The present value of the minimum lease payments is determined using the interest rate implicit in the lease agreement, or in the absence thereof, an average interest rate of the bonds placed by the Parent Company in the market is used. Any initial direct costs of the lessee are added to the amount recognized as an asset. The value recorded as a liability is included in the financial liabilities account and is recorded in the same manner as financial liabilities. Leases agreements that are classified as operating leases are recorded as an expense.

2.18. Intangible assets

The Parent Company and its subsidiaries recognize an intangible asset when it is identifiable, of a non-monetary nature and without physical substance. Its cost can be measured reliably and it is probable that future economic benefits attributable to the asset will be obtained.

a. Goodwill

The goodwill recorded by the parent company in its financial statements corresponds to a merger carried out by the parent company in previous years with Banco Unión, which in accordance with the transition standard established in IFRS 1, the parent company was exempted from recording under IFRS at its book value as of January 1, 2014. In accordance with IAS 38, the goodwill is considered to have an indefinite useful life and is not amortized but is subject to annual impairment testing, for which the parent company performs a valuation by an independent expert of the value of the lines of business that are related to the goodwill (Banco Unión's lines of business) and based on such valuation it is determined whether there is any impairment, which, if any, is recorded against profit or loss. Subsequent recoveries in the valuation, the parent company does not reverse the impairments previously recorded.

In updating the impairment tests performed as of December 31, 2022 in relation to goodwill, property, plant and equipment and intangibles, the budgets, forecasts and other assumptions were adjusted to incorporate the economic conditions observed, addressing, where necessary, increased risk and uncertainty. The assumptions used to perform the impairment test have been updated to reflect lower budgeted earnings in subsequent years and a delayed return to pre-crisis levels of turnover and profitability.

The assessment of the goodwill recorded by the Parent Company as of December 2022 concluded that the Goodwill assigned to the Cash Generating Unit is not impaired as of the valuation date and has an excess of COP$80,873 in value in use over the book value. See Note 15 - Intangible assets, net.

b. Other intangibles

Other intangible assets held by the Parent Company, Fiduciaria de Occidente, Occidental Bank Barbados Ltd. and Ventas y Servicios S.A. - NEXA BPO correspond mainly to computer programs and licenses, which are initially measured at their cost incurred in the acquisition or internal development phase. Costs incurred in the research phase are taken directly to profit or loss. Subsequent to initial recognition, these assets are amortized using the straight-line method over their estimated useful lives, which in the case of computer programs range from 1 to 20 years.

Costs incurred in computer programs under development are capitalized taking into account the following evaluations made by the Parent Company's management:

a) The project is technically feasible to complete for production so that it can be used in the Parent Company’s operations.
b) The Parent Company’s intention is to complete it for use in the development of its business, not for sale.
c) The Parent Company has the ability to use the asset.

d) The asset will generate economic benefits for the Parent Company that result in the realization of a greater number of transactions with lower costs.
e) The Parent Company has the necessary resources, both technical and financial, to complete the development of the intangible asset for its use.
f) Expenditures incurred during the development of the project and which are susceptible to capitalization are part of the higher value of this asset.
g) Disbursements incurred after the asset has been brought to the condition required by management for its use, will be recorded as an expense affecting the income statement.

2.19. Employee benefits

In accordance with International Accounting Standard IAS 19 "Employee Benefits," all forms of consideration given by the Parent Company and its subsidiaries in exchange for service rendered by employees are divided into four classes for accounting recognition:

a. Short-term benefits

In accordance with Colombian labor regulations, these benefits correspond to salaries, legal and extra-legal bonuses, vacations, severance pay and parafiscal contributions to state entities that are paid within 12 months following the end of the period. These benefits are accrued by the accrual system and charged to profit or loss.

b. Post-employment benefits

These are benefits that the Parent Company and subsidiaries pay to their employees at the time of retirement or after completing their term of employment, other than severance pay. In accordance with Colombian labor regulations, these benefits correspond to retirement pensions directly assumed by the Parent Company, severance pay payable to employees who continue in the labor regime prior to Law 50, and certain extra-legal benefits or benefits agreed in collective bargaining agreements.

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

Under the projected unit credit method, future benefits to be paid to employees are allocated to each accounting period in which the employee renders the service. Therefore , the corresponding expense for these benefits recorded in the income statement of the Parent Company and subsidiaries includes the present service cost assigned in the actuarial calculation plus the financing cost of the calculated liability. Variations in liabilities due to changes in actuarial assumptions are recorded in equity in the "other comprehensive income" account.

Changes in the actuarial liability for changes in employee benefits granted retroactively are recorded as an expense at the earlier of the following dates:

- When the modification of the employee benefits granted takes place.
- When provisions for restructuring costs are recognized for a subsidiary or business of the Parent Company and subsidiaries.

The mortality table issued by the Office of the Financial Superintendent RV08 was adjusted to include the effect of longevity for pension calculations.

The adjustment will be made progressively, so that in 4 years there will be a 2-year increase in the life expectancy of men and women at retirement age.

c. Other long-term employee benefits

These are all employee benefits other than short-term employee benefits, post-employment benefits and termination benefits. In accordance with the collective bargaining agreements and regulations of the Parent Company and subsidiaries, these benefits correspond mainly to seniority bonuses.

Liabilities for long-term employee benefits are determined in the same way as the post-employment benefits described in b) above, with the only difference that changes in the actuarial liability for changes in actuarial assumptions are also recorded in the consolidated statement of income.

d. Termination benefits

These benefits correspond to payments to be made by the Parent Company and subsidiaries arising from a unilateral decision to terminate the employment or an employee's decision to accept an offer of benefits in exchange for the termination of employment. In accordance with Colombian law, these payments correspond to termination indemnities and other benefits that the Parent Company and subsidiaries unilaterally decide to grant to their employees in these cases.

Termination benefits are recognized as a liability charged to profit or loss at the earlier of the following dates:

- When the Parent Company and subsidiaries formally communicate to the employee their decision to terminate his/her employment.
- When provisions for restructuring costs are recognized for a subsidiary or business of the Parent Company involving the payment of termination benefits.

2.20. Income tax

Current tax

Current tax is the amount payable or recoverable for income tax and additional taxes, calculated based on tax laws enacted or substantively enacted at the date of the statement of financial position. Management of the Parent Company and subsidiaries periodically evaluates the position taken in tax returns with respect to situations in which tax laws are subject to interpretation and, if necessary, makes provisions for amounts expected to be paid to the tax authorities according to the established terms.

To determine the current income tax and additional taxes, in the value of assets, liabilities, equity, revenues, costs, and expenses, the recognition and measurement systems are applied, in accordance with the technical accounting regulatory frameworks in force in Colombia, when the tax law expressly refers to them and in the cases in which it does not regulate the matter. In any case, the tax law may expressly provide for a different treatment, in accordance with Article 4 of Law 1314 of 2009.

Deferred tax

Deferred tax are recognized on temporary differences arising between the tax bases of assets and liabilities and the amounts recognized in the separate financial statements, which result in amounts that are deductible or taxable in determining taxable profit or loss for future periods when the carrying amount of the asset is recovered or

the liability is settled. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; nor is deferred tax recognized if it arises 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 taxable profit or loss. Deferred tax is determined using tax rates that are in effect at the balance sheet date and are expected to apply when the deferred tax asset is realized or when the deferred tax liability is settled.

The deferred tax expense is recognized in the consolidated statement of income, except for the portion corresponding to items recognized in other comprehensive income in equity, in which case the tax will also be recognized consistently in the equity accounts of other comprehensive income.

Deferred tax assets are recognized only to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are provided on taxable temporary differences that arise, except for deferred tax liabilities on investments in subsidiaries, associates, and joint ventures, when the timing of the reversal of the temporary difference is controlled by the Parent Company and its subsidiaries and it is probable that the temporary difference will not reverse in the foreseeable future, as required by IAS 12 paragraph 39.

Generally, the Parent Company has the ability to control the reversal of temporary differences of investments in associates, since in the event that there are taxable profits that are likely to be distributed in the foreseeable future, deferred tax liabilities will be recognized.

Deferred tax assets are recognized on deductible temporary differences on investments in subsidiaries, associates, and joint ventures only to the extent that it is probable that the temporary difference will reverse in the future and there is sufficient taxable profit against which the temporary difference can be utilized.

Likewise, with Decree 2617 of December 2022, Colombian Government regulated the alternative of recognition and presentation of the deferred tax due to the change in the income tax rate, indicating that it may be recognized within equity.

Therefore, the Parent Company and its subsidiaries did not apply it and the effect caused by Law 2277 of 2022 on the deferred tax was recognized in the result for the period as indicated in IAS 12.

Deferred tax assets and liabilities are offset in accordance with IAS 12.

On the other hand, current tax assets and liabilities are only offset if there is a legal right and if they relate to taxes levied by the same tax authority.

2.21. Provisions

Provisions for decommissioning and legal claims are recognized when the Parent Company and subsidiaries have a present legal or constructive obligation arising from past events. It is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

When there are a number of similar obligations, the probability that an outflow of resources will be required is determined by considering the class of obligations as a whole. A provision is recognized even if the probability of an outflow of resources in respect of any item included in the same class of obligations may be small.

Where the financial effect of discounting is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation, using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as borrowing cost.

2.22. Revenue

The Group recognizes revenue from contracts with customers based on a five-step model established in IFRS 15:

Step 1. Identifying the contracts with customers: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and establishes criteria to be met for each contract. Contracts can be written, oral or implied by an entity's customary business practices.

Step 2. Identifying performance obligations in the contract: A performance obligation is a promise in a contract with a customer for the transfer of goods or services.

Step 3. Determining the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Step 4. Allocating the transaction price to performance obligations of the contract: In a contract that has more than one performance obligation, the Group allocates the transaction price to the performance obligations in amounts that depict the amount of consideration to which the Group expects to be entitled in exchange for fulfilling each performance obligation.

Step 5. Revenue recognition when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognizes revenue over time if any of the following criteria are met:

a) The Group's performance does not create an asset with an alternative use to the Group, and the Group has an enforceable right to payment for performance completed to date.
b) The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

For performance obligations where none of the above conditions are met, revenue is recognized at a point in time when the performance obligation is satisfied.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contractual asset in the amount of the consideration earned for the performance. When the amount of consideration received from a customer exceeds the amount of revenue recognized, this creates a contractual liability.

Revenue is measured based on the consideration specified in the contract with the customer, and excludes amounts collected on behalf of third parties. The Group recognizes revenue when it transfers control of a good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intra-Group sales.

The Group evaluates its revenue plans based on specific criteria to determine whether it acts as principal or agent.

Revenue is recognized to the extent that it is probable that economic benefits will flow to the Group and if revenue and costs, if any, can be measured reliably.

Below is a description of the main activities through which the Group generates revenue from contracts with customers:

i. Interest Income

The Parent Company recognizes interest income on loans, debt securities and other debt instruments using the effective interest method. The calculation of the effective interest rate includes all fees and interest basis points, paid, or received between parties to the contract, which comprise the effective interest rate, transaction costs and any other premiums or discounts.

ii. Banking (financial services)

The Parent Company and subsidiaries Banco de Occidente Panamá S.A. and Occidental Bank Barbados Ltd. generally enter into contracts covering several different services. These contracts may contain components that are either within or outside the scope of IFRS 15. For this reason, they only apply the indications of IFRS 15 when all or part of their contracts are outside the scope of IFRS 9.

The sources of revenue obtained through contracts with customers are as follows:

- **Credit cards:** Exchange fees, general fees (annual, quarterly, monthly), loyalty schemes

There are contracts that create enforceable rights and obligations between the Parent Company and cardholders or merchants, under which the Parent Company provides services generally in exchange for annual or other fees. The following are some of the services that may exist in the contract with the cardholder:

- Issuance of loyalty points (options to purchase free or discounted goods/services in the future), which are usually based on the monetary volume of card transactions,
- Payment processing service,
- Insurance, where the Parent Company is not the insurer,
- Fraud protection, and
- Processing of certain transactions, such as foreign currency purchases and cash withdrawals.

The transaction price is allocated to each performance obligation based on the relative selling prices of the goods or services provided to the customer. The allocation of the transaction price to each individual performance obligation is not entirely necessary when there is more than one performance obligation, but they are all satisfied at the same time or equally during the period.

- **Commissions**

The Parent Company receives insurance commissions when referring new customers to third party insurance vendors, when the Parent Company is not itself the insurer of the policy. Such commissions are usually paid periodically (monthly, for example) to the Parent Company based on the volume of new policies (and/or renewal of existing policies) generated with customers introduced by the Parent Company. The transaction price may include an element of consideration that is either variable or is subject to the outcome of future events, such as policy cancellations. This element is estimated and included in the transaction price based on the most probable amount, to include it in the transaction price only when it is highly probable that the resolution of such uncertainty will not lead to a material reversal in revenue.

Commitment fees are within the scope of IFRS 15 when it is unlikely that a specific lending arrangement will be generated and that such commitment is not measured at fair value through profit or loss.

IFRS 15 addresses loan syndication fees received by a bank that arranges a loan and retains no part of the loan package for itself (or retains a part at the same effective interest rate (EIR) for comparable risk as other participants).

- **Savings and checking accounts**

Savings and checking account agreements generally allow customersaccess to a number of services, including processingwire transfers, using ATMs to withdraw cash, issuing debit cards, and generating bank statements. Other benefits are sometimes included. Collections are made periodically and provide the customer with access to banking services and additional benefits.

iii. Customer loyalty programs

The Parent Company administers loyalty programs, in which customers accumulate points for their purchases, which entitle them to redeem such points under the policies and reward plan in force at the redemption date. Reward points are recognized as an identifiable component separate from revenue for services rendered, at fair value. The Parent Company acts as a principal in a customer loyalty program if it obtains control of goods or services from another party in advance, or if it transfers control of such goods or services to a customer. The Parent Company acts as an agent if its performance obligation is to arrange for another party to provide the goods or services.

iv. Financing components

The Group adjusts transactional prices to the time value of money for contracts where the period between the transfer of promised goods or services to the customer and payment by the customer is greater than one year.

v. Dividends

Revenue is recognized when the Group's right to receive the corresponding payment is established, which generally occurs when the shareholders approve the dividend.

2.23. Going Concern

Based on the liquidity position of the Parent Company at the date of authorization of these consolidated financial statements, management continues to have a reasonable expectation that the Parent Company has adequate resources to continue in operation for the foreseeable future and that the going concern basis of accounting continues to be appropriate.

These consolidated financial statements have been prepared on a going concern basis and do not include any adjustments to the book value and classification of reported assets, liabilities, and expenses that might otherwise be required if the going concern basis were not appropriate.

2.24. New accounting pronouncements

The following accounting pronouncements issued are applicable to annual periods beginning after January 1, 2024, and have not been applied in the preparation of these consolidated financial statements. The Group intends to adopt the applicable accounting pronouncements on their respective dates of application and has assessed the impact of the adoption of the new or amended standards, concluding that it is not expected to have a significant impact on the financial statements.

The following is a list of new and amended standards that have been issued by the IASB and are effective for annual periods beginning on or after January 1, 2023:

Financial reporting standard	Subject of the standard or amendment	Details
Definition of Accounting Estimates (Amendments to IAS8)	Decree 1611 of 2022.	Annual periods beginning on or after January 1, 2024. Earlier application is permitted and will be applied prospectively to changes in accounting estimates and changes in accounting policies that occur on or after the beginning of the first annual reporting period in which the company applies the amendments.
Disclosures about Accounting Policies (Amendments to IAS 1)	Decree 1611 of 2022	Annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Covid-19-Related Rent Concessions beyond June 30, 2021 (Amendments to IFRS 16)	Decree 1611 of 2022	Annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	Decree 1611 of 2022	Annual periods beginning on or after January 1, 2024. Earlier application is permitted. Its application is retroactive, which could constitute a restatement.

2.25. Changes in accounting policies

The accounting policies applied in these annual financial statements are the same as those applied by the Parent Company in the financial statements for the year ended December 31, 2021.

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

The Group's management makes estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the book value of assets and liabilities within the next financial year. Judgments and estimates are continually evaluated and are based on management's experience and other factors, and are reviewed on an ongoing basis and under a going concern assumption, including the expectation of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments other than those involving estimates in the process of applying accounting policies. The judgments 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 book value of assets and liabilities in the following year include the following:

Fair value of financial instruments: The estimation of fair values of financial instruments is performed in accordance with the fair value hierarchy, classified in three levels, which reflects the importance of the inputs used in the fair value measurement.

Information on fair values of financial instruments classified by level, using observable inputs for levels 1 and 2 and unobservable inputs for level 3, is disclosed in note 5.

Determining what constitutes "observable" requires significant judgment on the part of the Parent Company.

The Parent Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, and that reflects the assumptions that market participants would use in pricing the asset or liability.

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

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

- Management's stated policies and procedures for the portfolio and the operation of those policies in practice;
- How management evaluates the performance of the portfolio;
- Whether management's strategy is focused on obtaining contractual interest income;
- The frequency of any expected sale of assets;
- The reason for any asset sale; and
- Whether the assets being sold are held for an extended period relative to their contractual maturity or are sold promptly after acquisition or for an extended period prior to maturity.

In particular, the Parent Company exercises judgment in determining the business model objective for portfolios held for liquidity purposes. The Parent Company's Central Treasury holds certain debt instruments in a separate portfolio for long-term yield and as a liquidity reserve. Instruments may be sold to meet unexpected liquidity shortfalls, but it is not anticipated that such sales will become more frequent.

The Parent Company considers that these instruments are held within a business model whose objective is to hold assets to collect contractual cash flows. The Parent Company's Central Treasury holds certain other debt instruments in separate portfolios to manage short-term liquidity. Sales are often made from this portfolio to meet ongoing business needs. The Parent Company determines that these instruments are not held within a business model whose objective is to hold the assets to collect contractual cash flows.

When a business model involves transferring contractual rights to cash flows from financial assets to third parties and the transferred assets are not derecognized, the Parent Company reviews the arrangements to determine their impact in assessing the objective of the business model.

In this assessment, the Parent Company considers whether, under the arrangements, the Parent Company will continue to receive cash flows from the assets, either directly from the issuer or indirectly from the recipient, including whether it will repurchase the assets from the recipient.

The Parent Company exercises judgment in determining whether the contractual terms of the financial assets it generates or acquires give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and may qualify for measurement at amortized cost. In this assessment, the Parent Company considers all contractual terms, including any prepayment terms or provisions to extend the maturity of assets, terms that change the amount and timing of cash flows and whether the contractual terms contain leverage.

For financial assets for which the Parent Company’s rights are limited to specific assets of the debtor (non-recourse assets), the Parent Company assesses whether the contractual terms of such financial assets limit cash flows in a manner inconsistent with payments representing principal and interest.

When the Parent Company invests in contractually linked instruments (tranches), it exercises its judgment to determine whether the exposure to credit risk in the tranche acquired is equal to or lower than the exposure to credit risk of the related group of financial instruments so that the tranche acquired would qualify for measurement at amortized cost.

Other aspects of the classification

The Parent Company's accounting policies provide the scope for assets and liabilities to be designated at inception into different accounting categories in certain circumstances:

- In classifying financial assets or liabilities as fair value through profit or loss, the group has determined that it complies with the description of assets and liabilities for trading set forth in the accounting policy.
- In designating financial assets or liabilities at fair value through equity, the Parent Company has determined that it has met one of the criteria for this designation set forth in the accounting policy.
- In classifying financial assets at amortized cost (held to maturity), the Parent Company has determined that it has the positive intent and ability to hold the assets to maturity as required by the accounting policy.

Deferred income tax: The Parent Company assesses the realization over time of deferred income tax assets. Deferred tax assets represent income taxes recoverable through future deductions from taxable profit and are recorded in the statement of financial position. Deferred tax assets are recoverable to the extent that the realization of the related tax benefits is probable. Future taxable profit and the amount of tax benefits that are probable in the future are based on medium-term plans prepared by management. The business plan is based on management's expectations that are believed to be reasonable under the circumstances. As a prudent measure to determine the realization of deferred taxes, the financial and tax projections of the Parent Company and its subsidiaries have been made.

As of December 31, 2022 and 2021, the Parent Company's management estimates that the deferred income tax asset items would be recoverable based on its estimates of future taxable profits. - See Note 16 - Income taxes

Goodwill: Annually, the Parent Company's management performs an impairment test of the goodwill recorded in its financial statements; such test is performed as of December 31 of each year based on a study performed for such purpose by independent experts hired for such purpose. This study is carried out based on the valuation of the lines of business related to the goodwill (Banco Unión's lines of business), using the discounted cash flow method, taking into account factors such as: the economic situation of the country and of the sector in which the Parent Company operates, historical financial information, and projected growth of the Parent Company's revenues and costs in the next five years and subsequently growth in perpetuity taking into account its profit capitalization indexes, discounted at risk-free interest rates that are adjusted by risk premiums that are required under the circumstances. The assumptions used in this valuation are detailed in note 15.

Valuation of investment property: Investment property is reported in the statement of financial position at fair value as determined in reports prepared by independent experts at the end of each reporting period. Due to current conditions in Colombia, the frequency of property transactions is low; however, management believes that there is sufficient market activity to provide comparable prices for orderly transactions of similar properties when determining the fair value of investment property.

In the preparation of the Parent Company's investment property valuation reports, forced sale transactions are excluded. Management has reviewed the assumptions used in the valuation by the independent experts and believes that factors such as inflation, interest rates, among others., have been appropriately determined considering market conditions at the end of the reporting period; however, management believes that the valuation of investment property is currently subject to a high degree of judgment and an increased likelihood that the actual proceeds from the sale of such assets may differ from their book value.

Estimate for legal contingencies: The Parent Company and its subsidiaries estimate and record a provision for contingencies to cover potential losses from labor cases, civil and commercial lawsuits, and tax or other issues depending on the circumstances that, based on the opinion of outside legal counsel and/or in-house counsel, are considered probable of loss and can be reasonably quantified. Given the nature of many of the claims, cases and/or proceedings, it is sometimes not possible to make an accurate forecast or quantify a loss amount in a reasonable manner, therefore, the actual amount of disbursements actually incurred for claims, cases and/or proceedings is consistently different from the amounts initially estimated and provisioned, and such differences are recognized in the year in which they are identified.

Employee benefits: The measurement of pension obligations, costs and liabilities depend on a variety of long-term assumptions determined on an actuarial basis, including estimates of the present value of projected future pension payments for plan participants, considering the probability of potential future events, such as increases in the urban minimum wage and demographic experience. These assumptions may have an effect on the amount and future contributions, if there is any variation.

The discount rate allows establishing future cash flows at the present value of the measurement date. The Parent Company determines a long-term rate that represents the market rate for high quality fixed income investments or for government bonds that are denominated in Colombian pesos, the currency in which the benefit will be paid, and considers the timing and amounts of future benefit payments, for which the Parent Company has selected government bonds.

The Parent Company uses other key assumptions to value actuarial liabilities, which are calculated based on the Parent Company's specific experience combined with published statistics and market indicators (See Note 19, which describes the most important assumptions used in the actuarial calculations and the corresponding sensitivity analyses).

Note 4. - Risk Management

The Parent Company and its subsidiaries in the financial sector manage the risk management function in accordance with applicable regulations and internal policies.

Risk management objective and general guidelines

The objective is to maximize returns for its investors through prudent risk management. To this end, the principles guiding the Parent Company's risk management are as follows:

a) Providing security and continuity of service to customers.
b) Integration of risk management to business processes.
c) Joint decisions at the level of each of the Parent Company's boards of directors to make commercial loans.
d) Deep and extensive market knowledge as a result of our leadership and our stable and experienced bank management.
e) Establishment of clear risk policies in a top-down approach with respect to:
   - Compliance with know-your-customer policies, and
   - Commercial lending structures based on a clear identification of repayment sources and debtors' cash flow generation capacity.
f) Use of common tools for analysis and determination of interest rates for loans.
g) Diversification of the commercial loan portfolio with respect to industries and economic groups.
h) Specialization in consumer product niches.
i) Extensive use of scoring and credit rating models that are permanently updated to ensure the growth of high credit quality consumer loans.
j) Conservative policies in terms of:
   - Trading portfolio composition with a bias towards lower volatility instruments.
   - Proprietary trading operations and
   - Variable compensation of bargaining personnel

Risk culture

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

a) In all the Parent Company's entities, the risk function is independent of the business units.
b) The structure of delegation of powers at the bank level requires that a many transactions are sent to decision centers such as risk committees. The large number and frequency of meetings of these committees ensures a high degree of agility in the resolution of proposals and ensures the continuous participation of senior management and key areas in the management of the different risks.
c) The Parent Company has detailed action manuals and policies with respect to risk management, and the business and risk groups of the banks hold regular orientation meetings with risk approaches that are in line with the risk culture of the Parent Company.
d) Limits plan: The banks have implemented a system of risk limits which are periodically updated in response to new market conditions and the risks to which they are exposed.
e) Adequate information systems to monitor risk exposures on a daily basis to check that approval limits are systematically met and to adopt, if necessary, appropriate corrective measures.

f) Major risks are analyzed not only when they originate or when problems arise in the ordinary course of business but on an ongoing basis for all customers.
g) The Parent Company has adequate and permanent training courses at all levels of the organization regarding risk culture and remuneration plans for certain employees according to their adherence to the risk culture.

Corporate structure of the risk function

In accordance with the guidelines established by the Office of the Financial Superintendent of Colombia, the corporate structure at the bank level applicable to the Parent Company and the subsidiary Fiduciaria de Occidente for the management of the different risks is composed of the following levels:

- Board of Directors.
- Risk Committee.
- Office of Risk Management.
- Risk management administrative processes.
- Internal Audit.

Board of Directors

The Board of Directors of the Parent Company and its subsidiaries is responsible for adopting, among others, the following decisions related to the adequate organization of the risk management system of each entity:

- Defining and approving the strategies and general policies related to the internal control system for risk management.
- Approving the entity's policies in relation to the management of the different risks.
- Approving the operation and counterparty quotas, according to the defined attributions.
- Approving exposures and limits to different types of risks.
- Approving the different risk management procedures and methodologies.
- Approving the allocation of human, physical and technical resources for risk management.
- Indicating the responsibilities and attributions assigned to the positions and areas in charge of risk management.
- Creating the necessary committees to guarantee the adequate organization, control and follow-up of the operations that generate exposures, and define their functions.
- Approving internal control systems for risk management.
- Requiring the management of the Parent Company and its subsidiaries to report periodically on the levels of exposure to the different risks.
- Evaluating proposals for recommendations and corrective actions on risk management processes.
- Requiring different periodic reports from management on the levels of exposure to the different risks.
- Following up at its regular meetings through periodic reports submitted by the Audit Committee on risk management and the measures adopted to control or mitigate the most relevant risks.
- Approving the nature, scope, strategic business, and markets in which the entity will operate.

Risk Committees

The Parent Company has, among others, credit and treasury risk committees (financial committee) formed by members of the Board of Directors. Additionally, analyses are performed by the full Board of Directors, who periodically discuss, measure, control and analyze the bank's credit risk management (SARC - Credit Risk Management System) and treasury risk management (SARM - Market Risk Management System).
There is also a technical committee on assets and liabilities, or analysis by the Board of Directors, which makes decisions on asset and liability management and liquidity management through the

Liquidity Risk Management System (SARL). The analysis and follow-up of the Operational Risk Management System (SARO) and the Business Continuity Plan (PCN) is carried out by the Audit Committee.

Legal risks are monitored for compliance by the Legal Vice Presidency. The duties of these

committees include, among others, the following:

1. Proposing to the Board of Directors of the respective entity the policies they consider appropriate for the management of the risks pertaining to each committee and the processes and methodologies for their management.
2. Conducting systematic reviews of the entity's risk exposures and taking corrective actions as deemed necessary.
3. Ensuring that the actions of the Parent Company and its subsidiaries in relation to risk management are consistent with previously defined levels of risk appetite.
4. Approving decisions that are within the attributions established for each committee by the board of directors.

The risk committees are listed below:

i. Financial Risk Committee, SARO Committee, and Compliance Committee

The purpose of these committees is to establish policies, procedures, and strategies for the comprehensive management of credit, market, liquidity, operational, money laundering, and financing of terrorism risks. Among its main responsibilities are:

- Measuring the integral risk profile of the entity.
- Designing monitoring and follow-up schemes for the levels of exposure to the different risks faced by the entity.
- Reviewing and proposing to the Board of Directors the level of tolerance and the degree of exposure to risk that the entity is willing to assume in the development of the business. This implies assessing alternatives to align the risk appetite of the different risk management systems.
- Assessing the risks involved in the entry into new markets, products, segments, countries, among others.

ii. Financial Risk Committee (Credit and Treasury Risk)

Its objective is to discuss, measure, control, and analyze credit risk management (SARC) and treasury risk management (SARM). Among its main responsibilities are:

- Monitoring the credit and treasury risk profile, in order to ensure that the level of risk remains within the established parameters, in accordance with the entity's risk limits and policies.
- Assessing the entry into new markets and products.
- Evaluating policies, strategies, and rules of action in both treasury and credit commercial activities.
- Ensuring that risk measurement and management methodologies are appropriate, given the entity's characteristics and activities.

iii. Assets and Liabilities Committee

Its objective is to support senior management in the definition of policies and limits, monitoring, control, and measurement systems that accompany the management of assets and liabilities and liquidity risk management through the different Liquidity Risk Management Systems (SARL Sistemas de Administración del Riesgo de Liquidez in Spanish).

Among its main responsibilities are:

- Establishing adequate procedures and mechanisms for liquidity risk management and administration.
- Monitoring reports on exposure to liquidity risk
- Identifying the origin of the exposures and through sensitivity analysis determining the probability of lower returns or resource requirements due to cash flow movements.

iv. Audit Committee

Its objective is to evaluate and monitor the Internal Control System. Among its main responsibilities are:

- Proposing for approval of the Board of Directors the structure, procedures, and methodologies necessary for the operation of the Internal Control System.
- Assessing the internal control structure of the entity, so as to establish whether the procedures designed reasonably protect its assets, as well as those of third parties it manages or has custody of, and whether there are controls to verify that transactions are being adequately authorized and recorded. For this purpose, the areas responsible for the administration of the different risk systems, the Statutory Auditor's Office and the Internal Audit Office submit to the Committee the periodic reports established and any other reports required by the Committee.
- Monitoring the levels of risk exposure, the implications for the entity and the measures adopted for its control or mitigation.

Office of Risk Management

The offices of risk management within the organizational structure have, among others, the following responsibilities:

a) Ensuring adequate compliance at the level of the Parent Company and subsidiaries with the policies and procedures established by the Board of Directors and the different risk committees for risk management.
b) Designing methodologies and procedures to be followed by management for risk management.
c) Establishing permanent monitoring procedures that allow timely identification of any type of deviation from the policies established for risk management.
d) Preparing periodic reports to the different risk committees, the Board of Directors of the Parent Company and subsidiaries on the status of control and surveillance in relation to compliance with risk policies.

Risk management administrative processes

According to their business models, each subsidiary of the Parent Company has well-defined structures and procedures documented in manuals on the administrative processes to be followed for the management of the different risks. They also have different technological tools, which are detailed below, where each risk is analyzed to monitor and control the risks.

Internal Audit

The internal audits of the Parent Company and subsidiaries are independent of management, report directly to the audit committees and, in the performance of their duties, carry out periodic evaluations of compliance with the policies and procedures followed by the Parent Company for risk management. In addition, their reports are submitted directly to the audit committees, which are responsible for following up with the Parent Company's management regarding corrective measures to be taken.

Individual analysis of the different risks

The Parent Company is mainly composed of entities of the financial sector; therefore, these entities are exposed to various financial, operational, reputation and legal risks in the ordinary course of business.

Financial risks include market risk (which includes trading risk and price risk as indicated below) and structural risks due to the composition of assets and liabilities on the balance sheet, which include credit risk, foreign exchange risk, liquidity risk and interest rate risk.

The Parent Company's entities that have their business in economic sectors other than the financial sector, commonly referred to as the “real sector”, have a lower exposure to financial risks, but are primarily exposed to operational and legal risks.

Reform of benchmark interest rates

A working group was formed within the Group to design and implement the plan for the transition to other alternative rates, which was 100% executed.

This working group was in charge of assessing the amendments to the contracts that were in force impacted by the loss of LIBOR, as well as following up on the milestones of the transition project in the areas of alternative rate selection, business, technology, ALM, finance, communications with counterparties, legal affairs, risks, internal and external reporting and processes.

Considering that the U.S. Alternative Reference Rates Committee (ARRC) defined the Secured Overnight Financing Rate (SOFR) as the reference rate that would be used to replace LIBOR in USD, the transition process was initiated for obligations associated with the LIBOR index by adopting the SOFR index. Consequently, as of March 1, 2022, operations in USD were disbursed and/or extended associated with the CME Term SOFR index and it was decided not to carry out operations tied to LIBOR in other currencies.

For contracts indexed to LIBOR that expire after the expected cessation of the rate, a policy was established to modify the contractual terms. This modification included the addition of fallback provisions or the replacement of the LIBOR rate with the alternative reference rate. The LIBOR Working Group signed the adherence to the ISDA Ammendment and Protocols, which eliminated the legal (contractual) risk of the transition for derivative contracts, defining the replacement of the LIBOR rate with SOFR plus a fixed spread.

We continue to work with the syndicated loan managers, with whom we still have LIBOR operations, in order to change to SOFR.

Details of the plan implemented during 2022:

Systems:

- Functional tests were carried out validating the processing in BankTrade with the new term SOFR financing rate
- Visual adjustments were made to the drop-down lists, as well as the manual loading of financing rates, adjustments to some reports with affectation of financing rate and Bank Trade Functional Certification SOFR Term Rate Patch.

ALM - financial:

- The CME Group Term SOFR - Banco de Occidente licensing process was carried out.
- A contract was signed with Precia, the official price provider, as a source for rate information.
- A User was set up to bring data via FTP in Precia.

Legal:

- Policies for modifying contractual terms were defined.
- Fallback provisions were established for the contracts and supplementary agreements were created for the replacement of LIBOR with the SOFR alternative rate .

Communication and training strategy:

- Internal areas were trained
- Communication was sent to customers informing them that SOFR would be the reference rate that would replace LIBOR.
- Information on the web page was updated.
- 100% of the customers were contacted to coordinate the acceptance and signature of the supplementary agreement for the change of the reference rate, for the long-term operations that were disbursed before March 1, 2022.

The following is a detail of LIBOR-indexed bonds outstanding at the end of December 2022:

		Total value of contracts indexed to LIBOR on December 31, 2022
Assets		
Commercial portfolio and commercial leasing		203,644
Total	**$**	**203,644**
Liabilities		
Bank loans and similar		141,555
Total	**$**	**141,555**

The following is an analysis of each of the above risks in order of importance:

4.1 Credit risk

Consolidated exposure to credit risk

The Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panamá S.A. and its subsidiaries are exposed to credit risk, which consists of the debtor causing a financial loss by not meeting its obligations in a timely manner and for the total amount of the debt. The exposure to credit risk of the Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panamá S.A. arises as a result of their lending activities and transactions with counterparties that give rise to financial assets. The maximum exposure to credit risk of the Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panamá S.A. in accordance with IFRS 7, at the consolidated level is reflected in the book value of financial assets in the consolidated statement of financial position of the Parent Company as of December 31, 2022 and 2021, as indicated below:

Account		December 31, 2022	December 31 2021
Deposits in banks other than Banco de la República	$	1,382,618	2,709,219
Financial instruments at fair value			
Issued or guaranteed by the Colombian government		4,316,675	4,090,137
Issued or guaranteed by other Colombian government entities		74,800	101,075
Issued or guaranteed by other Colombian financial institutions		540,409	1,138,301
Issued or guaranteed by entities of the Colombian real sector		1,483	12,040
Issued or guaranteed by Foreign Governments		52,387	85,819
Issued or guaranteed by other foreign financial institutions		115,571	512,221
Issued or guaranteed by foreign real sector entities		11,664	20,497
Other		86,591	82,801
Derivative instruments		754,968	463,730
Investments in equity instruments		702,957	592,845
Loan portfolio			
Corporate portfolio		25,119,579	20,207,394
Retail portfolio		11,133,242	8,874,987
Mortgage loan portfolio		1,165,713	949,867
Leasing portfolio		7,162,687	6,566,946
Repos and Interbank		1,120,454	465,911
Other accounts receivable		438,189	320,896
Total financial assets with credit risk		**54,179,987**	**47,194,686**
Off-balance sheet credit risk at face value			
Financial guarantees and collateral		3,831,593	2,230,767
Credit commitments		5,985,564	3,148,630
Total off-balance sheet credit risk exposure		**9,817,157**	**5,379,397**
Total maximum exposure to credit risk	**$**	**63,997,144**	**52,574,083**

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

Credit risk mitigation, guarantees, and other credit risk enhancements

The maximum exposure to credit risk of the Parent Company and its subsidiaries Occidental Bank Barbados Ltd. and Banco de Occidente Panamá S.A. is reduced by collateral and other credit enhancements, which reduce the credit risk of the Parent Company and its subsidiaries. The existence of guarantees may be a necessary measure but not a sufficient instrument for the acceptance of credit risk.

The Parent Company's credit risk policies require an assessment of the debtor's ability to pay and that the debtor is able to generate sufficient sources of funds to allow repayment of debts.

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

- Financial risk analysis: For the granting of loans, there are different models for the evaluation of credit risk: Scoring models for the evaluation of credit risk in the consumer portfolio. In the initial evaluation of customers, logistic regression models are applied, which assign a score to the customer, based on sociodemographic variables and some behavioral variables with the sector, and make it possible to establish whether the applicant is eligible for credit in accordance with the Parent Company's policy regarding the minimum score required. There are also follow-up models that mainly use customer payment behavior variables and some sociodemographic variables, and allow rating customers and establishing the probability of default in the next year. For the commercial portfolio there are rating models, specifically logistic regression models, whose variables are primarily financial indicators. These variables are used to obtain the input models. And for the follow-up models, payment behavior variables are added, such as the maximum height of delinquency in the last year, delinquency counters, among others. Thus, there are input and follow-up models for the Industry, Trade, Services, Construction, Territorial Entities and Financial Institutions segments.
- The constitution of guarantees with adequate rates to cover the debt and that are accepted in accordance with the credit policies of each bank, according to the risk assumed in any of the forms, such as personal guarantees, monetary deposits, securities and mortgage guarantees, among others.
- Liquidity risk assessment of collateral received.

The methods used to evaluate collateral are in line with market practices and involve the use of independent real estate experts, the market value of securities or the valuation of the companies issuing the securities.

All collateral must be legally evaluated and prepared following the parameters of their constitution in accordance with the applicable legal norms.

The following is a detail of the loan portfolio by type of collateral received in support of the loans granted by the Group as of December 31, 2022 and 2021:

	December 31, 2022 Corporate								
	Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Leasing Financial	Total
Unsecured loans	$ 15,284,698	8,773,715	1,352	42,224	119	690	1,120,454	43,033	**25,223,252**
Loans guaranteed by other banks	206,302	774	-	41,023	-	-	-	41,023	**248,099**
Collateralized loans:									
Residential	702,411	31,508	1,164,361	-	-	-	-	-	**1,898,280**
Other real estate	1,293,674	18,099	-	-	-	-	-	-	**1,311,773**
Investments in equity instruments	410,669	-	-	-	-	-	-	-	**410,669**
Deposits in cash or cash equivalents	358,135	665	-	-	-	-	-	-	**358,800**
Leased assets	-	-	-	2,398,802	-	1,321,621	-	3,720,423	**3,720,423**
Non-real estate assets	-	-	-	2,432,234	9,275	-	-	2,441,509	**2,441,509**
Trust agreements, standby letters of credit and guarantee funds	2,660,544	1,984	-	919	-	-	-	919	**2,663,447**
Pledged income	1,259,607	-	-	-	-	-	-	-	**1,259,607**
Pledges	1,160,885	2,238,634	-	-	-	-	-	-	**3,399,519**
Other assets	1,782,654	67,863	-	915,775	5	-	-	915,780	**2,766,297**
Total	**$ 25,119,579**	**11,133,242**	**1,165,713**	**5,830,977**	**9,399**	**1,322,311**	**1,120,454**	**7,162,687**	**45,701,675**

December 31, 2021 Corporate

	Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Leasing Financial	Total
Unsecured loans	$ 11,514,036	6,903,652	7,484	40,777	137	1,132	465,911	42,046	**18,933,129**
	130,507	2,873	-	-	-	-	-	-	**133,380**
Residential	422,464	28,337	942,383	-	-	-	-	-	**1,393,184**
Other real estate	1,392,967	18,968	-	-	-	-	-	-	**1,411,935**
Investments in equity instruments	443,556	-	-	-	-	-	-	-	**443,556**
Deposits in cash or cash equivalents	256,039	974	-	-	-	-	-	-	**257,013**
Leased assets	-	-	-	2,489,718	-	1,181,886	-	3,671,604	**3,671,604**
Non-real estate assets	-	-	-	2,088,473	12,258	-	-	2,100,731	**2,100,731**
Trust agreements, standby letters of credit and guarantee funds	2,609,287	632	-	1,159	-	-	-	1,159	**2,611,078**
Pledged income	1,280,742	-	-	9	-	-	-	9	**1,280,751**
Pledges	680,113	1,844,351	-	-	1	-	-	1	**2,524,465**
Other assets	1,477,683	75,200	-	751,286	110	-	-	751,396	**2,304,279**
Total	**$ 20,207,394**	**8,874,987**	**949,867**	**5,371,422**	**12,506**	**1,183,018**	**465,911**	**6,566,946**	**37,065,105**

Mortgages loan portfolio

The following tables stratify the credit exposures of mortgage loans and advances to retail customers by loan-to-value (LTV) ratio ranges. LTV 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 valuation excludes any adjustment for obtaining and selling collateral. The collateral value for residential mortgage loans is based on the value of the collateral at origination, based on changes in home price indexes. For credit-impaired loans, the collateral value is based on the most recent appraisals.

		December 31, 2022	December 31, 2021
LTV factor			
Less than 50%	$	965,084	876,215
51 – 70%		861,770	711,842
71 – 90%		380,274	289,934
91 – 100%		47,142	39,570
More than 100%		233,754	215,324
Total	**$**	**2,488,024**	**2,132,885**

Loans-Impaired		December 31, 2022	December 31, 2021
LTV factor			
Less than 50%	$	36,009	48,531
51 – 70%		30,624	30,994
More than 70%		39,541	41,341
Total	**$**	**106,174**	**120,866**

Significant Increase in Credit Risk

Under IFRS 9, when determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Group shall consider reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis, based on historical experience, as well as the Group's expert credit assessment including forward-looking information.

The Group expects to identify whether a significant increase in credit risk has occurred by comparing:

- The probability of default (PD) over the remaining life at the reporting date; with
- The PD during the remaining life at this point in time which was estimated at the time of initial recognition of the exposure.
- Qualitative aspects and the rebuttable presumption of the standard (30 days) are also considered.

The assessment of whether credit risk has increased significantly since the initial recognition of a financial asset requires identifying the initial recognition date of the instrument and the thresholds of increase.

Credit Risk Category Rating

The Group assigns each exposure to a credit risk rating based on a variety of data to predict the PD. The Group uses these ratings for the purposes of identifying significant increases in credit risk under IFRS 9. Credit risk ratings are defined using quantitative factors that are indicative of risk of loss. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk rating at initial recognition based on available information about the debtor. Exposures are subject to ongoing monitoring, which may result in moving an exposure to a different credit risk rating.

Modeling of the PD term

The estimation of probabilities of default is the primary input for determining the rating ranges that determine the level of risk.

The Group uses statistical models to analyze the data collected and generate estimates of the probability of impairment over the remaining life of the exposures and how those probabilities of impairment change as a result of the passage of time.

This analysis includes the identification and calibration of relationships between changes in impairment rates and key macroeconomic factors, as well as an in-depth analysis of certain impairment risk factors (e.g., portfolio write-offs). For most loans, the key economic factors are likely to include gross domestic product growth, changes in market interest rates, changes in the unemployment rate and the Consumer Price Index, among others.

The parent company's approach to preparing forward-looking economic information as part of its evaluation is as follows:

The Group has established a general framework that incorporates quantitative and qualitative information to determine whether the credit risk of a financial asset has increased significantly since initial recognition.

The initial framework is aligned with the Group's internal credit risk management process.

The criteria for determining whether credit risk has increased significantly will vary by portfolio or segment, as well as by risk rating.

The Group assesses whether the credit risk of a particular exposure has increased significantly since initial recognition if, based on quantitative modeling, the probability of expected impairment over the remaining life will increase significantly. In determining the increase in credit risk, the expected impairment loss over the remaining life is adjusted for changes in maturities.

In certain circumstances, using expert credit judgment and based on relevant historical information, the Group may determine that an exposure has experienced a significant increase in credit risk if particular qualitative factors may indicate that, and those factors may not be fully captured by its quantitative analyses carried out periodically. As a limit, and as required by IFRS 9, the Group presumes that a significant increase in credit risk occurs at the latest when the asset is past due for 30 days.

The Group monitors the effectiveness of the criteria used to identify significant increases in credit risk, based on regular reviews to confirm that:

- The criteria are able to identify significant increases in credit risk before an exposure is impaired.
- The average time to identify a significant increase in credit risk and default appears reasonable.
- Exposures are not generally transferred directly from the Group of probability of expected impairment in the following twelve months to the group of impaired loans.
- There is no unjustified volatility in the provision for impairment of transfers between the groups with probability of expected loss in the next twelve months and the probability of expected loss over the remaining life of the loans.

Modified Financial Assets

The contractual terms of loans may be modified for a number of reasons, including changes in market conditions, customer retention, and other factors unrelated to an actual or potential deterioration of the customer's credit.

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

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

The Group restructures loans to customers in financial difficulties to maximize collection opportunities and minimize the risk of default. Under the Group's restructuring policies, customers in financial difficulties are granted concessions that generally consist of reductions in interest rates, extension of payment terms, reductions in balances due or a combination of the above.

For financial assets modified as part of the Group's restructuring policies, the PD estimate will reflect whether the amendments have improved or restored the ability to collect interest and principal and previous experience of similar actions. As part of this process, the Group will assess the debtor's payment performance against the modified terms of the debt and will consider various performance indicators of the modified debtor group.

Generally, restructuring indicators are a relevant factor of increased credit risk. Accordingly, a restructured debtor needs to demonstrate consistent payment behavior over a period of time before it is no longer considered an impaired credit or that the PD has decreased such that the provision can be reversed and the credit measured for impairment within twelve months after the closing date of the financial statements.

Definition of default

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

- It is unlikely that the debtor will fully pay its credit obligations to the Group, without resources to take actions such as realizing the guarantee (in the event that they maintain); or
- Due to Delinquency in Portfolio:
  - Commercial loans: When they are 90 days or more past due.
  - Consumer Loans: When they are 90 days or more past due
  - Home loans: When they are 120 days or more past due
- For fixed-income financial instruments, objective evidence of impairment includes the following items, among others:
  - External rating of the issuer or instrument rated D.
  - Contractual payments are not made when due or within the stipulated term or grace period.
  - There is a virtual certainty of suspension of payments.
  - It is likely to enter bankruptcy or a bankruptcy petition or similar action is filed.
  - The financial asset no longer has an active market due to its financial difficulties.
  - For other items (in portfolio):
  - Customer in Law 617 of 2000
  - Restructuring Agreements Law 550 of 1999 and Law 1116 of 2006
  - Customer in legal collection (except client admitted under Law 1116 of December 27, 2006 and customers admitted under Law 1380 of January 25, 2010 - Insolvency Regime for Natural Persons Not Engaged in Business Activities). Customers in liquidation.
  - Extraordinary Restructurings Circular 039
  - Agreements and ordinary restructurings
  - Dation in payment

When assessing whether a debtor is in default, the Group considers the following indicators:

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

The inputs used in assessing whether financial instruments are in default and their significance may vary over time to reflect changes in circumstances.

Forecast of future economic conditions

Under IFRS 9, the parent company incorporates forward-looking information, both in its assessment of whether the credit risk of an instrument has increased significantly since initial recognition, and in its measurement of ECL. Based on the recommendations of the Group's Market Risk Committee, use of economic experts and consideration of a variety of current and projected external information, the Group formulates a “baseline scenario” 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 relative probabilities of each scenario.

External information may include economic data and published projections by governmental committees and monetary authorities in the countries in which the Group operates, Supranational organizations such as the Organization for Economic Cooperation and Development (OECD) and the International Monetary Fund, among others, and academic and private sector projections.

The baseline scenario is expected to represent the most likely outcome and is aligned with information used by the Group for other purposes, such as strategic planning and budgeting. The other scenarios would represent a more optimistic and pessimistic outcome. The Group also plans to conduct periodic stress tests to calibrate the determination of these other representative scenarios.

Measurement of ECL - Estimated weighted probability of credit loss

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

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

The above parameters will be derived from internal statistical models. These models will be adjusted to reflect forward-looking information as described below:

PDs are estimated as of a given date, which will be calculated based on statistical rating models and evaluated using rating tools adjusted to the different counterparty categories and exposures. These statistical models are based on internally compiled data comprising both qualitative and quantitative factors. If a counterparty or exposure migrates between the different ratings then this will result in a change of the estimated PD. The PDs will be estimated considering contractual maturity terms of the exposures and estimated prepayment rates.

The LGD is the magnitude of the probable loss if there is a default. It depends mainly on the characteristics of the counterparty and the valuation of the guarantees or collateral associated with the transaction.

In order to calculate the LGD at each balance sheet date, it is necessary to observe the behavior of customer obligations that have been defaulted in a specific period of time. For each case, the information on the movements of the loan after default is compiled taking into account payment flows, assets received in dation in payment, write-off recoveries and legal and administrative costs. The LGD estimate determines the percentage (0% -100%) that is lost in those events where the customer incurs impairment. In the commercial portfolio, it is based on the guarantee and on product consumption. This variable measures the risk of the operation. For loans secured by real estate and pledged on vehicles, variations in the price indexes of these assets are used.

EOD represents the expected exposure in the event of default. The Group will derive EOD from the counterparty's current exposure and potential changes in the current amount allowed under the terms of the contract, including amortization and prepayments. The EOD of a financial asset is the gross value at the time of default. For loan commitments and financial guarantees, EOD will consider the amount drawn, as well as potential future amounts that could be drawn or collected under the contract, which will be estimated based on historical observations. For some financial assets, the Group determines EOD by modeling a range of possible outcomes of exposures at various points in time. The Group will measure EOD by considering the risk of default over the maximum contractual period, (including options to extend debt to the customer) over which there is an exposure to credit risk, even if, for risk management purposes, a longer period of time is considered. The maximum contractual period extends to the date on which the Group has the right to require payment of a loan or terminate a loan commitment or a guarantee granted.

For consumer overdrafts, credit card balances and certain corporate revolving credit facilities that include both a loan and a loan commitment component not drawn by the customer, the Group will measure ED over a period greater than the maximum contractual period, if the Group's contractual ability to demand payment and cancel the undrawn commitment does not limit the Group's exposure to credit losses to the contractual period of the contract. These facilities do not have a fixed term or collection structure and are managed on a collective basis. The Group may cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management of the Group, but only when the Parent Company becomes aware of an increase in credit risk at the individual loan level. This longer period of time will be estimated taking into account the credit risk management actions the Group expects to take that serve to mitigate ED. These measures include a reduction in limits and cancellation of credit contracts.

Parameter modeling is performed on a collective basis, financial instruments are grouped on the basis of risk characteristics that may include:

- Type of instrument
- Credit risk rating
- Collateral
- Date of initial recognition
- Remaining term to maturity
- Industry
- Geographic location of debtor

The above groupings are subject to regular review to ensure that the exposures of a particular Group remain appropriately homogenous.

Policies to prevent excessive concentrations of credit risk

In order to prevent excessive concentrations of credit risk at the individual, country and economic sector levels, the Parent Company and subsidiaries maintain maximum risk concentration levels indexes updated at the individual level and by sector portfolios. The limit of the Parent Company's exposure to a credit commitment to a specific customer depends on the customer's risk rating, the nature of the risk involved and the presence of each bank in a specific market.

In order to avoid concentrations of credit risk at the consolidated level, the Parent Company has an Office of Risk Management that consolidates and monitors the credit risk exposures of all banks, and the Board of Directors establishes policies and maximum consolidated exposure limits.

Under credit risk management, concentration risk is continuously monitored through the exposure or concentration limit of the commercial portfolio, which establishes participation limits on the total portfolio for 16 economic sectors.

The following is the detail of credit risk at the consolidated level in the different geographic areas determined according to the debtor's country of residence, without taking into account provisions for impairment of the debtors' credit risk:

December 31, 2022

		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Financial Leasing	Total
Colombia	$	22,128,244	11,133,091	1,165,713	5,830,977	9,399	1,322,311	979,941	7,162,687	**42,569,676**
Panama		111,895	64	-	-	-	-	140,513	-	252,472
United States		42,100	6	-	-	-	-	-	-	42,106
Costa Rica		212,701	-	-	-	-	-	-	-	212,701
Nicaragua		-	-	-	-	-	-	-	-	-
Honduras		77,035	-	-	-	-	-	-	-	77,035
El Salvador		56,066	-	-	-	-	-	-	-	56,066
Guatemala		220,254	-	-	-	-	-	-	-	220,254
Other countries		2,271,284	81	-	-	-	-	-		2,271,365
Total	**$**	**25,119,579**	**11,133,242**	**1,165,713**	**5,830,977**	**9,399**	**1,322,311**	**1,120,454**	**7,162,687**	**45,701,675**

December 31, 2021

		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Financial Leasing	Total
Colombia	$	18,090,720	8,874,826	949,867	5,371,422	12,506	1,183,018	403,729	6,566,946	**34,886,088**
Panama		293,570	48	-	-	-	-	62,182	-	355,800
United States		9,494	11	-	-	-	-	-	-	9,505
Costa Rica		175,119	-	-	-	-	-	-	-	175,119
Honduras		82,802	-	-	-	-	-	-	-	82,802
El Salvador		119,626	-	-	-	-	-	-	-	119,626
Guatemala		195,800	-	-	-	-	-	-	-	195,800
Other countries		1,240,263	102	-	-	-	-	-		1,240,365
Total	**$**	**20,207,394**	**8,874,987**	**949,867**	**5,371,422**	**12,506**	**1,183,018**	**465,911**	**6,566,946**	**37,065,105**

The following is the distribution of the loan portfolio of the Parent Company and subsidiaries by economic purpose as of December 31, 2022 and 2021:

		December 31, 2022		**December 31, 2021**	
		Total	**% Ownership**	**Total**	**% Ownership**
Sector					
Retail services	$	16,356,374	35.8%	13,104,877	35.4%
Corporate Services		13,046,802	28.5%	9,934,348	26.8%
Construction		3,816,898	8.4%	3,725,833	10.1%
Other industrial and manufacturing products		2,123,971	4.6%	1,746,146	4.7%
Transportation and communications		2,048,118	4.5%	1,759,888	4.7%
Food, beverages and tobacco		1,582,130	3.5%	1,143,584	3.1%
Chemicals		1,623,081	3.6%	1,135,607	3.1%
Government		1,399,451	3.1%	1,336,777	3.6%
Utilities		1,261,657	2.8%	803,767	2.2%
Agriculture		1,043,592	2.3%	966,372	2.6%
Other		671,255	1.5%	672,635	1.8%
Trade and tourism		430,124	0.9%	410,891	1.1%
Mining and petroleum products		298,222	0.7%	324,380	0.9%
Total by economic purpose	$	**45,701,675**	**100%**	**37,065,105**	**100%**

Sovereign debt

As of December 31, 2022 and 2021, the portfolio of investments in financial assets in debt instruments is mainly composed of securities issued or guaranteed by Colombian Government institutions, which represent 98.96% and 97.94%, respectively, of the total portfolio. The exposure to sovereign debt by country is detailed below:

		Amount	% Ownership	Amount	% Ownership
Investment grade (1)					
Colombia	$	3,646,232	72.35%	3,053,225	73.11%
Mexico		19,552	0.39%	19,481	0.47%
USA		-	0.00%	35,830	0.86%
risk management purpose grade (2)					
Colombia		1,340,884	26.61%	1,036,913	24.83%
Costa Rica		-	0.00%	30,507	0.73%
El Salvador		32,836	0.65%	-	0.00%
Total sovereign risk	$	**5,039,504**	**100%**	**4,175,956**	**100%**

(1) Investment grade includes risk rating from Fitch Ratings Colombia S.A. from F1+ to F3, BRC de Colombia from BRC 1+ to BRC 3 and Standard & Poor's from A1 to A3.

(2) Trading purpose grade includes risk rating from Fitch Ratings Colombia S.A. from BB+ to C, Moody's Ba1 to C and Standard & Poor's from BB+ to C.

Credit granting process and counterparty quotas

The Parent Company's financial institutions assume credit risk on two fronts: the lending activity, which includes commercial, consumer and mortgage credit operations, and the treasury activity, which includes interbank operations, investment portfolio management, derivatives operations and foreign currency trading, among others. Although they are independent businesses, the nature of the counterparty insolvency risk is equivalent and, therefore, the criteria used to manage them are the same.

The principles and rules for credit and credit risk management in each of the Parent Company's financial institutions are set forth in the Credit Risk Management System (SARC in Spanish) manual, designed for both traditional banking and treasury activities. The evaluation criteria for measuring credit risk follow the main instructions issued by the Financial Risk Committees.

The highest authority in credit matters is the Board of Directors, which guides general policy and has the power to grant the highest levels of credit permitted. In banking operations, the powers to grant quotas and credits depend on the amount, term and guarantees offered by the costumer. The Board of Directors has delegated part of its lending authority to different departments and executives, who process credit applications and are responsible for the analysis, follow-up and outcome.

For treasury operations, the Board of Directors approves the transaction and counterparty quotas. Risk control is essentially carried out through three mechanisms: annual allocation of operating quotas and daily control, quarterly evaluation of solvency by issuers and investment concentration report by economic group.

In addition, credit approval takes into account, among other considerations, the probability of default, counterparty quotas, the recovery rate of the collateral received, the term of the loans and the concentration by economic sector.

The Parent Company has a Credit Risk Management System (SARC), which is managed by the Credit Risk Division and contemplates, among others, the design, implementation and evaluation of risk policies and tools defined by the Financial Risk Committee and the Board of Directors.

The progress made in the SARC has led to important achievements and it has also made possible to integrate credit risk measurement tools in the credit granting processes of the Parent Company.

For the consumer portfolio, the Parent Company has scoring models for the evaluation of credit risk. In the initial evaluation of costumers, logistic regression models are applied, which assign a score to the costumer, based on sociodemographic variables and some behavioral variables with the sector, and make it possible to establish whether the applicant is eligible for credit in accordance with the Parent Company's policy regarding the minimum score required. There are also follow-up models that mainly use customer payment behavior variables and some sociodemographic variables and allow rating customers and establishing the probability of default in the next year.

For the commercial portfolio, there are rating models, specifically logistic regression models, whose variables are primarily financial indicators. These variables are used to obtain the input models, and for the follow-up models, payment behavior variables are added, such as the maximum height of delinquency in the last year, delinquency counters, among others. Thus, there are entry and follow-up models for the Industry, Commerce, Services, Construction, Territorial Entities and Financial Institutions segments.

Credit risk monitoring process

The credit risk monitoring and follow-up process is carried out in several stages that include daily follow-up and collection management based on an analysis of past-due loans by age, rating by risk level, permanent follow-up of high-risk costumers, the process of restructuring operations and the reception of assets as a form of payment of a debt.

On a daily basis, the banks produce lists of past-due accounts receivable and, based on these analyses, various personnel of the Parent Company carry out collection procedures by means of telephone calls, e-mails or written collection requests.

The following is a summary of the portfolio by aging of maturity as of December 31, 2022 and 2021:

December 31, 2022

	Current Loan Portfolio	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total delinquency 1 – 90 days	Delinquency > 90 days	More than 180 days	Total loan portfolio
Corporate	$ 23,489,629	770,466	53,026	24,228	847,720	100,109	682,121	25,119,579
Retail	9,810,925	791,485	180,297	105,986	1,077,768	189,083	55,466	11,133,242
Residential Mortgage	969,087	131,164	17,591	8,198	156,953	7,860	31,813	1,165,713
Corporate Leasing	5,237,043	354,132	42,943	28,483	425,558	37,082	131,294	5,830,977
Retail Leasing	7,397	1,055	51	12	1,118	329	555	9,399
Residential Leasing	1,096,808	162,164	21,599	8,147	191,910	12,820	20,773	1,322,311
Repos and Interbank	1,120,454	-	-	-	-	-	-	1,120,454
Total	**$ 41,731,343**	**2,210,466**	**315,507**	**175,054**	**2,701,027**	**347,283**	**922,022**	**45,701,675**

	Current Loan Portfolio	From 1 to 30 days	From 31 to 60 days	From 61 to 90 days	Total delinquency 1 – 90 days	Delinquency > 90 days	More than 180 days	Total loan portfolio
Corporate	$ 18,944,925	423,469	42,761	43,809	510,039	114,793	637,637	20,207,394
Retail	8,071,053	452,934	92,047	61,225	606,206	109,547	88,181	8,874,987
Residential Mortgage	793,543	101,893	13,036	4,644	119,573	9,462	27,289	949,867
Corporate Leasing	4,756,897	289,726	29,465	25,050	344,241	54,010	216,274	5,371,422
Retail Leasing	10,265	1,368	187	161	1,716	525	-	12,506
Residential Leasing	993,693	130,569	18,161	9,433	158,163	7,274	23,888	1,183,018
Repos and Interbank	465,911	-	-	-	-	-	-	465,911
Total	**$ 34,036,287**	**1,399,959**	**195,657**	**144,322**	**1,739,938**	**295,611**	**993,269**	**37,065,105**

For the commercial portfolio, the Parent Company and subsidiaries evaluate on a monthly basis the 20 most representative economic sectors in terms of Gross and Past Due Portfolio, in order to monitor the concentration by economic sector and the level of risk in each of them.

At the individual level, the Parent Company and subsidiaries perform a semiannual individual analysis of the credit risk with outstanding balances over $2,000 based on updated financial information of the customer, compliance with the agreed terms, collateral received and queries to the credit bureaus. Based on this information, it classifies customers by risk level in categories A- Normal, B- Subnormal, C- Deficient, D- Doubtful collection and E- Unrecoverable. For consumer mortgage loans, the above rating by risk level is performed on a monthly basis, taking into account mainly the aging of maturity and other risk factors. For this purpose, the Parent Company also consolidates the debt of each customer and determines the probability and calculation of impairment at the consolidated level.

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

The following is a summary of the portfolio by risk level rating as of December 31, 2022 and 2021:

December 31, 2022

		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Total Financial Leasing	Total
A	$	23,146,375	10,313,849	1,096,832	4,974,550	8,238	1,255,186	1,120,454	6,237,974	41,915,484
B		425,163	215,016	14,917	227,580	-	19,839	-	247,419	902,515
C		526,272	200,127	811	213,019	51	2,246	-	215,316	942,526
D		385,081	242,728	28,928	208,849	1,046	33,345	-	243,240	899,977
E		636,688	161,522	24,225	206,979	64	11,695	-	218,738	1,041,173
Total	$	**25,119,579**	**11,133,242**	**1,165,713**	**5,830,977**	**9,399**	**1,322,311**	**1,120,454**	**7,162,687**	**45,701,675**

December 31, 2022

		Corporate	Retail	Residential	Corporate Leasing	Retail Leasing	Residential Leasing	Repos and Interbank	Total Financial Leasing	Total
A	$	18,210,060	8,247,338	896,738	4,349,632	11,415	1,124,264	465,911	5,485,311	33,305,358
B		479,553	146,108	6,547	322,674	-	11,297	-	333,971	966,179
C		542,611	202,708	1,938	266,728	528	1,111	-	268,367	1,015,624
D		334,412	160,161	25,413	138,808	537	33,013	-	172,358	692,344
E		640,758	118,672	19,231	293,580	26	13,333	-	306,939	1,085,600
Total	$	**20,207,394**	**8,874,987**	**949,867**	**5,371,422**	**12,506**	**1,183,018**	**465,911**	**6,566,946**	**37,065,105**

Based on the above ratings, each bank prepares a list of customers that could potentially have a significant impact of loss for the Parent Company and subsidiaries and, based on this list, assigns persons to follow up individually with each customer. This process includes meetings with the customer to determine the potential causes of risk and seek solutions together to achieve compliance with the debtor's obligations.Restructuring of credit operations due to debtor's financial difficulties

The Parent Company and its subsidiaries periodically restructure the debt of customers who have difficulties in complying with their credit obligations with the Parent Company and its subsidiaries, at the request of the debtor. Such restructurings generally consist of term extensions, interest rate reductions or partial forgiveness of debts, or a combination of the above.

The basic policy for granting such restructurings, at the Parent Company level is to provide the customer with a financial viability that allows it to adapt the debt repayment conditions to a new cash flow generation situation. The use of restructurings for the sole purpose of delaying the constitution of provisions is prohibited at the Parent Company level.

When a loan is restructured due to debtor's financial difficulties, such debt is marked in the files of each financial institution of the Parent Company as a restructured loan in accordance with the regulations of the Office of the Financial Superintendent of Colombia. The risk rating, made at the time of restructuring is only upgraded when the customer has been satisfactorily complying with the terms of the agreement for a prudent period of time and its new financial situation is adequate.

Significant restructured loans are included for individual assessment of impairment loss. However, the marking of a loan as restructured does not necessarily imply its qualification as impaired because, in most cases, new collateral is obtained to support the obligation.

The following is the detail of restructured loans as of December 31, 2022 and 2021:

Restructured loans	**December 31, 2022**	**December 31, 2021**
Local	$ 1,033,648	743,206
Corporate	733,450	677,841
Retail	245,673	65,365
Residential Mortgage	54,525	-
Foreign	57,773	10,960
Commercial	57,773	10,960
Total restructured loans	1,091,421	754,166

Forward-Looking Information

The Bank, through Grupo Aval Acciones y Valores, S.A., incorporates forward-looking information, both in its assessment of whether the credit risk of an instrument has increased significantly since initial recognition, and its measurement of ECL. Based on three scenarios of the macroeconomic variables applicable to each model, the estimation of the probability of default is affected. Subsequently, the ECL result is the product of weighting the probability of occurrence of each scenario.

Based on the recommendations of the Market Risk Committee of Grupo Aval Acciones y Valores, S.A., use of economic experts and consideration of a variety of current and projected external information, Grupo Aval Acciones y Valores, S.A. formulates a "baseline scenario" of the projection of relevant economic variables as well as a representative range of two other possible projected scenarios, called: "unfavorable scenario" and "favorable scenario." In the favorable scenario, the economic situation is booming, so its macroeconomic indicators are better than in the baseline scenario. In the unfavorable scenario.

the country's economic situation is in recession. In other words, there is a decrease in economic activity over a one-year period. In the unfavorable scenario, the macroeconomic indicators are worse than in the baseline scenario. The weights of the three macroeconomic scenarios are defined by Grupo Aval Acciones y Valores, S.A., in which the sum of the relative weights or probabilities of the three scenarios is equal to the unit value. In any scenario, projections of macroeconomic variables are made for a one-year period.

This analysis includes the identification and calibration of relationships between changes in impairment rates and key macroeconomic factors, as well as an in-depth analysis of certain impairment risk factors (e.g., portfolio write-offs). For most loans, the key economic factors are likely to include gross domestic product growth, changes in market interest rates, changes in the unemployment rate and CPI (Consumer Price Index), among others.

The main macroeconomic variables and scenarios used as of December 31, 2022 are as follows:

		2023			2022	
	Unfavorable Scenario	Baseline Scenario	Favorable Scenario	Unfavorable Scenario	Baseline Scenario	Favorable Scenario
Annual CPI change (*)	7.93%	7.83%	7.86%	12.63%	12.76%	12.97%
GDP growth (*)	-0.53%	1.29%	2.37%	7.82%	8.13%	8.27%
Unemployment rate (*)	11.15%	10.44%	9.46%	10.15%	9.78%	9.32%
DTF (*)	8.64%	8.90%	9.36%	10.15%	9.78%	9.32%
Banco de la República rate (*)	8.00%	8.75%	9.25%	11.75%	12.00%	12.00%

(*) Macroeconomic variables corresponding to the Republic of Colombia.

To determine the forward-looking information factor incorporated in the calculations of the allowance for ECL on loans at amortized cost, the main macroeconomic variables used are those corresponding to the Republic of Colombia, since the loan flows come mainly from that country.

In the projection, GDP growth is used, i.e., information from December 2023 is required, so that the risk of default during the next year can be projected. Another important variable is the unemployment rate and Banco de la República's intervention rate.

Weighted probability assigned to the scenarios:

	Unfavorable Scenario	Baseline Scenario	Favorable Scenario
Scenarios as of December 31, 2022	28.33%	56.67%	15.00%

Reception of assets as a form of payment of a debt

When persuasive loan collection or loan restructuring processes do not produce satisfactory results within a reasonable period of time, collection is carried out through legal channels. Agreements may also be reached with the customer for the reception of assets as a form of payment of the debt. The Parent Company has clearly established policies for the reception of assets as a form of payment and has separate departments specialized in the handling of these cases, reception of assets as a form of payment and their subsequent sale.

The following is the detail of assets received as payment and sold during the years ended December 31, 2022 and 2021:

		December 31, 2022	December 31, 2021
Assets received as payment	$	17,876	10,132
Assets sold		(7,093)	(46,637)
	$	**10,783**	**(36,505)**

Financial assets other than loan portfolio by credit risk rating

The following is the detail of financial assets other than loan portfolio by credit risk rating issued by an independent credit risk rating agency:

- **Cash**

The following is a detail of the credit quality determined by independent risk rating agents of the main financial institutions in which the Parent Company and its subsidiaries maintain cash funds:

Credit quality		December 31, 2022	December 31, 2021
Investment grade	$	**3,435,105**	**4,614,873**
The Central Bank of Colombia		2,054,545	1,906,454
Financial institutions		1,380,560	2,708,419
Unrated or not available		**2,058**	**800**
The Central Bank of Colombia		2,058	800
Total Cash with third parties		**3,437,163**	**4,615,673**
Cash held by the entity (1)		**441,061**	**494,330**
	$	**3,878,224**	**5,110,003**

(1) Corresponds to cash held by the Bank in vaults, ATMs and cash drawers.

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

The following is a detail of the credit quality determined by independent risk rating agents of the main counterparties in debt securities and investments in equity instruments in which the Parent Company and subsidiaries have financial assets at fair value:

		December 31, 2022	December 31, 2021
Investment grade			
Sovereign	$	2,995,342	3,108,536
Other public institutions		68,844	-
Corporate		57,924	64,194
Financial institutions		519,152	269,517
Multilaterals		62,018	60,232
Total investment grade		**3,703,280**	**3,502,479**
Trading			
Sovereign		1,373,720	1,067,420
Other public institutions		5,957	105,074
Corporate		24,183	32,686
Financial institutions		136,828	1,375,084
Multilaterals		1,872	3,846
Trading		**1,542,560**	**2,584,110**
Unrated or not available		**656,697**	**549,148**
Total	**$**	**5,902,537**	**6,635,737**

- **Investment financial assets at amortized cost**

The following is a detail of the credit quality determined by independent risk rating agents of the main counterparties in debt securities in which the Parent Company and subsidiaries have financial assets at amortized cost as of December 31, 2022 and 2021:

Credit quality		**December 31, 2022**	**December 31, 2021**
Issued and Guaranteed by the Nation and/or the Central Bank	$	1,803,214	883,552
		1,803,214	**883,552**
Impairment of investments		(522)	(345)
Issued and Guaranteed by the Nation and/or the Central Bank	$	**1,802,692**	**883,207**

- **Derivative financial instruments**

The following is a detail of the credit quality determined by independent risk rating agents of the main counterparties in active derivative instruments for the Parent Company and subsidiaries as of December 31, 2022 and 2021:

Credit quality		**December 31, 2022**	**December 31, 2021**
Investment Grade	$	701,032	445,056
Rish management purpose		4,165	1,395
Unrated or not available		49,771	17,279
Total	$	**754,968**	**463,730**

4.2 Market risks

The Parent Company participates in the money, foreign exchange and capital markets, seeking to satisfy its needs and those of its customers in accordance with established policies and risk levels. In this sense, it manages different portfolios of financial assets within the limits and levels of risk allowed.

Market risk arises from the Parent Company's open positions in investment portfolios in debt securities, derivative instruments and equity instruments recorded at fair value, due to adverse changes in risk factors such as: interest rates, inflation, foreign currency exchange rates, share prices, credit spreads of the instruments and the volatility of these, as well as in the liquidity of the markets in which the Parent Company operates.

For analysis purposes, we have segmented market risk into price risk and/or interest rate and exchange rate risk of fixed income securities and price risk of investments in equity securities.

4.2.1 Financial instrument risk

The Parent Company trades financial instruments for several purposes, among which are the following:

- Offering products tailored to costumers' needs, which fulfill, among others, the function of hedging their financial risks.
- Structuring portfolios to take advantage of arbitrage between different curves, assets and markets and obtain returns with adequate asset consumption.
- Carrying out operations with derivatives for intermediation purposes with costumers or to capitalize arbitrage opportunities, both in exchange rates and interest rates in the local and foreign markets.

In carrying out these transactions, the Parent Company incurs risks within defined limits or mitigates such risks through the use of other derivative or non-derivative financial instruments.

As of December 31, 2022 and 2021, the Parent Company had the following financial assets and liabilities subject to market risk:

		December 31, 2022	December 31, 2021
Assets			
Financial assets at fair value through profit or loss			
Investments in debt securities	$	1,299,887	711,135
Derivative instruments held for trading		754,968	463,730
Subtotal		**2,054,855**	**1,174,865**
Equity instruments at fair value through OCI			
Investments in debt securities	$	3,899,693	5,331,756
Subtotal		**3,899,693**	**5,331,756**
Financial assets at amortized cost			
Investments in debt securities		1,802,692	883,207
Subtotal		**1,802,692**	**883,207**
Total assets		**7,757,240**	**7,389,828**
Liabilities			
Derivative instruments held for trading		(930,802)	(517,293)
Total liabilities		**(930,802)**	**(517,293)**
Net position	**$**	**6,826,438**	**6,872,535**

Description of objectives, policies and processes for market risk management.

The Parent Company participates in the money, foreign exchange and capital markets, seeking to satisfy its needs and those of its customers in accordance with established policies and risk levels. In this sense, it manages different portfolios of financial assets within the limits and levels of risk allowed.

The risks assumed in the operations of both the banking book and the treasury book are consistent with the Parent Company's overall business strategy and risk appetite, based on the depth of the markets for each instrument, their impact on the risk weighting of assets and solvency level, the profit budget established for each business unit and the balance sheet structure.

Business strategies are established in accordance with approved limits, seeking a balance in the profitability/risk ratio. Likewise, there is a structure of limits congruent with the general philosophy of the banks, based on their capital levels, profit performance and the entity's tolerance to risk.

The SARM market risk management system allows entities to identify, measure, control and monitor the market risk to which they are exposed, based on the positions taken in their operations.

There are several scenarios under which the Parent Company is exposed to market risk:

- Interest rate: The Parent Company's portfolios are exposed to this risk when the variation in the market value of asset positions in the event of a change in interest rates does not coincide with the variation in the market value of liability positions, and this difference is not offset by the variation in the market value of other instruments or when the future margin, due to pending transactions, depends on interest rates.

- Exchange rate: The Parent Company's portfolios are exposed to exchange rate risk when 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, when positions are taken in derivative products whose underlying is exposed to exchange rate risk and the sensitivity of the security to changes in exchange rates has not been fully immunized, when exposure to interest rate risk is taken in currencies other than its reference currency, which may alter the equality between the value of the asset positions and the value of the liability positions in that currency and generate losses or gains, or when the margin is directly dependent on exchange rates.

Risk management

The Parent Company's senior management and Board of Directors actively participate in risk management and control through the analysis of an established reporting protocol and various Committees, which comprehensively monitor, both technically and fundamentally, the different variables that influence the markets internally and externally, in order to support strategic decisions.

Likewise, the analysis and monitoring of the different risks incurred by the Parent Company in its operations is essential for decision-making and for the evaluation of results. On the other hand, a permanent analysis of macroeconomic conditions is key in achieving an optimal combination of risk, profitability and liquidity.

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

These limits are monitored daily and reported biweekly to the Finance Committee and monthly to the Board of Directors.

In addition, in order to minimize the interest rate and exchange rate risks of certain items of its balance sheet, the Parent Company implements hedging strategies by taking positions in derivative instruments such as forward transactions, futures and swaps.

Methods used to measure risk

Market risks are quantified through value-at-risk models (internal and standard). Likewise, measurements are made using the historical simulation methodology. The Board of Directors approves a structure of limits, based on the value at risk associated with the annual profit budget and establishes additional limits by type of risk.

The Parent Company uses the standard model for the measurement, control and management of market risk of interest rates and exchange rates in the treasury and banking books. These measurements are performed daily for the Parent Company and monthly for each of its subsidiaries in order to measure and monitor the conglomerate risk.

Currently, the asset and liability positions of the treasury book are mapped, within zones and bands according to the duration of the portfolios, the investments in equity securities and the net position (assets minus liabilities) in foreign currency, both in the banking book and in the treasury book, in line with the standard model recommended by the Basel Committee.

Likewise, the Parent Company has parametric and non-parametric internal management models based on the Value at Risk (VaR) methodology, which have allowed it to complement market risk management based on the identification and analysis of variations in risk factors (interest rates, exchange rates and price indexes) on the value of the different instruments comprising the portfolios. These models are JP Morgan's Risk Metrics and historical simulation.

The use of these methodologies has made it possible to estimate earnings and capital at risk, facilitating the allocation of resources to the different business units, as well as to compare activities in different markets and identify the positions that have a greater contribution to the risk of the treasury businesses. Similarly, these tools are used to determine limits to traders' positions and to review positions and strategies quickly as market conditions change.

The methodologies used to measure VaR are periodically evaluated and subjected to backtesting to determine their effectiveness. In addition, the Parent Company has tools for stress testing and/or portfolio sensitization under the simulation of extreme scenarios.

Additionally, limits have been established by “Type of Risk” associated with each of the instruments comprising the different portfolios (sensitivities or effects on the value of the portfolio as a consequence of movements in interest rates or corresponding factors - impact of variations in specific risk factors: Interest rate (Rho), Exchange rate (Delta), Volatility (vega), among others.

Likewise, the Parent Company has established counterparty and trading quotas per operator for each of the trading platforms of the markets in which it operates. These limits and quotas are monitored on a daily basis by the Parent Company's Balance Sheet and Treasury Risk Management. The trading attributions per trader are assigned to the different hierarchical levels of the treasury based on the officer’s experience in the market, in the trading of this type of products and in the management of portfolios.

Likewise, there is a process for estimating the profit (P&L) of fixed income investments and forward derivatives, which is compared with the results obtained from the valuation of the systems with inputs from the price provider Precia PV S.A.

This process is complemented by the periodic review of the valuation methodologies of the Fixed Income Investments and Derivatives portfolios.

Likewise, a qualitative analysis of the liquidity of fixed-income bond prices is performed to determine the depth of the market for this type of instrument.

Finally, as part of the monitoring of operations, different aspects of the negotiations are controlled, such as agreed conditions, unconventional or out-of-market operations, operations with related parties, etc.

According to the standard model, the market value at risk (VaR) as of December 31, 2022 and 2021 was as follows:

	December 31, 2022		December 31, 2021	
Entity	**Value**	**Regulatory Capital Basis Points**	**Value**	**Regulatory Capital Basis Points**
Parent Company	$ 229,199	76	275,365	115
Occidental Bank (Barbados) Ltd.	8,276	3	9,655	4
Banco de Occidente Panamá S.A.	24,288	8	31,018	12
Fiduciaria de Occidente S.A.	10,752	3	11,574	4
	272,515		327,612	

The VaR indicators presented by the Parent Company and subsidiaries for the years ended December 31, 2022 and 2021 are summarized below:

	December 31, 2022			
	Minimum	**Average**	**Maximum**	**Last**
Interest rate	$ 173,356	196,810	243,326	173,355
Exchange rate	99	3,354	15,681	15,681
Mutual funds	75,869	80,639	83,479	83,479
VaR Portfolio				**272,515**

	December 31, 2021			
	Minimum	**Average**	**Maximum**	**Last**
Interest rate	$ 165,412	252,604	298,420	255,312
Exchange rate	305	1,462	2,948	2,749
Mutual funds	53,521	65,460	76,636	69,551
VaR Portfolio				**327,612**

As a consequence of the performance of the VaR, the Parent Company's market risk-weighted assets remained on average around 10.88% of total risk-weighted assets during the period ended December 31, 2021 and 7.60% as of December 31, 2022.

As a tool for the management of investment portfolios, different sensitivity analyses are performed on these portfolios at different basis points.

The sensitivity results as of December 31, 2022 and 2021 are as follows:

	December 31, 2022					
		Portfolio Value	25 BPS	50 BPS	75 BPS	100 BPS
Parent Company Fair Value	$	3,587,142	(22,972)	(45,629)	(68,005)	(90,086)
Occidental Bank Barbados Ltd. Fair Value		390,000	(2,996)	(5,934)	(8,817)	(11,646)
Banco de Occidente Panamá S.A. Fair Value		1,178,942	(8,329)	(16,523)	(24,584)	(32,515)
Fiduciaria de Occidente S.A. Fair Value		43,496	(347)	(695)	(1,042)	(1,390)
Total	**$**	**5,199,580**	**(34,644)**	**(68,781)**	**(102,448)**	**(135,637)**

	December 31, 2021					
		Portfolio Value	25 BPS	50 BPS	75 BPS	100 BPS
Parent Company Fair Value	$	4,143,890	(25,992)	(51,613)	(76,871)	(101,777)
Occidental Bank Barbados Ltd. Fair Value		411,981	(3,571)	(7,068)	(10,492)	(13,846)
Banco de Occidente Panamá S.A. Fair Value		1,440,619	(10,914)	(21,640)	(32,184)	(42,550)
Fiduciaria de Occidente S.A. Fair Value		46,401	(386)	(772)	(1,159)	(1,545)
Total	**$**	**6,042,891**	**(40,863)**	**(81,093)**	**(120,706)**	**(159,718)**

4.2.2 Price risk on investments in equity instruments

Equity investments

The Parent Company classifies its investments in equity instruments where it has no control or significant influence, in the category of financial assets at fair value through OCI, when their main purpose is not to obtain profits from fluctuations in their market price, they are not listed on the stock exchange or are of low marketability, nor are they awaiting maturity of the investment, nor are they part of the portfolio that supports its liquidity in financial intermediation or are expected to be used as collateral in liability operations, since their purpose is strategic and coordinated directly with the Parent Company.

In accordance with the business model, these investments will be sold when some of the following conditions are met:

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

Foreign exchange risk

The Parent Company operates internationally and is exposed to fluctuations in exchange rates arising from exposures in various currencies, mainly with respect to U.S. dollars and Euros.

Foreign exchange risk arises mainly from recognized assets and liabilities and investments in subsidiaries and branches abroad, in loan portfolio, and in foreign currency obligations and future commercial transactions also in foreign currency.

Banks in Colombia are authorized by Banco de la República to trade foreign currency and maintain foreign currency balances in foreign accounts. The legal regulations in Colombia require the Parent Company to maintain its own daily position in foreign currency, determined by the difference between the rights and obligations denominated in foreign currency recorded inside and outside the statement of financial position, which average is of three business days and may not exceed twenty percent (20%) of the technical equity; likewise, such average of three business days in foreign currency may be negative without exceeding five percent (5%) of the technical equity in U.S. dollars.

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

Additionally, it must comply with the gross leverage position limits, which is defined as the sum of rights and obligations in contracts with future performance denominated in foreign currency: spot transactions denominated in foreign currency with performance between one banking day (t+1) and three banking days (t+3) and other exchange rate derivatives. The three-business day average of the gross leverage position may not exceed five hundred and fifty percent (550%) of the amount of the entity's adequate equity.

The determination of the maximum or minimum amount of the daily own position and of the own cash position in foreign currency must be established based on the technical equity of the Parent Company on the last day of the second preceding calendar month, converted at the exchange rate established by the Office of the Financial Superintendent of Colombia at the close of the immediately preceding month.

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

The following is a detail of the main financial assets and liabilities in foreign currency denominated in Colombian pesos held by the Parent Company and its subsidiaries as of December 31, 2022 and 2021:

December 31, 2022

	Millions		
	U.S. dollars	**Other currencies in U.S. dollars**	**Total Colombian pesos**
Assets			
Cash	285.65	1.74	1,382,428.21
Investments at fair value through profit or loss	16.65	-	80,094.77
Investments at fair value through OCI	330.91	-	1,591,766.57
Investments at amortized cost	-	-	-
Financial assets from loan portfolio at amortized cost	1,184.81	-	5,699,153.43
Derivative instruments held for trading	1,116.38	-	5,369,999.09
Derivative hedging instruments	-	-	-
Other accounts receivable	3.84	-	18,488.00
Total Assets	**2,938.25**	**1.74**	**14,141,930**
Liabilities			
Derivative instruments held for trading	1,154.78	-	5,554,712.93
Derivative hedging instruments	-	-	-
Customer deposits	978.48	1.42	4,713,551.09
Financial Obligations	840.05	-	4,040,790.33
Other accounts payable	3.14	-	15,105.36
Total liabilities	**2,976.45**	**1.42**	**14,324,160**
Net asset (liability) position	**(38.20)**	**0.32**	**(182,230)**

December 31, 2021

	Millions		
	U.S. dollars	Other currencies in U.S. dollars	Total Colombian pesos
Assets			
Cash	678.11	1.59	2,699,670
Investments at fair value through profit or loss	42.87	-	170,654
Investments at fair value through OCI	493.34	-	1,964,049
Investments at amortized cost	-	-	-
Financial assets from loan portfolio at amortized cost	1,190.87	-	4,741,036
Derivative instruments held for trading	506.67	-	2,017,141
Derivative hedging instruments	-	-	-
Other accounts receivable	4.13	-	16,448
Total Assets	**2,915.98**	**1.59**	**11,608,999**
Liabilities			
Derivative instruments held for trading	1,283.73	-	5,110,749
Derivative hedging instruments	-	-	-
Customer deposits	1,034.57	1.31	4,118,788
Financial Obligations	616.58	-	2,454,695
Other accounts payable	3.93	-	15,654
Total liabilities	**2,938.81**	**1.31**	**11,699,886**
Net asset (liability) position	**(22.83)**	**0.28**	**(90,887)**

The Parent Company's objective with respect to foreign currency transactions is to primarily meet the needs of international trade and financing customers in foreign currency and to take positions in accordance with authorized limits.

The Parent Company's management has established policies that require its subsidiaries to manage their foreign exchange risk against their functional currency. The subsidiaries of the Parent Company are required to economically hedge their exchange rate exposure by using derivative transactions, especially forward contracts. The net foreign currency position of the Parent Company is monitored on a daily basis by the treasury divisions of each subsidiary, which are responsible for closing the positions and adjusting them to the established tolerance levels.

The estimated effect of the increase or decrease of each 10/US1 with respect to the exchange rate at December 31, 2022 and 2021 would be an increase in income of $947 and $558, respectively.

4.3 Interest rate structure risk

The Parent Company is exposed to the effects of fluctuations in the interest rate market that affect its financial position and future cash flows. The risk arises as a consequence of making investments and loans at variable interest rates and funding them with liabilities with fixed interest rate costs or vice versa. Interest margins may increase as a result of changes in interest rates but may also decrease and create losses in the event of unexpected movements in interest rates.

Generally, the Parent Company obtains long-term borrowings at variable interest rates, such as rediscounts with second-tier financial institutions, whose rates are implicitly offset with portfolio loans.

The following table shows the interest rate exposure for assets and liabilities at December 31, 2022 and 2021. In this table, fixed rate instruments are classified according to the maturity date and variable rate instruments are classified according to the price change date. The following analysis includes all global interest rate exposure:

December 31, 2022

Assets	Less than one month	Between one and six months	From six to twelve months	More than one year	No Interest	Total
Cash	$ 1,821,621	-	-	-	2,056,603	3,878,224
Investments in debt securities at fair value FVTPL	1,002	80,389	116,568	1,101,927	-	1,299,886
Investments in debt securities at fair value FVTOCI	25,487	322,040	219,557	3,332,609	-	3,899,693
Investments at amortized cost	135,838	968,085	698,770	-	-	1,802,693
Corporate portfolio and corporate leasing	568,187	26,759,746	969,072	2,653,550	-	30,950,555
Retail portfolio and Retail leasing	42,503	2,470,888	112,282	8,516,969	-	11,142,642
Mortgage residential portfolio and mortgage leasing	1,695	64,506	1,062	2,420,761	-	2,488,024
Repos and interbank	1,120,454	-	-	-	-	1,120,454
Other accounts receivable	-	-	-	79,303	357,359	436,662
Total Assets	3,716,787	30,665,654	2,117,311	18,105,119	2,413,962	57,018,833

Liabilities	Less than one month	Between one and six months	From six to twelve months	More than one year	No Interest	Total
Current Accounts	699,854	-	-	-	6,886,744	7,586,598
Term deposit certificates (CDT)	1,638,514	9,140,572	2,287,918	323,801	-	13,390,805
Savings Accounts	22,021,958	-	-	-	-	22,021,958
Other Deposits	-	-	-	-	96,584	96,584
Interbank Funds	1,389,139	246,260	-	566,644	-	2,202,043
Lease liabilities	-	-	-	374,521	-	374,521
Bank and other loans	473,508	2,503,690	92,152	485,119	-	3,554,469
Bonds and investment securities	188,906	2,133,510	-	-	-	2,322,416
Obligations with rediscount entities	570	142,295	31,355	793,217	-	967,437
Total Liabilities	$ 26,412,449	14,166,327	2,411,425	2,543,302	6,983,328	52,516,831

December 31, 2021

Assets	Less than one month	Between one and six months	From six to twelve months	More than one year	No interest	Total
Cash	$ 2,400,783	-	-	-	2,709,219	5,110,003
Investments in debt securities at fair value FVTPL	-	149,991	139,746	421,398	-	711,135
Investments in debt securities at fair value FVTOCI	107,004	719,758	617,327	3,887,667	-	5,331,756
Investments at amortized cost	93,781	221,944	567,482	-	-	883,207
Corporate portfolio and corporate leasing	3,689,975	6,260,739	3,606,527	12,021,575	-	25,578,816
Retail portfolio and retail leasing	299,601	1,124,787	1,088,702	6,374,403	-	8,887,493
Mortgage residential portfolio and mortgage leasing	15,185	118,214	80,018	1,919,468	-	2,132,885
Repos and interbank	401,610	64,301	-	-	-	465,911
Other accounts receivable	-	-	-	69,040	251,856	320,896
Total Assets	7,007,939	8,659,734	6,099,802	24,693,551	2,961,075	49,422,102

Liabilities	Less than one month	Between one and six months	From six to twelve months	More than one year	No interest	Total
Current Accounts	511,154	-	-	-	7,221,170	7,732,324
Term deposit certificates (CDT)	1,281,405	6,113,027	1,447,448	327,590	-	9,169,470
Savings Accounts	19,385,347	-	-	-	-	19,385,347
Other Deposits	-	-	-	-	53,110	53,110
Interbank Funds	1,524,800	271,851	200,719	2,238	-	1,999,608
Lease liabilities	-	-	-	377,043	-	377,043
Bank and other loans	264,875	1,678,824	400,182	46,434	-	2,390,315
Bonds and investment securities	173,978	2,603,600	-	-	-	2,777,578
Obligations with rediscount entities	240	11,896	27,322	912,368	-	951,826
Total Liabilities	$ 23,141,799	10,679,198	2,075,671	1,665,673		44,836,621

The Parent Company is exposed to prepayment risk on loans placed at fixed interest rates including home mortgage loans, which give the borrower the right to repay the loans early without penalty. The Parent Company's earnings for the periods ended December 31, 2022 and 2021 have not been materially changed by changes in the prepayment rate because the loan portfolio and the prepayment right is similar in value to the loans.

The following is a detail of the main interest-bearing assets and liabilities, by interest rate, variable and fixed, according to maturity at December 31, 2022 and 2021:

December 31, 2022

Assets	Less than one year		More than one year			
	Variable	Fixed	Variable	Fixed	No interest	Total
Cash	$ 1,821,621	-	-	-	2,056,603	3,878,224
Investments in debt securities at fair value FVTPL	65,719	132,240	1,495	1,100,432	-	1,299,886
Investments in debt securities at fair value FVTOCI	236,623	330,461	98,964	3,233,646	-	3,899,694
Investments in debt securities at amortized cost	1,132,250	670,442	-	-	-	1,802,692
Commercial portfolio and commercial leasing	13,150,122	4,326,664	12,188,768	1,285,001	-	30,950,555
Consumer portfolio and consumer leasing	645,706	2,367,259	1,739,759	6,389,918	-	11,142,642
Mortgage portfolio and mortgage leasing	10,978	231,383	49,321	2,196,342	-	2,488,024
Repos and interbank	-	1,120,454	-	-	-	1,120,454
Other accounts receivable	-	-	79,303	-	357,359	436,662
Total	17,063,019	9,178,903	14,157,610	14,205,339	2,413,962	57,018,833

Liabilities	Less than one year		More than one year			
	Variable	Fixed	Variable	Fixed	No interest	Total
Current Accounts	650,969	48,885	-	-	6,886,744	7,586,598
Term deposit certificates (CDT)	2,303,792	6,158,951	3,157,873	1,770,188	-	13,390,804
Savings Accounts	1,717,218	20,304,740	-	-	-	22,021,958
Other Deposits	-	-	-	-	96,584	96,584
Interbank Funds	-	1,635,400	566,644	-	-	2,202,044
Lease liabilities	-	-	-	374,521	-	374,521
Bank and other loans	2,389,064	680,285	485,119	-	-	3,554,468
Bonds and Investment Securities	188,906	-	2,014,510	119,000	-	2,322,416
Obligations with rediscount entities	6,873	170,406	43,740	746,419	-	967,438
Total	$ 7,256,822	28,998,667	6,267,886	3,010,128	6,983,328	52,516,831

December 31, 2021

Assets	Less than one year		More than one year			
	Variable	Fixed	Variable	Fixed	No interest	Total
Cash	$ 2,400,783	-	-	-	2,709,219	5,110,003
Investments in debt securities at fair value FVTPL	31,923	257,814	2,473	418,925	-	711,135
Investments in debt securities at fair value FVTOCI	45,502	1,289,174	469,934	3,527,146	-	5,331,756
Investments at amortized cost	883,207	-	-	-	-	883,207
Corporate portfolio and commercial leasing	12,170,200	1,644,972	11,046,940	716,704	-	25,578,816
Retail portfolio and consumer leasing	568,566	1,944,528	1,404,639	4,969,760	-	8,887,493
Mortgage residential portfolio and mortgage leasing	10,114	203,304	36,188	1,883,279	-	2,132,885
Repos and interbank	-	465,911	-	-	-	465,911
Other accounts receivable	-	-	69,040	-	251,856	320,896
Total	16,110,295	5,805,703	13,029,214	11,515,814	2,961,075	49,422,102

Liabilities	Less than one year		More than one year			
	Variable	Fixed	Variable	Fixed	No interest	Total

Current Accounts	481,171	29,983	-	-	7,221,170	7,732,324
Term deposit certificates (CDT)	3,395,361	3,509,928	1,401,860	862,321	-	9,169,470
Savings Accounts	1,131,838	18,253,510	-	-	-	19,385,348
Other Deposits	-	-	-	-	53,110	53,110
Interbank Funds	1,992,363	5,007	-	2,238	-	1,999,608
Lease liabilities	-	-	-	377,043	-	377,043
Bank and other loans	2,343,881	-	46,433	-	-	2,390,314
Bonds and investment securities	392,088	103,940	2,162,550	119,000	-	2,777,578
Obligations with rediscount entities	11,169	28,288	73,480	838,889	-	951,826
Total	$ 9,747,871	21,930,656	3,684,323	2,199,491	7,274,280	44,836,621

4.4 Liquidity risk

Liquidity risk is related to the impossibility of each of the Group's entities to meet the obligations acquired with customers and counterparties in the financial market at any time, currency, and place, for which each entity reviews its available resources on a daily basis.

To measure liquidity risk, the Parent Company calculates a weekly Liquidity Risk Indicator (LRI) for terms of 7, 15, 30 and 90 days, as established in the standard model of the Office of the Financial Superintendent of Colombia and quarterly for its subsidiaries to measure the liquidity risk of the conglomerate.

Additionally, the Parent Company measures the stability of its funding on a monthly basis in relation to the composition of its assets and positions outside the statement of financial position, over a one-year horizon through the net stable funding ratio coeficiente de fondeo estable neto CFEN as established in the standard model of the Office of the Financial Superintendent of Colombia.

As part of the liquidity risk analysis, the Parent Company measures the volatility of deposits, debt levels, the structure of assets and liabilities, the degree of liquidity of assets, the availability of lines of credit and the overall effectiveness of asset and liability management, in order to maintain sufficient liquidity (including liquid assets, guarantees and collateral) to face potential own or systemic stress scenarios.

The quantification of the funds obtained in the money market is an integral part of the liquidity measurement performed by the Parent Company. Based on technical studies, the Parent Company determines the primary and secondary sources of liquidity to diversify the providers of funds, in order to guarantee the stability and adequacy of the resources and to minimize the concentration of the sources.

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

The availability of resources is monitored on a daily basis, not only to comply with reserve requirements, but also to foresee and/or anticipate possible changes in the liquidity risk profile of the Parent Company and to be able to make strategic decisions as the case may be. In this sense, the Parent Company has liquidity alert indicators that allow establishing and determining the scenario in which it is, as well as the strategies to be followed in each case. Such indicators include, among others, the LRI, deposit concentration levels, the use of Banco de la República liquidity quotas, among others.

Through the assets and liabilities technical committees (Finance Committee and ALCO Committee), the Parent Company's senior management is aware of the liquidity situation and makes the necessary decisions taking into account the high quality liquid assets to be maintained, the tolerance in liquidity management or minimum liquidity, the strategies for granting loans and raising funds, policies on placement of surplus liquidity, changes in the characteristics of existing products as well as new products, diversification of sources of funds to avoid concentration of deposits in a few investors or savers, hedging strategies, the results of the Parent Company and changes in the balance sheet structure.

To control the liquidity risk between assets and liabilities, the Parent Company performs statistical analyses to quantify with a predetermined level of confidence the stability of deposits with and without contractual maturity.

In order to comply with the requirements of Banco de la República and the Office of the Financial Superintendent of Colombia, the Parent Company must maintain cash on hand and restricted banks as part of the required legal reserve, calculated on the daily average of the different customer deposits.

The current percentage is 11% of the deposits, except for term deposit certificates (CDT) with a term of less than 180 days, for which the percentage is 4.5%, and 0% when the term exceeds 180 days. The Parent Company has been complying adequately with this requirement.

The following is a summary table of projected available liquid assets as of December 31, 2022 and 2021:

December 31, 2022
Subsequent net available balances

Entity		Liquid assets available at the end of the period (1)	1 to 7 days (2)	1 to 30 days later (2)	31 to 90 days later (2)
Parent Company	$	6,166,592	5,338,046	1,921,325	(6,205,501)
Occidental Bank Barbados Ltd.		545,205	520,737	401,746	17,668
Banco de Occidente Panamá S.A.		1,146,878	1,096,283	920,400	357,581
TOTAL	**$**	**7,858,675**	**6,955,066**	**3,243,471**	**(5,830,252)**

December 31, 2021
Subsequent net available balances

Entity		Liquid assets available at the end of the period (1)	1 to 7 days (2)	1 to 30 days later (2)	31 to 90 days later (2)
Parent Company	$	6,598,351	5,923,470	2,935,981	(4,254,187)
Occidental Bank Barbados Ltd.		408,588	392,190	284,178	(63,929)
Banco de Occidente Panamá S.A.		1,250,685	1,164,341	513,445	(62,912)
TOTAL	**$**	**8,257,624**	**7,480,001**	**3,733,604**	**(4,381,028)**

(1) Liquid assets correspond to the sum of those assets existing at the end of each period that, due to their characteristics, may be rapidly converted into cash. These assets include: cash on hand and in banks, securities or coupons transferred to the entity in lending operations in the money market carried out by the entity and not subsequently used in borrowing operations in the money market, investments in debt securities at fair value and investments at amortized cost, provided that in the latter case they are mandatory or compulsory investments subscribed in the primary market and that money market operations may be carried out with them. For the purpose of calculating liquid assets, all the investments listed above, without exception, are computed at their fair exchange price at the valuation date.

(2) The balance corresponds to the residual value of the entity's liquid assets in the days following the end of the period, after discounting the net difference between the entity's cash inflows and outflows in that period. This calculation is made by analyzing the mismatch of contractual and non-contractual cash flows of assets, liabilities and positions outside the statement of financial position in time bands from 1 to 90 days.

The above liquidity calculations are prepared assuming a normal liquidity situation in accordance with the contractual cash flows and historical experience of the Parent Company. For cases of extreme liquidity events due to withdrawal of deposits, the Parent Company has contingency plans that include the existence of lines of credit from other entities and access to special lines of credit with Banco de la República in accordance with current regulations, which are granted when required with the backing of securities issued by the Colombian Government and with a loan portfolio of high credit quality, in accordance with the regulations of Banco de la República. During the periods ended December 31, 2022 and 2021, the Parent Company did not have to use these last resort credit lines.

The following is the result of the net stable funding ratio CFEN of the Parent Company as of December 31, 2022, in accordance with the provisions established for such purpose by the Office of Financial Superintendent of Colombia:

Entity	Available Stable Funding (ASF) (in millions of pesos)	Required Stable Funding (RSF) (in millions of pesos)	Net Stable Funding Ratio (NSFR)* (in percentage)
Banco de Occidente	33,854,952	31,187,852	108.55

The Parent Company has performed a consolidated maturity analysis for derivative and non-derivative financial assets and liabilities, showing the remaining undiscounted contractual cash flows, as shown below:

December 31, 2022

Assets	Less than one month	Between one and six months	From six to twelve months	More than one year	Total
Cash	$ 3,878,224	-	-	-	3,878,224
Investments in debt securities at fair value FVTPL	2,149	60,232	95,059	993,151	1,150,591
Investments in debt securities at fair value FVTOCI	35,465	344,965	335,628	2,817,057	3,533,115
Investments at amortized cost	151,076	1,028,160	721,220	-	1,900,456
Corporate portfolio and commercial leasing	5,311,848	9,033,975	5,039,027	17,642,446	37,027,296
Retail portfolio and consumer leasing	428,254	1,988,446	1,946,833	10,987,280	15,350,813
Mortgage residential portfolio and mortgage leasing	37,480	222,361	200,344	4,175,562	4,635,747
Repos and interbank	1,120,454	-	-	-	1,120,454
Derivative instruments held for trading	91,684	286,686	166,065	232,097	776,532
Other accounts receivable	357,359	-	-	79,303	436,662
Other assets	22,755	-	-	-	22,755
Total assets	**$ 11,436,748**	**12,964,825**	**8,504,176**	**36,926,896**	**69,832,645**

Liabilities	Less than one month	Between one and six months	From six to twelve months	More than one year	Total
Current Accounts	$ 7,586,598	-	-	-	7,586,598
Term deposit certificates (CDT)	1,994,563	5,856,788	3,405,007	3,342,914	14,599,272
Savings Accounts	22,021,958	-	-	-	22,021,958
Other Deposits	96,584	-	-	-	96,584
Interbank Funds	1,386,413	247,689	-	858,411	2,492,513
Lease liabilities	7,524	37,127	42,993	386,775	474,419
Bank and other loans	467,524	2,567,022	100,607	2,613,990	5,749,143
Bonds and Investment Securities	46,227	-	167,463	2,413,427	2,627,117
Obligations with rediscount entities	568	158,383	37,513	3,955,067	4,151,531
Derivative instruments held for trading	142,133	423,734	190,911	249,945	1,006,723
Other accounts payable	1,146,962	-	-	-	1,146,962
Total liabilities	**$ 34,897,054**	**9,290,743**	**3,944,494**	**13,820,529**	**61,952,820**

December 31, 2021

Assets		Less than one month	Between one and six months	From six to twelve months	More than one year	No interest	Total
Cash	$	2,400,783	-	-	-	2,709,219	5,110,002
Investments in debt securities at fair value FVTPL		2,902	54,052	148,530	234,960	-	440,444
Investments in debt securities at fair value FVTOCI		110,647	394,400	493,971	3,405,158	-	4,404,176
Investments at amortized cost		94,435	99,433	584,304	-	-	778,172
Corporate portfolio and commercial leasing		3,814,909	6,773,431	4,098,426	14,130,553	-	28,817,319
Retail portfolio and consumer leasing		391,058	1,554,416	1,546,416	8,419,297	-	11,911,187
Mortgage residential portfolio and mortgage leasing		31,146	197,131	172,763	3,569,794	-	3,970,834
Microcredit portfolio and microcredit leasing		-	-	-	-	-	-
Repos and interbank		401,610	64,301	-	-	-	465,911
Derivative instruments held for trading		61,529	204,291	84,975	133,720	-	484,515
Derivative hedging instruments		-	-	-	-	-	-
Other accounts receivable		-	-	-	69,040	251,856	320,896
Other assets		20,891	-	-	-	-	20,891
Total assets	$	7,329,910	9,341,455	7,129,385	29,962,522	2,961,075	56,724,347

Liabilities		Less than one month	Between one and six months	From six to twelve months	More than one year	No interest	Total
Current Accounts	$	511,154	-	-	-	7,221,170	7,732,324
Term deposit certificates (CDT)		1,313,256	6,315,853	1,477,554	337,783	-	9,444,446
Savings Accounts		19,385,348	-	-	-	-	19,385,348
Other Deposits		53,110	-	-	-	-	53,110
Interbank Funds		1,559,079	273,500	204,192	2,240	-	2,039,011
Lease liabilities		6,944	34,070	39,466	344,966	-	425,446
Bank and other loans		365,261	1,590,087	406,559	47,250	-	2,409,157
Bonds and Investment Securities		180,450	2,700,454	-	-	-	2,880,904
Obligations with rediscount entities		248	12,272	28,119	938,058	-	978,697
Derivative instruments held for trading		-	222,070	84,291	151,433	-	457,794
Derivative hedging instruments		-	-	-	-	-	-
Other accounts payable		947,631	-	-	-		947,631
Total liabilities	$	24,322,481	11,148,306	2,240,181	1,821,730	7,221,170	46,753,868

4.5 Adequate capital management

The parent company's objectives regarding the management of its adequate capital are oriented to a) Complying with the capital requirements established by the Colombian Government for financial institutions, and b) Maintaining an adequate equity structure that allows it to keep the parent company as a going concern and create value for its shareholders.

In accordance with current legislation, financial institutions in Colombia must maintain a minimum technical equity that cannot be less than 9% of assets weighted by credit risk, market risk exposure and operational risk exposure.

Risk assets are classified in each category based on the regulatory provisions established by the Ministry of Finance in Decree 2555 of 2010 and the instructions issued by the Office of the Financial Superintendent of Colombia through External Circular 020 of September 2019.

The following is a summary of the parent company's solvency ratios as of December 31, 2022 and December 31, 2021:

	December 31, 2022	December 31, 2021
Technical equity	**Current Period**	**Previous Period**
	Entity	**Entity**
A. Basic Ordinary Equity (BOE in Spanish)	**4,418,771**	**3,976,479**
B. Additional Basic Equity (ABE in Spanish)	-	-
C.Total Basic Equity (C= A+B)	4,418,771	3,976,479
D. Additional Equity (AE in Spanish)	834,895	464,650
E. Technical Equity Deductions	-	-
F. Technical Equity (TE in Spanish) (F=C+D-E)	5,253,666	4,441,129
G. Credit Risk Weighted Assets by Risk Level	37,591,858	30,661,940
H. Market risk (VaR_{MR})	3,027,946	3,640,125
I. Operational risk (VaR_{OR})	2,524,786	1,670,957
J. Risk Weighted Assets by Risk Level (Credit + Market + Operational)	43,144,590	35,973,022

Ordinary Basic Solvency Ratio (RSB in Spanish) I min 4.5%	10.24%	11.05%
Additional Basic Solvency Ratio (RSBA in Spanish) I min 6% [1/]	10.24%	11.05%
Total Solvency Ratio (RST in Spanish) I min 9%.	12.18%	12.35%
Combination cushion (RSB% - 4.5%)	5.74%	6.55%
Leverage Value -$ MM	62,211,737	54,343,878
Leverage Ratio (min. 3%)	7.10%	7.32%

1. For the additional basic solvency ratio, the transition regime established in Article 13 of Decree 1477 of 2018 must be taken into account (as of January 1, 2021 min. 4.875%, as of January 1, 2022 min. 5.25%, as of January 1, 2023 min. 5.625%, as of January 1, 2024 min. 6%)

4.6 Operational risk

The Parent Company has an Operational Risk Management System (SARO) implemented in accordance with the guidelines established in Chapter XXIII of the Basic Accounting and Financial Circular (External Circular 100 of 1995) by the Office of the Financial Superintendent of Colombia.

Thanks to SARO, the Parent Company has strengthened the understanding and control of risks in processes, activities, products and operating lines. It has been able to reduce errors and identify opportunities for improvement that support the development and operation of new products and/or services.

The Operational Risk Manual contains the policies, standards and procedures that guarantee the management of the business. There is also a Business Continuity Plan Manual for the operation of the Parent Company in the event of interruption of critical processes.

The Parent Company keeps a detailed record of its Operational Risk events, provided by the information systems and Risk Managers. This record is posted to the expense accounts assigned for the correct accounting follow-up.

On a monthly and quarterly basis, the SARO Committee and the Board of Directors, respectively, are informed about the most important aspects of the operational risk, including the follow-up on the implementation of corrective actions to mitigate risks classified in extreme and high-risk zones, the evolution of operational risk losses, action plans based on the events that have materialized, among others. Likewise, changes in the risk profile are reported, based on the identification of new risks and controls in current and new processes.

The Operational Risk and Business Continuity Management reports to the Office of Risk Management and Collections and is in charge of two Business Continuity analysts, a regulatory reporting control analyst, a high impact inherent risk analyst, a technology specialist and an Operational Risk Coordination with five analysts.

The evolution of the figures for the Parent Company and its subsidiaries resulting from each update of the operational risk profile during the periods ended December 31, 2022 and 2021 is shown below:

	December 31, 2022	**December 31, 2021**
Processes	288	284
Risks (*)	1,231	1,286
Failures	2,415	2,740
Controls (*)	4,270	4,510

*The variation in risks and controls is due to the dynamics of updating risk and control matrices.

Net losses recorded for operational risk events for the year 2022 amounted to $15,938, broken down as follows: Loan portfolio claims (42%), other assets (22%), damage to physical assets (15%), other litigation (14%) and miscellaneous operational risk (7%).

According to the Basel risk classification, the events originated in: external fraud (69%, $10,939), damage to physical assets (16%, $2,610), process execution and management (7%, $1,064) and Other (8%, $1,325).

In external fraud, the most relevant events are originated by credit card fraud for $7,236, under the modalities of online purchases, impersonation, forgery or copying of magnetic stripe, substitution, lost card, improper use, lower value and stolen card. On the other hand, there were fraud events under the modality of impersonation that affected several products for $1,155.

In damages to physical assets, the events correspond to vandalism during the protests of 2021 and other cases of adjustments due to external damages to offices and buildings, which resulted in repairs and replacement of computer equipment and furniture and fixtures for $2,610.

In process execution and management, the most relevant events correspond to: Payment of penalties for errors or untimely filing of withholding tax returns, VAT, ICA (local business tax in Colombia), exogenous information and magnetic media for $487.

Due to technological failures, an event of double payments or payments without recourse was generated, canceling the credits in the Banca Personas (Personal Banking) portfolio for $696.

Business Continuity Plan

The Business Continuity Plan refers to the detailed set of actions that describe the procedures, systems and resources necessary to return and continue operations in case of interruption.

The Parent Company has been working on the implementation and maintenance of continuity schemes, both technological and operational, which allow it to address critical business processes in the event of a crisis situation. In this way, tests are structured on an ongoing basis to identify improvements to the plans developed.

4.7 Money laundering and terrorist financing risk

Within the framework of the regulations of the Office of the Financial Superintendent of Colombia, and especially following the instructions given in the Basic Legal Circular, Part I, Title IV, Chapter IV, the Parent Company has an Anti-Money Laundering and Counter Terrorism Financing Risk Management System (SARLAFT), adjusted to the regulations in force, the policies and methodologies adopted by our Board of Directors and the recommendations of international standards related to this scourge.

Following the recommendations of international bodies and national legislation on SARLAFT, the risks of Money Laundering and Financing of Terrorism (ML/FT) identified by the Parent Company are satisfactorily managed within the concept of continuous improvement and aimed at reasonably minimizing the existence of these risks in the organization.

The Parent Company maintains the policy that states that operations must be processed under the highest ethical and control standards, placing ethical and moral principles before the achievement of business goals. From a practical point of view, these aspects have been translated into the implementation of criteria, policies and procedures used for the management of the risk of money laundering and financing of terrorism and related crimes, which have been arranged for the mitigation of these risks, reaching the lowest possible level of exposure.

For the continuous development of this management, we have technological tools that allow us to identify unusual operations and report suspicious operations to the Financial Information and Analysis Unit (UIAF) in a timely manner. It should be noted that our entity is continuously improving the functionalities that support the development of SARLAFT in the Compliance Division, related to the different applications and analysis methodologies that allow the mitigation of possible risks of Money Laundering and Financing of Terrorism.

This risk management system is strengthened by the segmentation of risk factors developed by the Parent Company using data mining tools of recognized technical value, which allow us, for each risk factor (customer, product, channel and jurisdiction), to identify risk and monitor the operations carried out in the Parent Company in order to detect unusual operations based on the profile of the segments.

On the other hand, the Parent Company maintains its institutional training program for employees, in which guidelines are given regarding the regulatory framework and control mechanisms on ML/FT prevention, thus promoting a culture of compliance to the satisfaction of the organization and in accordance with the program.

In compliance with the provisions of legal regulations and in accordance with the amounts and characteristics required in Part I, Title IV, Chapter IV of the Basic Legal Circular of the Office of the Financial Superintendent of Colombia, the Parent Company timely submitted the institutional reports and reports to the different supervisory agencies.

During the year 2021, we followed up on the reports prepared by the Internal Audit and the Statutory Auditor's Office, regarding the management of the risk of money laundering and financing of terrorism, in order to address the recommendations aimed at optimizing the System.

The Bank as parent company communicates to the subsidiaries the policies, guidelines and best practices to carry out the processes related to the operation of the Anti-Money Laundering and Counter Terrorism Financing Risk Management System (SARLAFT) in each of them. For foreign subsidiaries, policies and guidelines are implemented taking into account the regulations governing each jurisdiction.

4.8 Legal risk

The Legal Vice Presidency of the Parent Company supports the legal risk management work in the operations carried out by the Parent Company and the proceedings that may be brought against it. In particular, it defines and establishes the necessary procedures to adequately control the legal risk of operations, ensuring that they comply with legal regulations and are documented. It also analyzes and drafts the contracts that support the operations carried out by the different business units. The Financial Vice Presidency supports the Parent Company's tax legal risk management, while the Human Resources Vice Presidency supports the Parent Company’s labor legal risk management.

The Parent Company, in accordance with the instructions issued by the Office of the Financial Superintendent of Colombia, assessed the claims of the lawsuits against it based on the analysis and opinions of the attorneys in charge. In the required cases, the respective contingencies are duly provided for.

With regard to copyrights, the Parent Company uses only legally acquired software or licenses and does not allow any software other than those officially approved to be used on its equipment.

Provisions for legal contingencies and other provisions are detailed in note 20 to the financial statements.

Note 5. - Estimated fair values

The fair value of financial assets and liabilities traded in active markets (such as financial assets in debt and equity securities and derivatives actively traded on stock exchanges or in interbank markets) is based on prices provided by the price provider Precia PPV S.A., which determines them through weighted averages of transactions occurring during the trading day.

An active market is a market in which transactions for assets or liabilities take place with sufficient frequency and volume to provide price information on an ongoing basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques determined by the provider. Valuation techniques used for non-standardized financial instruments such as options, currency swaps and over-the-counter derivatives include the use of interest rate or currency valuation curves constructed by price providers from market data and extrapolated to the specific conditions of the instrument being valued, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants that make maximum use of market data and rely as little as possible on entity-specific data.

The Parent Company and subsidiaries may use internally developed models for financial instruments that do not have active markets. These models are generally based on valuation methods and techniques generally standardized in the financial sector. The valuation models are mainly used to value unlisted equity financial instruments, debt securities and other debt instruments for which the markets were or have been inactive during the financial year. Some inputs to these models may not be observable in the market and are therefore 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 employed may not fully reflect all factors relevant to the Parent Company's positions. Therefore, valuations are adjusted, if necessary, to allow for additional factors, including country risk, liquidity risk and counterparty risk.

The fair value of non-monetary assets such as investment property or loan guarantees for purposes of determining impairment is based on appraisals performed by independent appraisers with sufficient experience and knowledge of the real estate market or the asset being appraised. These appraisals are generally made by reference to market data or based on replacement cost when there is insufficient market data.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed in relation to the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that measurement is a Level 3 measurement. Assessing the significance of a particular input to the entire fair value measurement requires judgment, taking into account factors specific to the asset or liability.

The determination of what constitutes as “observable” requires significant judgment on the part of the Parent Company. The Parent Company considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, non-proprietary, and provided by independent sources actively participating in the relevant market.

a) Fair value measurements on a recurring basis

Fair value measurements, on a recurring basis are those that are required or permitted by IFRS in the statement of financial position at the end of each accounting period.

The following table analyzes, within the fair value hierarchy, the assets and liabilities (by class) of the Parent Company measured at fair value at December 31, 2022 and 2021 on a recurring basis.

December 31, 2022

		Fair values calculated using internal models					Effect of reasonable assumptions on fair value
		Level 1	Level 2	Level 3	Total	Valuation technique for levels 2 and 3	Key inputs
Assets							
Recurring fair value measurements							
Investments in debt securities through profit or loss							
Issued or guaranteed by the Colombian government	$	1,031,887	174,904	-	1,206,791	Market Price	Market Price
Issued or guaranteed by other Colombian government entities		-	31,381	-	31,381	Market Price	Market Price
Issued or guaranteed by other Colombian financial institutions		-	58,359	-	58,359	Market Price	Market Price
Issued or guaranteed by entities of the Colombian real sector		-	1,483	-	1,483	Market Price	Market Price
Other		-	1,873	-	1,873	Interest Rates	Transactional systems
Investments in debt securities through OCI							
Issued or guaranteed by the Colombian Government	$	1,846,928	1,262,956	-	3,109,884	Market Price	Market Price
Issued or guaranteed by other Colombian government entities		-	43,420	-	43,420	Market Price	Market Price
Issued or guaranteed by other Colombian financial institutions		-	482,049	-	482,049	Market Price	Market Price
Issued or guaranteed by foreign governments		-	52,387	-	52,387	Market Price	Market Price
Issued or guaranteed by other foreign financial institutions		-	115,571	-	115,571	Market Price	Market Price
Issued or guaranteed by foreign real sector entities		-	11,664	-	11,664	Market Price	Market Price
Other		-	84,718	-	84,718	Interest Rates	Transactional systems
Investments in equity instruments through profit or loss		-	39,866	540,644	580,510	Unit value	Market value of underlying assets, less fees and management expenses
Investments in equity instruments through OCI		2,851	-	119,596	122,447	Discounted cash flow	Growth over the five-year projection Net income. Growth in residual values after five years. Discount interest rates.
Trading derivatives							
Currency forwards		-	316,887	-	316,887	Discounted cash flow	Curves by functional currency of the underlying
Interest rate forward		-	1,691	-	1,691	Discounted cash flow	Price of the underlying security. Curves by functional currency of the underlying.
Interest rate swap		-	398,028	-	398,028	Discounted cash flow	Swap curves assigned according to the underlying
Other		-	38,362	-	38,362	Black & Scholes & Merton	Implied volatility curves and matrices The processes used to collect data and

Investment property at fair value		-	216,897	-	216,897	Discounted cash flow	determine the fair value of investment property are described in valuation of investment property.
Total recurring fair value assets		**2,881,666**	**3,332,496**	**660,239**	**6,874,401**		
Liabilities							
Trading derivatives							
Currency forwards		-	446,222	-	446,222	Discounted cash flow	Curves by functional currency of the underlying
Interest rate forward		-	2,144	-	2,144	Discounted cash flow	Price of the underlying security. Curves by functional currency of the underlying.
Interest rate swap		-	452,760	-	452,760	Discounted cash flow	Swap curves assigned according to the underlying
Other		-	29,676	-	29,676	Black & Scholes & Merton	Implied volatility curves and matrices
Total recurring fair value liabilities	**$**	**-**	**930,802**	**-**	**930,802**		

December 31, 2021

	Fair values calculated using internal models				Valuation technique for levels 2 and 3	Effect of reasonable assumptions on fair value Key inputs
	Level 1	Level 2	Level 3	Total		
Assets						
Recurring fair value measurements						
Investments in debt securities through profit or loss						
Issued or guaranteed by the Colombian government	$ 302,652	50,736	-	353,388	Market Price	Market Price
Issued or guaranteed by other Colombian government entities	-	19,199	-	19,199	Market Price	Market Price
Issued or guaranteed by other Colombian financial institutions	-	273,536	-	273,536	Market Price	Market Price
Issued or guaranteed by entities of the Colombian real sector	-	1,874	-	1,874	Market Price	Market Price
Issued or guaranteed by Foreign Governments	-	-	-	-	Market Price	Market Price
Issued or guaranteed by other foreign financial institutions	-	61,215	-	61,215	Market Price	Market Price
Issued or guaranteed by foreign real sector entities	-	-	-	-	Interest Rates	Transactional systems
Other	-	1,923	-	1,923	Interest Rates	Transactional systems
Investments in debt securities through OCI						
Issued or guaranteed by the Colombian government	$ 1,453,728	2,283,022	-	3,736,750	Market Price	Market Price
Issued or guaranteed by other Colombian Government entities	-	81,876	-	81,876	Market Price	Market Price
Issued or guaranteed by other Colombian financial institutions	-	864,765	-	864,765	Market Price	Market Price
Issued or guaranteed by entities of the Colombian Real sector	-	10,166	-	10,166	Market Price	Market Price
Issued or guaranteed by foreign governments	35,830	49,988	-	85,818	Market Price	Market Price
Issued or guaranteed by other foreign financial institutions	-	451,006	-	451,006	Market Price	Market Price
Issued or guaranteed by foreign real sector entities	-	20,497	-	20,497	Market Price	Market Price
Other	-	80,878	-	80,878	Interest Rates	Transactional systems
Investments in equity instruments through profit or loss	-	36,566	444,247	480,813	Unit value	Market value of underlying assets, less fees and management expenses Growth over the five-year projection
Investments in equity instruments through OCI	4,031	-	108,001	112,032	Discounted cash flow	Net income. Growth in residual values after five years. Discount interest rates.
Trading derivatives						
Currency forwards	-	291,987	-	291,987	Discounted cash flow	Curves by functional currency of the underlying Price of the underlying security.
Interest rate forward	-	278	-	278	Discounted cash flow	Curves by functional currency of the underlying.
Interest rate swap	-	151,228	-	151,228	Discounted cash flow	Swap curves assigned according to the underlying
Currency swap	-	-	-	-	Discounted cash flow	Swap curves assigned according to the underlying
Other	-	20,237	-	20,237	Black & Scholes & Merton	Implied volatility curves and matrices
Investment property at fair value	-	171,419	-	171,419	Discounted cash flow	The processes used to collect data and determine the fair value of investment property are described in Valuation of investment property.
Total recurring fair value assets	**1,796,241**	**4,922,396**	**552,248**	**7,270,885**		
Liabilities						
Trading derivatives						
Currency forwards	-	344,872	-	344,872	Discounted cash flow	Curves by functional currency of the underlying Price of the underlying security.
Interest rate forward	-	276	-	276	Discounted cash flow	Curves by functional currency of the underlying.
Interest rate swap	-	161,205	-	161,205	Discounted cash flow	Swap curves assigned according to the underlying
Currency Swap	-	40	-	40	Discounted cash flow	Swap curves assigned according to the underlying
Other	-	10,900	-	10,900	Black & Scholes & Merton	Implied volatility curves and matrices
Total recurring fair value liabilities	**$ -**	**517,293**	**-**	**517,293**		

Investments, the values of which are based on quoted market prices in active markets and are therefore classified in Level 1, include equity investments active in the stock market, certain investments issued or guaranteed by the Colombian government, other Colombian financial institutions and Colombian real sector entities.

Financial instruments quoted in markets that are not considered assets but are valued according to quoted market prices, broker quotes or alternative price sources supported by observable inputs are classified in Level 2. They include other investments issued or guaranteed by the Colombian government, other Colombian financial institutions, Colombian real sector entities, foreign governments, other foreign financial institutions, foreign real sector entities, derivatives and investment property. As Level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity or non-transferability, which are generally based on available market information.

As indicated above, the fair value of investment property is determined based on the appraisal performed by independent expert appraisers as of December 31, 2022, which were prepared under the methodology of comparative sales approach (market approach), determining the value of the assets based on comparison with other similar assets that are being or have been traded in the real estate market. This comparative approach considers the sale of similar or substitute goods, as well as data obtained from the market, and establishes an estimate of value using processes that include comparison.

b) Transfer of levels

The following table presents the transfers between levels 1 and 2 for the periods ended December 31, 2022 and 2021:

	December 31, 2022		December 31, 2021	
Recurring fair value measurements	**Level 1 to Level 2**	**Level 2 to Level 1**	**Level 1 to Level 2**	**Level 2 to Level 1**
Assets				
Investments at fair value of fixed income	$ -	420,145	$ 676,346	-

The investments transferred from Level 2 to Level 1 as of December 31, 2022 are fixed rate TES (bonds issued by the Colombian Government and managed by Banco de la República) maturing in 2028, 2030, 2032, 2034 and 2036 and TES denominated in real value units (UVR in Spanish) maturing in 2027, whose issuer is the national government, which have gained liquidity in the market and present greater trading depth.

The investments transferred from level 1 to level 2 correspond to fixed rate TES of references TFIT16280428, TFIT16180930, TFIT16181034 and TFIT16300632, which by December 31, 2021 lost liquidity due to the low volume traded in the last week of the year.

The following table presents the movement of equity instruments with lower interest (less than 20%) classified in level 3 measured at fair value for the periods ended December 31, 2022 and 2021:

		Equity instruments
Balance at December 31, 2021	**$**	**552,248**
Valuation adjustment with effect on profit or loss [(1)]		62,653
Valuation adjustments with effect on OCI		11,595
Additions [(1)]		65,378
Withdrawals / Sales [(1)]		(1,363)
Redemptions [(1)]		(30,272)
Balance at December 31, 2022	**$**	**660,239**
Balance at December 31, 2020	**$**	**398,217**
Valuation adjustment with effect on profit or loss		34,344
Valuation adjustments with effect on OCI		24,378
Additions		115,800
Redemptions [(1)]		(20,491)
Balance at December 31, 2021	**$**	**552,248**

[(1)]As of December 31, 2022 in investments in equity instruments at fair value through profit or loss, there is a variation of $97,411 with respect to December 31, 2021, where the most significant movement is in the Nexus Inmobiliario Private Equity Fund due to the mobilization of 6 properties of the Bank to the Nexus Inmobiliario Compartimento Inmuebles Occicliente Private Equity Fund, with a capital call of $65,378, redemptions of ($30,239) and a valuation with effect in profit or loss of $62,272.

The OCI at the end of December 2022 corresponding to the valuation of financial instruments measured at fair value level 3 is $11,595.

The OCI recognized at the end of December 2021 corresponding to the valuation of financial instruments measured at fair value level 3 was $24,378,378

Valuation of equity instruments through OCI Level 3

Investments classified in Level 3 have significant unobservable inputs. Level 3 instruments primarily include investments in equity instruments, which are not publicly traded.

The Bank has equity investments in various entities with a share of less than 20% of the entity's equity, some of them received in payment of customer obligations in the past and others acquired because they are necessary for the development of operations, such as ACH S.A., Cámara de Riesgo Central de Contraparte S.A., Redeban S.A. and Credibanco S.A. These instruments are valued with the following frequency:

- Monthly: Credibanco S.A.
- Quarterly: ACH S.A.
- Semiannual: Redeban S.A.
- Annual: Cámara de Riesgo Central de Contraparte S.A., Aportes En Línea S.A. and Casa de Bolsa
  S.A. The frequency is due to the fact that their fair value does not vary significantly and yet possible effects on fair value are monitored at each reporting date.

For ACH S.A, Redeban S.A, Cámara de Riesgo Central de Contraparte S.A, Aportes En Línea S.A and Casa de Bolsa S.A., which are not listed on a public stock market, the determination of their fair value as of December 31, 2022 was made with the help of an external advisor to the Bank who has used for such purpose the discounted cash flow method, constructed based on the appraiser own projections of revenues, costs and expenses of each valuation entity over a period of five years, taking as a basis for them some historical information obtained from the companies, and residual values determined with growth rates in perpetuity established by the appraiser according to his experience. These projections and residual values were discounted based on interest rates constructed with curves taken from price providers, adjusted by risk premiums estimated based on the risks associated with each entity valued.

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

Variable	Range
revenues (% 10-year growth)	8.8% - 28.3%
revenues (% 5-year growth)	1%
revenues (% 5-year growth)	7% - 15.9%
Growth in residual values after 10 years	3.10%
Growth in residual values after 5 years	3.10%
Growth in residual values after 5 years	3.30%
Discount rates	15.06% - 18.43%
Cost of Equity Rate	15.06% - 17.50%
Average WACC discount interest rates	24.88%

The following table includes the sensitivity analysis of changes in such variables used in the valuation of the investment, taking into account that the changes in fair value of such investments are recorded in equity as they correspond to investments classified as equity instruments at fair value with changes in equity:

Methods and Variables	Variation	Favorable impact	Unfavorable impact
Revenues	+/- 1%	$ 2,043,830.39	$ 1,897,465.66
Growth in residual values after 5 years	+/- 1% of gradient	2,028,706.69	1,886,633.34
Perpetual growth	+/- 1% of gradient	17,938.88	15,757.65
Gradient	+/- 30BPS	3.33	3.18
Discount Rates	+/- 50BPS	2,074,516.36	1,878,060.14

In accordance with the variations and impacts presented in the previous box, as of December 31, 2022, there would be a favorable effect on the Bank's equity of $9,603 and an unfavorable effect of $13,399. These values were calculated by valuing the investment with the favorable and unfavorable price according to the variations presented and the number of shares held by the Bank in each entity.

Valuation of equity instruments through profit or loss Level 3

Likewise, the bank has an equity investment in the Nexus Private Equity Fund, in which the properties that are part of the fund are restated daily with the UVR and the value of the unit is the result of how the revenue and expense moves in the Fund/compartment. The difference between the current fair value and the immediately preceding one is recorded as a higher or lower value of the investment, affecting the results of the period.

The following table summarizes the sensitivity analysis performed by the appraiser on the properties comprising the Private Equity Fund:

Sensitivity	Variation	Favorable impact	Unfavorable impact
Market comparison	+/-10%		
Initial Cap Rate	+/-50BPS	$ 7,593.00	$ 12,731.00
Market Income	+/-10%		
Discount Rate Cash Flow	+/-50BPS		

c) Non-recurring fair value measurements

The following is the detail as of December 31, 2022 and 2021 of the assets that were measured at fair value as a result of impairment assessment in the application of IFRS standards applicable to each account but are not required to be measured at fair value on a recurring basis:

December 31, 2022	Level 1	Level 2	Level 3	Total
Collateralized loan portfolio financial instruments	$ -	-	346,849	346,849
	$ -	-	346,849	346,849

December 31, 2021	Level 1	Level 2	Level 3	Total
Collateralized loan portfolio financial instruments	$ -	-	469,187	469,187
Non-current assets held for sale	-	-	5,378	5,378
	$ -	-	474,565	474,565

The following table presents a summary of the financial assets and liabilities of the Parent Company and subsidiaries recorded at amortized cost as of December 31, 2022 and 2021 compared to the values determined at fair value, for which it is practicable to calculate fair value:

	December 31, 2022		December 31, 2021	
	Book value	Estimated Fair Value	Book value	Estimated Fair Value
Assets				
Fixed-income investments at amortized cost	$ 1,802,692	1,812,491	883,207	883,644
Loan Portfolio, net	43,668,497	45,606,276	35,097,325	37,390,388
Other accounts receivable	436,662	436,663	320,896	320,896
	$ 45,907,851	47,855,430	36,301,428	38,594,928
Liabilities				
Term deposit certificates	$ 13,390,805	13,814,281	9,169,470	9,205,191
Interbank funds	2,202,043	1,909,058	1,999,608	1,999,608
Bank and other loans	3,928,990	4,177,777	2,767,357	2,507,580
Obligations with rediscount entities	967,437	1,151,610	951,826	1,008,706
Bonds issued	2,322,416	2,104,154	2,777,578	2,794,257
	$ 22,811,691	23,156,880	17,665,839	17,515,342

The estimated fair value of the loan portfolio is calculated as follows:

Portfolio rated A, B and C: the net present value of the contractual flows discounted at the discount rate was obtained, which is equivalent to the market value of the transactions, based on the balances of each obligation, the maturity date of the transaction, the contractual rate, among others.

Portfolio rated D or E: calculated on the book value in percentage expected to be recovered from such obligations.

The discount rate comprises the following:

Discount Rate: Cost of capital

- **Loans rated A, B or C:** Risk-free rate + Risk points + Portfolio management fees
- **Loans rated D or E:** Risk-free rate + Risk points

The **Discount Rate** is defined as the sum of the risk-free rate, risk points and portfolio management fees (portfolio management fees are only added for loans rated A, B or C; for those loans rated D or E only risk points are considered).

The **risk-free rate** represents the opportunity cost incurred in placing funds through credit. It varies according to the remaining term of each obligation for loans in legal currency or as the annual average of the 10-year U.S. treasury bonds rate for loans in foreign currency.

The fair value methodologies for fixed income securities at time zero correspond to the adjustment of the difference between the purchase price (IRR purchase) and the market price published by the price provider Precia PPV S.A. For subsequent measurement, this fair value on each of the investments is determined with the daily valuation using the market price published by the same price provider.

Other accounts receivable mature in a period equal to or less than one year. Therefore, it is not considered necessary to calculate the fair value, considering that this value is the best estimate since it is a short period.

The fair value methodology of the Parent Company's liabilities (CDT's and Bonds) is performed by means of the PWPREI software, which values the Parent Company's standardized liabilities in pesos at market prices, using the information published by the price provider Precia PPV S.A.

For Financial Obligations, the calculation is performed manually, in which the valuation is made using the discount curve calculated by the Parent Company's Treasury Risk Division.

Note 6. - Cash

Cash balances as of December 31, 2022 and 2021 comprise the following:

		December 31, 2022	December 31, 2021
In Colombian pesos			
In cash	$	433,530	485,839
At Banco de la República de Colombia		2,054,545	1,906,454
Bank and other financial institutions on demand		5,663	17,240
Exchange		2,058	800
		2,495,796	2,410,333
In foreign currency			
In cash		7,532	8,491
Bank and other financial institutions on demand		1,374,896	2,691,179
		1,382,428	2,699,670
Total cash	$	3,878,224	5,110,003

Reserve requirement

The following is the reserve requirement:

Item		December 31, 2022	December 31, 2021
Reserve requirement 3.5%.	$	200,973	100,535
Reserve requirement 8%.		2,187,932	1,989,656
Total Reserve requirement	$	**2,388,905**	**2,090,191**

As of December 31, 2022, the legal reserve in Colombia is 8% for deposits in checking, savings and other accounts and 3.5% for term deposit certificates of less than 18 months.

As of December 31, 2022, the legal reserve required to meet liquidity requirements for deposits in checking, savings and other accounts is $2,187,932.

As of December 31, 2022, the legal reserve required to meet liquidity requirements for term deposit certificates of less than 18 months is $200,973.

Note 7. - Financial assets of investment in debt securities and equity instruments at fair value

The balance of Financial Assets in debt securities and investments in equity instruments at fair value comprises the following at December 31, 2022 and 2021:

		December 31, 2022	December 31, 2021
Debt securities with changes in profit or loss			
In Colombian pesos			
Issued or guaranteed by the Colombian Government	$	1,128,863	348,749
Issued or guaranteed by other Colombian Government entities		31,381	19,199
Issued or guaranteed by other Colombian financial institutions		56,192	167,276
Issued or guaranteed by entities of the Colombian real sector		1,483	1,874
Other		1,873	1,923
		1,219,792	539,021
In foreign currency			
Issued or guaranteed by the Colombian Government		77,928	4,639
Issued or guaranteed by other Colombian financial institutions		2,167	106,260
Issued or guaranteed by other foreign financial institutions		-	61,215
		80,095	172,114
Total debt securities with changes in profit or loss	$	1,299,887	711,135
Debt securities with changes in OCI			
In Colombian pesos			
Issued or guaranteed by the Colombian Government	$	1,846,928	2,704,475
Issued or guaranteed by other Colombian Government entities		43,420	81,876
Issued or guaranteed by other Colombian financial institutions		417,579	554,051
Other		1,873	-
		2,309,800	3,367,707
In foreign currency			
Issued or guaranteed by the Colombian Government		1,262,956	1,032,275
Issued or guaranteed by other Colombian financial institutions		64,470	310,714
Issued or guaranteed by Foreign Governments		52,387	85,818
Issued or guaranteed by other foreign financial institutions		115,571	433,867
Issued or guaranteed by foreign real sector entities		11,664	20,497
Other		82,845	80,878
		1,589,893	1,964,049
Total debt securities with changes in OCI (1)	$	**3,899,693**	**5,331,756**

		December 31, 2022	December 31, 2021
Equity instruments with changes in profit or loss			
In Colombian pesos			
Mutual funds	$	580,510	480,813
Total equity instruments with changes in profit or loss		580,510	480,813
Total derivative instruments held for trading with changes in profit or loss	$	**754,968**	**463,730**
Total financial instruments at fair value through profit or loss	$	**2,635,365**	**1,655,678**
Equity instruments with changes in equity OCI			
In Colombian pesos			
Corporate shares	$	122,447	112,032
Total equity instruments		702,957	592,845
Total financial assets in debt securities and investments in equity instruments at fair value	$	**6,657,505**	**7,099,466**
Total financial instruments at fair value with changes in OCI	$	**4,022,140**	**5,443,788**

(1) The valuation effect recognized in OCI for debt securities at December 31, 2022 is ($387,260) and ($270,415) at December 31, 2021.

Financial assets at fair value are carried at fair value based on observable market data, which also reflects the credit risk associated with the asset.

Below is a detail of equity instruments with changes in other comprehensive income:

Entity		December 31, 2022	December 31 2021
Redeban Multicolor S.A. (1)	$	18,883	21,745
A.C.H Colombia S.A. (1)		53,544	43,080
Cámara de Riesgo Central de Contraparte de Colombia S.A. (1)		2,680	2,433
Bolsa de Valores de Colombia S.A. (1)		2,851	4,031
Credibanco (1)		36,933	35,225
Aportes en Línea S.A. (Management and Contact) (1)		3,741	2,419
Casa de Bolsa S.A Sociedad Comisionista de Bolsa (1)		3,815	3,099
Total	**$**	**122,447**	**112,032**

(1) These financial instruments were recognized at fair value according to the market prices provided by Precia S.A. as indicated in paragraph i) of section 6.25 of chapter I-I. The effect of this valuation was recognized against OCI for fair value of equity instruments for $10,415 as of December 31, 2022 and for $23,559 as of December 31, 2021.

Financial assets in equity instruments at fair value with changes in other comprehensive income have been designated considering that they are strategic investments for the Parent Company and therefore are not expected to be sold in the near future. In addition, there is a higher degree of uncertainty in determining the fair value, which generates significant fluctuations from one period to another. During the period ended December 31, 2022, dividends of $5,580 ($3,138 during the period ended December 31, 2021) have been recognized in the income statement for these investments.

Collateralizing money market operations and central counterparty risk clearinghouse (futures)

The following is a list of financial assets at fair value that are collateralizing repo transactions; those that have been pledged as collateral for transactions with financial instruments and those that have been pledged as collateral to third parties in support of financial obligations with other banks (See note 18).

		December 31, 2022	December 31, 2021
Pledged in money market operations			
Issued or guaranteed by the Colombian government	$	1,307,927	1,278,841
Issued or guaranteed by other Colombian government entities		1,006	125,010
Issued or guaranteed by other financial institutions		4,980	447,697
Issued or guaranteed by other foreign financial institutions		-	45,504
		1,313,913	**1,897,052**
Pledged as collateral for derivatives transactions			
Issued or guaranteed by the Colombian government		393,462	228,820
Total	**$**	**1,707,375**	**2,125,872**

Changes in fair values primarily reflect changes in market conditions due mainly to changes in interest rates and other economic conditions in the country in which the investment is held.

As of December 31, 2022, fixed income investments hedging Money Market operations are presented in Simultaneous Liabilities of $1,307,927 and Repo Liabilities of $5,986 and in derivative instruments of $393,462 (as of December 31, 2021, they were presented in Simultaneous Liabilities of $1,278,842 and Repo Liabilities of $618,210 and in derivative instruments of $228,820). Also, the total amount of debt securities that do not guarantee money market operations or derivatives amounts to a total of $3,492,205 for 2022 and $3,917,019 for 2021.

There are no legal or economic restrictions, pledges or liens on financial assets in the form of debt securities and equity instruments at fair value, and there is no limitation on their ownership.

Note 8. - Financial assets in debt securities at amortized cost

The balance of financial assets in debt securities at amortized cost comprises the following at December 31, 2022 and 2021:

		December 31, 2022	December 31, 2021
Debt securities			
In Colombian pesos			
Issued or guaranteed by the Colombian Government		670,442	-
Issued or guaranteed by other Colombian Government entities	$	1,132,772	883,552
Total debt securities		**1,803,214**	**883,552**
Provisions for investments		(522)	(345)
Total financial assets in debt securities at amortized cost	$	**1,802,692**	**883,207**

The following is the change in the provision for investments for the period ended December 31, 2022:

		December 31, 2022	December 31, 2021
Balance at beginning of period	$	345	358
Reversal of impairment of Banco de Occidente Panama bond		-	37
(Recovery) of impairment expense on investments at amortized cost		177	(50)
Balance at end of period	$	**522**	**345**

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

		December 31, 2022	December 31, 2021
Up to 1 month	$	135,877	93,781
more than 3 months and no longer than 1 year		1,667,337	789,771
Subtotal		**1,803,214**	**883,552**
Provisions for investments		(522)	(345)
Total	$	**1,802,692**	**883,207**

Note 9. - Derivative instruments and hedges of foreign investments

a. Derivative financial instruments held for trading

The following table sets forth the fair values as of December 31, 2022 and 2021 of forward contracts, futures, options, interest rate swaps and foreign currency swaps in which the Parent Company is engaged:

Item	December 31, 2022 Value notional	December 31, 2022 Value fair	December 31, 2021 Value notional	December 31, 2021 Value fair
Assets				
Forward contracts				
Non-Peso/Dollar currency forward contracts	$ 103,476	3,108	38,759	689
Forward contracts in Peso/Dollar currencies	12,074,018	313,779	13,848,552	291,296
Securities forward contracts	966,132	1,691	75,000	278
Subtotal	**13,143,626**	**318,578**	**13,962,311**	**292,263**
Swap				
Interest rate swap contracts	7,355,745	398,028	6,727,852	151,230
Subtotal	**7,355,745**	**398,028**	**6,727,852**	**151,230**
Call options				
Foreign currency call options	825,753	38,362	607,780	20,237
Subtotal	**825,753**	**38,362**	**607,780**	**20,237**
Total assets	**$ 21,325,124**	**754,968**	**21,297,943**	**463,730**
Liabilities				
Forward contracts			14,514,558	343,954
Forward contracts in Peso/Dollar currencies	$ 14,738,027	443,281		
Non-Peso/Dollar currency forward contracts	103,711	2,942	170,286	919
Securities forward contracts	617,142	2,143	165,000	276
Subtotal	**15,458,880**	**448,366**	**14,849,844**	**345,149**
Swap				
Foreign currency swap contracts	-	-	260	39
Interest rate swap contracts	8,896,296	452,760	11,725,235	161,205
Subtotal	**8,896,296**	**452,760**	**11,725,495**	**161,244**
Option contracts				
Foreign currency put options	856,310	29,676	591,656	10,900
Subtotal	**856,310**	**29,676**	**591,656**	**10,900**
Total liabilities	**25,211,486**	**930,802**	**27,166,995**	**517,293**
Net position	**$ (3,886,362)**	**(175,834)**	**(5,869,052)**	**(53,563)**

Derivative instruments entered into by the Parent Company are generally traded in organized markets and with local and foreign customers and counterparties of the Parent Company. Derivative instruments have net favorable (assets) or unfavorable (liabilities) terms as a result of fluctuations in foreign currency exchange rates and interest rate market or other variables related to their terms. The cumulative amount of the fair values of derivative assets and liabilities may vary significantly from time to time.

As of December 31, 2022, there are no derivative contracts in other contracts that must be separated, accounted for and disclosed in accordance with IFRS 9.

The maturities by term of derivative instruments held for trading as of December 31, 2022 and 2021 are as follows:

LESS THAN ONE YEAR

Item	December 31, 2022 Value notional	December 31, 2022 Value fair	December 31, 2021 Value notional	December 31, 2021 Value fair
Assets				
Forward contracts				
Non-Peso/Dollar currency forward contracts	$ 103,476	3,108	-	689
Forward contracts in Peso/Dollar currencies	11,899,867	295,247	13,622,462	278,382
Securities forward contracts	966,132	1,691	75,000	278
Subtotal	**12,969,475**	**300,046**	**13,697,462**	**279,349**
Swap				
Interest rate swap contracts	4,068,034	87,355	6,727,852	17,707
Subtotal	**4,068,034**	**87,355**	**6,727,852**	**17,707**
Call options				
Foreign currency call options	455,450	21,094	553,502	13,860
Subtotal	**455,450**	**21,094**	**553,502**	**13,860**
Total assets	**$ 17,492,959**	**408,495**	**20,978,816**	**310,916**
Liabilities				
Forward contracts				
Forward contracts in Peso/Dollar currencies	$ 14,591,316	423,770	14,231,713	325,626
Non-Peso/Dollar currency forward contracts	103,711	2,942	170,286	919
Securities forward contracts	617,142	2,144	165,000	276
Subtotal	**15,312,169**	**428,856**	**14,566,999**	**326,821**
Swap				
Foreign currency swap contracts	-	-	260	39
Interest rate swap contracts	4,826,383	103,788	7,417,140	20,301
Subtotal	**4,826,383**	**103,788**	**7,417,400**	**20,340**
Option contracts				
Foreign currency put options	486,007	15,764	521,454	8,966
Subtotal	**486,007**	**15,764**	**521,454**	**8,966**
Total liabilities	**$ 20,624,559**	**548,408**	**22,505,853**	**356,127**
Net position	**$ (3,131,600)**	**(139,913)**	**(1,527,037)**	**(45,211)**

MORE THAN ONE YEAR

Item		December 31, 2022		December 31, 2021	
		Value notional	Value fair	Value notional	Value fair
Assets					
Forward contracts					
Non-Peso/Dollar currency forward contracts	$	-	-	38,759	-
Forward contracts in Peso/Dollar currencies		174,151	18,532	226,090	12,914
Subtotal		**174,151**	**18,532**	**264,849**	**12,914**
Swap					
Interest rate swap contracts		3,287,711	310,673	-	133,523
Subtotal		**3,287,711**	**310,673**	**-**	**133,523**
Call options					
Foreign currency call options		370,303	17,268	54,278	6,377
Subtotal		**370,303**	**17,268**	**54,278**	**6,377**
Total assets	**$**	**3,832,165**	**346,473**	**319,127**	**152,814**
Liabilities					
Forward contracts					
Non-Peso/Dollar currency forward contracts	$	146,711	19,511	282,845	18,328
Subtotal		**146,711**	**19,510**	**282,845**	**18,328**
Swap					
Interest rate swap contracts		4,069,913	348,972	4,308,095	140,904
Subtotal		**4,069,913**	**348,972**	**4,308,095**	**140,904**
Option contracts					
Foreign currency put options		370,303	13,912	70,202	1,934
Subtotal		**370,303**	**13,912**	**70,202**	**1,934**
Total liabilities	**$**	**4,586,927**	**382,394**	**4,661,142**	**161,166**
Net position	**$**	**(754,762)**	**(35,921)**	**(4,342,015)**	**(8,352)**

Trading derivative financial instruments contain the CVA/DVA component associated with the credit component of these contracts. At December 31, 2022 and 2021, the effect of CVA/DVA on the income statement was an expense of $3,588 and $677, respectively.

Definition of credit risk adjustment model - CVA/DVA for derivative instruments of the Parent Company:

- The incorporation of credit risk to the valuation methodology under IFRS 13 for the Parent Company's derivative instruments was decided to be carried out under the premise of affecting the discount rate, within the valuation of such instruments at the corresponding closing date. This is done by forming groups or sets, within the Derivatives Portfolio, according to the currency (e.g., pesos, euros or dollars) of the Instrument, the accounting nature of its valuation (asset or liability) and the type of counterparty with which the transaction is carried out.
- In the case of derivatives traded in a standardized market or novated before a Central Counterparty Risk Clearing House, the price includes the concept of credit risk equal to zero, since a central counterparty, risk-clearing house is involved, and therefore, there is no need to perform the exercise. In the case of derivatives traded in the OTC market (Options, Forwards, IRS, CCS) that do not include this concept, the analysis was performed.
  The credit risk was calculated for all non-standardized or novated derivative instruments held by the entities. To determine the credit risk adjustment for the portfolios.

b. Financial instruments and hedges of foreign investments

In the development of its operations, the Parent Company has the following investments in foreign subsidiaries as of December 31, 2022 and 2021, whose financial statements in the consolidation process generate translation adjustments that are recorded in the other comprehensive income account in equity, as follows:

		December 31, 2022				
		Thousands of U.S. dollars			Millions of Colombian pesos	
Detail of investment		Value of the hedged investment	Value of the hedge in foreign currency obligations		Adjustment for translation of financial statements	Exchange difference on foreign currency obligations
Occidental Bank Barbados Ltd.	USD	28,755	(28,755)	$	74,582	(74,582)
Banco de Occidente Panamá S.A.		35,151	(35,151)		99,428	(99,428)
Total	**USD**	**63,906**	**(63,906)**	**$**	**174,010**	**(174,010)**

		December 31, 2021				
		Thousands of U.S. dollars			Millions of Colombian pesos	
Detail of investment		Value of the hedged investment	Value of the hedge in foreign currency obligations		Adjustment for translation of financial statements	Exchange difference on foreign currency obligations
Occidental Bank Barbados Ltd.	USD	32,329	(32,329)	$	51,478	(51,478)
Banco de Occidente Panamá S.A.		46,039	(46,039)		72,590	(72,590)
Total	**USD**	**78,368**	**(78,368)**	**$**	**124,068**	**(124,068)**

Since these investments are denominated in U.S. dollars, which is the functional currency of the above subsidiaries, the Parent Company is subject to the risk of changes in the exchange rate of the peso, which is the Bank's functional currency, against the U.S. dollar. To cover this risk, the Parent Company has entered into foreign currency debt operations and, as such, has designated foreign currency obligations of USD$63,906 as of December 31, 2022, and $78,368 as of December 31, 2021, which cover 100% of the current investments in those subsidiaries. The financial obligations have a short-term maturity; therefore, once such obligations mature, the Parent Company's management designates new obligations in foreign currency to maintain hedge for 100% of the investments.

Since the obligations are in the same currency in which the foreign investments are recorded, the hedge is considered perfect, and therefore no hedge ineffectiveness is recorded; accordingly, no hedge ineffectiveness was recognized in the income statement. As of December 31, 2022 and 2021, $49,942 and ($46,629), respectively, were recognized in the OCI as a result of hedge effectiveness.

Note 10. - Financial assets from loans at amortized cost, net

The financial assets account for loan portfolio at amortized cost in the consolidated statement of financial position is shown classified by commercial, consumer and home mortgage portfolio, taking into account that this is the classification adopted by the Office of the Financial Superintendent in the Unified Catalog of Financial Information (CUIF in Spanish). However, considering the importance of the financial leasing portfolio at the Group level, for disclosure purposes, these loans have been separated in all the tables of the note on financial credit risks and in this note according to the following reclassification detail:

December 31, 2022

Type		Balance according to balance sheet	Reclassification of leasing	Balance with unbundling Leasing
Corporate	$	30,950,556	5,830,977	25,119,579
Retail		11,142,641	9,399	11,133,242
Residential		2,488,024	1,322,311	1,165,713
Corporate Leasing		-	(5,830,977)	5,830,977
Retail Leasing		-	(9,399)	9,399
Residential Leasing		-	(1,322,311)	1,322,311
Repos and interbank		1,120,454	-	1,120,454
Total	**$**	**45,701,675**	**-**	**45,701,675**

December 31, 2021

Type		Balance according to balance sheet	Reclassification of leasing	Balance with unbundling Leasing
Corporate	$	25,578,816	5,371,422	20,207,394
Retail		8,887,493	12,506	8,874,987
residential		2,132,885	1,183,018	949,867
Corporate Leasing		-	(5,371,422)	5,371,422
Retail Leasing		-	(12,506)	12,506
residential Leasing		-	(1,183,018)	1,183,018
Repos and interbank		465,911	-	465,911
Total	**$**	**37,065,105**	**-**	**37,065,105**

10.1. Loan portfolio by type of loan

The distribution of the loan portfolio of the Parent Company and its subsidiaries by type of loan is shown below:

		December 31, 2022	December 31, 2021
Unsecured loans	$	28,783,399	19,432,721
Leased real estate		4,519,937	4,262,431
Payroll loans		3,988,697	3,010,338
Leased personal property		2,642,750	2,304,515
Credit cards		1,611,523	1,418,330
Home mortgage letter		1,165,712	949,867
Other		1,120,454	462,727
Loans with resources from other entities		871,782	4,912,343
Construction loans		668,030	-
Discounts		177,083	155,008
Bank current account overdrafts		71,058	55,115
Letters of credit covered		53,908	72,632
Employee loans		27,342	25,894
Deferred payment letters of credit		-	3,184
Total gross loan portfolio	**$**	**45,701,675**	**37,065,105**
Provision for impairment of financial assets for loan portfolio		(2,033,178)	(1,967,781)
Total net loan portfolio	**$**	**43,668,497**	**35,097,324**

10.2. Loan portfolio - changes in impairment

The following is the change in the impairment of the loan portfolio during the years ended December 31, 2022 and 2021:

	Corporate				Repos and Interbank				Retail			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	**$ 145,787**	**76,438**	**645,945**	**868,170**	**77**	**-**	**-**	**77**	**162,034**	**200,701**	**312,815**	**675,550**
Write-offs for the period	(1,572)	(1,000)	(304,566)	(307,138)	-	-	-	-	(122,493)	(162,564)	(259,161)	(544,218)
Reversal of accrued interest Stage 3	-	-	96,107	96,107	-	-	-	-	-	-	32,731	32,731
Expense	290	13,762	621,117	635,169	15	-	-	15	134,052	166,378	225,134	525,564
Disbursement or origination fees	180,275	22,896	47,722	250,893	1,391	-	-	1,391	124,628	34,690	116,500	275,818
Reimbursement	(46,673)	(10,424)	(17,683)	(74,780)	-	-	-	-	(128,238)	(19,849)	(2,521)	(150,608)
Repayment or payment in full	(62,806)	(29,859)	(378,910)	(471,575)	(49)	-	-	(49)	(41,305)	(41,956)	(36,406)	(119,667)
Reclassification from Stage 1 to Stage 2	(4,868)	4,868	-	-	-	-	-	-	(7,916)	7,916	-	-
Reclassification from Stage 1 to Stage 3	(959)	-	959	-	-	-	-	-	(4,323)	-	4,323	-
Reclassification from Stage 2 to Stage 3	-	(7,742)	7,742	-	-	-	-	-	-	(14,198)	14,198	-
Reclassification from Stage 3 to Stage 2	-	10,090	(10,090)	-	-	-	-	-	-	13,583	(13,583)	-
Reclassification from Stage 2 to Stage 1	28,307	(28,307)	-	-	-	-	-	-	100,322	(100,322)	-	-
Reclassification from Stage 3 to Stage 1	8,179	-	(8,179)	-	-	-	-	-	44,542	-	(44,542)	-
Exchange difference	5,688	-	-	5,688	-	-	-	-	-	-	-	-
Balance as of December 31, 2022	$ 251,648	50,722	700,164	1,002,534	1,434	-	-	1,434	261,303	84,379	349,488	695,170

	Residential				Corporate Leasing				Retail Leasing			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	**$ 11,615**	**7,926**	**33,753**	**53,294**	**22,839**	**24,661**	**264,160**	**311,660**	**202**	**274**	**480**	**956**
Write-offs for the period	-	-	-	-	(28)	-	(169,936)	(169,964)	-	-	(2,361)	(2,361)
Reversal of accrued interest Stage 3	-	-	2,117	2,117	-	-	16,791	16,791	-	-	58	58
Expense	214	1,314	10,973	12,501	2,899	2,433	125,050	130,382	2	10	2,441	2,453
Disbursement or origination fees	3,944	732	101	4,777	7,949	868	4,788	13,605	74	-	165	239
Reimbursement	(13,278)	(892)	(1,631)	(15,801)	(22,091)	(8,904)	(23,935)	(54,930)	(204)	(54)	(25)	(283)
Repayment or payment in full	(1,060)	(974)	(2,688)	(4,722)	(1,628)	(1,833)	(6,551)	(10,012)	(48)	(48)	(4)	(100)
Reclassification from Stage 1 to Stage 2	(214)	214	-	-	(1,179)	1,179	-	-	(5)	5	-	-
Reclassification from Stage 1 to Stage 3	(64)	-	64	-	(449)	-	449	-	-	-	-	-
Reclassification from Stage 2 to Stage 3	-	(958)	958	-	-	(3,538)	3,538	-	-	(62)	62	-
Reclassification from Stage 3 to Stage 2	-	978	(978)	-	-	5,499	(5,499)	-	-	61	(61)	-
Reclassification from Stage 2 to Stage 1	5,252	(5,252)	-	-	12,103	(12,103)	-	-	161	(161)	-	-
Reclassification from Stage 3 to Stage 1	5,539	-	(5,539)	-	6,161	-	(6,161)	-	-	-	-	-
Exchange difference	-	-	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2022	$ 11,948	3,088	37,130	52,166	26,576	8,262	202,694	237,532	182	25	755	962

	Residential Leasing				Total Financial Leasing				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	$ 13,993	12,429	31,652	58,074	37,034	37,364	296,292	370,690	356,547	322,429	1,288,805	1,967,781
Write-offs for the period	-	-	(2,398)	(2,398)	(28)	-	(174,695)	(174,723)	(124,093)	(163,564)	(738,422)	(1,026,079)
Reversal of accrued interest Stage 3	-	-	928	928	-	-	17,777	17,777	-	-	148,732	148,732
Expense	310	1,363	7,906	9,579	3,211	3,806	135,397	142,414	137,782	185,260	992,621	1,315,663
Disbursement or origination fees	3,336	492	709	4,537	11,359	1,360	5,662	18,381	321,597	59,678	169,985	551,260
Reimbursement	(19,149)	(938)	(2,355)	(22,442)	(41,444)	(9,896)	(26,315)	(77,655)	(229,633)	(41,061)	(48,150)	(318,844)
Repayment or payment in full	(988)	(1,050)	(2,860)	(4,898)	(2,664)	(2,931)	(9,415)	(15,010)	(107,884)	(75,720)	(427,419)	(611,023)
Reclassification from Stage 1 to Stage 2	(208)	208	-	-	(1,392)	1,392		-	(14,390)	14,390		-
Reclassification from Stage 1 to Stage 3	(117)	-	117	-	(566)	-	566	-	(5,912)	-	5,912	-
Reclassification from Stage 2 to Stage 3	-	(807)	807	-	-	(4,407)	4,407	-	-	(27,305)	27,305	-
Reclassification from Stage 3 to Stage 2	-	1,426	(1,426)	-	-	6,986	(6,986)	-	-	31,637	(31,637)	-
Reclassification from Stage 2 to Stage 1	9,611	(9,611)	-	-	21,875	(21,875)	-	-	155,756	(155,756)	-	-
Reclassification from Stage 3 to Stage 1	7,025	-	(7,025)	-	13,186	-	(13,186)	-	71,446	-	(71,446)	-
Exchange difference	-	-	-	-	-	-	-	-	5,688	-	-	5,688
Balance as of December 31, 2022	$ 13,813	3,512	26,055	43,380	40,571	11,799	229,504	281,874	566,904	149,988	1,316,286	2,033,178

	Corporate				Repos and Interbank				Retail			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2020	$ 127,377	49,268	663,491	840,136	28	-	59	87	190,103	160,481	412,571	763,155
Write-offs for the period	(104)	(2,244)	(394,276)	(396,624)	-	-	-	-	(44,148)	(54,064)	(395,109)	(493,321)
Reversal of accrued interest Stage 3	-	-	56,396	56,396	-	-	-	-	-	-	26,503	26,503
Expense	(4,729)	29,874	454,089	479,234	11	-	-	11	46,128	113,744	255,612	415,484
Disbursement or origination fees	106,206	25,168	49,016	180,390	49	-	-	49	99,949	51,061	137,248	288,258
Reimbursement	(26,048)	(8,109)	(20,040)	(54,197)	-	-	-	-	(53,363)	(18,728)	(8,245)	(80,336)
Repayment or payment in full	(60,266)	(14,198)	(165,027)	(239,491)	(11)	-	(59)	(70)	(66,492)	(63,747)	(113,954)	(244,193)
Reclassification from Stage 1 to Stage 2	(10,398)	10,398	-	-	-	-	-	-	(48,413)	48,413	-	-
Reclassification from Stage 1 to Stage 3	(2,336)	-	2,336	-	-	-	-	-	(4,621)	-	4,621	-
Reclassification from Stage 2 to Stage 3	-	(5,797)	5,797	-	-	-	-	-	-	(9,246)	9,246	-
Reclassification from Stage 3 to Stage 2	-	2,378	(2,378)	-	-	-	-	-	-	8,574	(8,574)	-
Reclassification from Stage 2 to Stage 1	10,300	(10,300)	-	-	-	-	-	-	35,787	(35,787)	-	-
Reclassification from Stage 3 to Stage 1	3,459	-	(3,459)	-	-	-	-	-	7,104	-	(7,104)	-
Exchange difference	2,326	-	-	2,326	-	-	-	-	-	-	-	-
Balance as of December 31, 2021	$ 145,787	76,438	645,945	868,170	77	-	-	77	162,034	200,701	312,815	675,550

	Residential				Corporate Leasing				Retail Leasing			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2020	$ 14,106	6,231	30,269	50,606	20,863	17,170	231,977	270,010	262	348	239	849
Write-offs for the period	-	-	-	-	-	-	(99,270)	(99,270)	-	-	(5,128)	(5,128)
Reversal of accrued interest Stage 3	-	-	1,490	1,490	-	-	16,527	16,527	-	-	4	4
Expense	109	4,156	10,423	14,688	2,627	14,732	128,307	145,666	19	69	5,167	5,255
Disbursement or origination fees	4,614	396	-	5,010	7,484	1,101	6,197	14,782	45	80	257	382
Reimbursement	(6,470)	(2,977)	(3,102)	(12,549)	(11,614)	(3,462)	(10,737)	(25,813)	(135)	(73)	(55)	(263)
Repayment or payment in full	(2,458)	(881)	(2,612)	(5,951)	(2,127)	(1,591)	(6,524)	(10,242)	(46)	(57)	(40)	(143)
Reclassification from Stage 1 to Stage 2	(1,605)	1,605	-	-	(2,614)	2,614	-	-	(29)	29	-	-
Reclassification from Stage 1 to Stage 3	(109)	-	109	-	(548)	-	548	-	-	-	-	-
Reclassification from Stage 2 to Stage 3	-	(1,237)	1,237	-	-	(2,881)	2,881	-	-	(70)	70	-
Reclassification from Stage 3 to Stage 2	-	2,352	(2,352)	-	-	3,376	(3,376)	-	-	34	(34)	-
Reclassification from Stage 2 to Stage 1	1,719	(1,719)	-	-	6,398	(6,398)	-	-	86	(86)	-	-
Reclassification from Stage 3 to Stage 1	1,709	-	(1,709)	-	2,370	-	(2,370)	-	-	-	-	-
Exchange difference	-	-	-	-	-	-	-	-	-	-	-	-
Balance as of December 31, 2021	**$ 11,615**	**7,926**	**33,753**	**53,294**	**22,839**	**24,661**	**264,160**	**311,660**	**202**	**274**	**480**	**956**

	Residential Leasing				Total Financial Leasing				Total			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance at December 31, 2020	$ 18,670	7,354	31,045	57,069	39,795	24,872	263,261	327,928	371,409	240,852	1,369,651	1,981,912
Write-offs for the period	-	-	(1,845)	(1,845)	-	-	(106,243)	(106,243)	(44,252)	(56,308)	(895,628)	(996,188)
Reversal of accrued interest Stage 3	-	-	1,117	1,117	-	-	17,648	17,648	-	-	102,037	102,037
Expense	142	6,808	9,274	16,224	2,788	21,609	142,748	167,145	44,307	169,383	862,872	1,076,562
Disbursement or origination fees	4,286	705	336	5,327	11,815	1,886	6,790	20,491	222,633	78,511	193,054	494,198
Reimbursement	(8,067)	(2,485)	(3,062)	(13,614)	(19,816)	(6,020)	(13,854)	(39,690)	(105,697)	(35,834)	(45,241)	(186,772)
Repayment or payment in full	(1,992)	(686)	(3,526)	(6,204)	(4,165)	(2,334)	(10,090)	(16,589)	(133,392)	(81,160)	(291,742)	(506,294)
Reclassification from Stage 1 to Stage 2	(2,616)	2,616	-	-	(5,259)	5,259	-	-	(65,675)	65,675	-	-
Reclassification from Stage 1 to Stage 3	(177)	-	177	-	(725)	-	725	-	(7,791)	-	7,791	-
Reclassification from Stage 2 to Stage 3	-	(1,424)	1,424	-	-	(4,375)	4,375	-	-	(20,655)	20,655	-
Reclassification from Stage 3 to Stage 2	-	1,340	(1,340)	-	-	4,750	(4,750)	-	-	18,054	(18,054)	-
Reclassification from Stage 2 to Stage 1	1,799	(1,799)	-	-	8,283	(8,283)	-	-	56,089	(56,089)	-	-
Reclassification from Stage 3 to Stage 1	1,948	-	(1,948)	-	4,318	-	(4,318)	-	16,590	-	(16,590)	-
Exchange difference	-	-	-	-	-	-	-	-	2,326	-	-	2,326
Balance as of December 31, 2021	**$ 13,993**	**12,429**	**31,652**	**58,074**	**37,034**	**37,364**	**296,292**	**370,690**	**356,547**	**322,429**	**1,288,805**	**1,967,781**

10.3. Individual and collectively assessed loan portfolio

The following is a detail of the credit risk impairment constituted as of December 31, 2022 and 2021, taking into account the manner in which they were determined: individually for loans over $2,000 and collectively for other loans.

The impaired portfolio represents loans with associated credit risk, while the past-due loan portfolio considers only days past due or default by the customer (without identifying whether there is associated credit risk or not). Allowances for loan portfolio are determined based on the impaired loan portfolio.

December 31, 2022

Provision for impairment	Corporate	Retail	Residential	Leasing Corporate	Leasing Retail	Leasing Home	Leasing Financial	Repos and Interbank
Individually assessed loans	$ 479,932	Ps. 361	Ps. 256	Ps. 134,726	Ps. -	Ps. -	134,726	-
Collectively assessed loans	522,601	694,809	51,910	102,806	962	43,381	147,149	1,434
Total provision for impairment	$ **1,002,533**	**695,170**	**52,166**	**237,532**	962	**43,381**	**281,875**	**1,434**

Gross balance of financial assets by Loan portfolio	Corporate	Retail	Residential	Leasing Corporate	Leasing Retail	Leasing Residential	Total Leasing Financial	Repos and Interbank
Individually assessed loans (1)	$ 19,395,585	Ps. 24,051	Ps. 9,679	Ps. 4,234,304	Ps. -	Ps. 21,115	4,255,419	-
Collectively assessed loans	5,723,994	11,109,191	1,156,034	1,596,673	9,399	1,301,196	2,907,268	1,120,454
Total provision for impairment	$ **25,119,579**	**11,133,242**	**1,165,713**	**5,830,977**	9,399	**1,322,311**	**7,162,687**	**1,120,454**

December 31, 2021

Provision for impairment	Corporate	Retail	Residential	Leasing Corporate	Leasing Retail	Leasing Residential	Leasing Financial	Repos and Interbank
Individually assessed loans	$ 438,764	-	-	166,927	-	-	166,927	-
Collectively assessed loans	429,406	675,550	53,294	144,733	956	58,074	203,763	77
Total provision for impairment	$ **868,170**	**675,550**	**53,294**	**311,660**	956	**58,074**	**370,690**	**77**

Gross balance of financial assets by Loan portfolio	Corporate	Retail	Residential	Leasing Corporate	Leasing Retail	Leasing Residential	Leasing Financial	Repos and Interbank
Individually assessed loans(1)	$ 15,164,005	32,770	8,903	3,759,620	20	17,554	3,777,194	-
Collectively assessed loans	5,043,389	8,842,217	940,964	1,611,802	12,486	1,165,465	2,789,753	465,911
Total provision for impairment	$ **20,207,394**	**8,874,987**	**949,867**	**5,371,422**	12,506	**1,183,019**	**6,566,947**	**465,911**

(1) Include the total of assessed loans over $2,000 regardless of whether they were considered impaired or not impaired as a result of the assessment.

10.4. Individually assessed loan portfolio

The following is a detail of loans individually assessed for impairment as of December 31, 2022 and 2021:

	December 31, 2022		
	Gross value recorded	Guarantees collateral	Provision constituted
No impairment recorded			
Corporate Leasing	$ 5,302	-	-
Subtotal	**5,302**	**-**	**-**
With impairment recorded			
Corporate	1,175,945	174,709	479,932
Retail	3,020	-	361
Residential	3,996	-	256
Corporate Leasing	525,421	124,710	134,726
Subtotal	**1,708,382**	**299,419**	**615,275**
Totals			
Corporate	1,175,945	174,709	479,932
Retail	3,020	-	361
Residential	3,996	-	256
Corporate Leasing	530,723	124,710	134,726
Total	**$ 1,713,684**	**299,419**	**615,275**

	December 31, 2021		
	Gross value recorded	Guarantees collateral	Provision constituted
No impairment recorded			
Corporate Leasing	$ 7,969	500	-
Subtotal	**7,969**	**500**	**-**
With impairment recorded			
Corporate	1,235,527	228,636	438,764
Corporate Leasing	563,010	118,738	166,927
Subtotal	**1,798,537**	**347,374**	**605,691**
Totals			
Corporate	1,235,527	228,636	438,764
Corporate Leasing	570,979	119,238	166,927
Total	**$ 1,806,506**	**347,874**	**605,691**

10.5. Loan portfolio maturity period

The following is the distribution of the loan portfolio in the Parent Company and subsidiaries by maturity period:

	December 31, 2022				
	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Corporate	$ 15,649,472	5,992,359	2,189,908	1,287,840	25,119,579
Retail	3,008,656	4,280,541	2,596,962	1,247,083	11,133,242
Residential	115,005	169,098	161,651	719,959	1,165,713
Corporate Leasing	1,827,316	2,109,468	1,025,939	868,254	5,830,977
Retail Leasing	4,308	3,869	1,124	98	9,399
Residential Leasing	127,357	190,466	176,966	827,522	1,322,311
Repos and interbank	1,120,454	-	-	-	1,120,454
Total portfolio	**$ 21,852,568**	**12,745,801**	**6,152,550**	**4,950,756**	**45,701,675**

	December 31, 2021				
	Up to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	Total
Corporate	$ 12,172,054	5,331,139	1,698,987	1,005,214	20,207,394
Retail	2,507,908	3,526,176	1,982,444	858,459	8,874,987
Residential	94,306	138,674	132,127	584,760	949,867
Corporate Leasing	1,643,119	1,896,508	932,294	899,501	5,371,422
Retail Leasing	5,187	5,459	1,693	167	12,506
Residential Leasing	119,112	171,626	160,674	731,606	1,183,018
Repos and interbank	465,911	-	-	-	465,911
Total portfolio	**$ 17,007,597**	**11,069,582**	**4,908,219**	**4,079,707**	**37,065,105**

10.6. Loan portfolio by type of currency

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

	December 31, 2022		
	Colombian pesos	Foreign [(1)] currency	Total
Corporate	$ 19,750,511	5,369,068	**25,119,579**
Retail	11,075,611	57,631	**11,133,242**
Residential	1,165,713	-	**1,165,713**
Corporate Leasing	5,830,977	-	**5,830,977**
Retail Leasing	9,399	-	**9,399**
Residential Leasing	1,322,311	-	**1,322,311**
Repos and interbank	848,000	272,454	**1,120,454**
Total portfolio	**$ 40,002,522**	**5,699,153**	**45,701,675**

(1) The main foreign currency is the U.S. dollar (USD).

	December 31, 2021			
		Colombian pesos	Foreign [(1)] currency	Total
Corporate	$	15,813,511	4,393,883	**20,207,394**
Retail		8,824,008	50,979	**8,874,987**
Residential		949,867	-	**949,867**
Corporate Leasing		5,371,422	-	**5,371,422**
Retail Leasing		12,506	-	**12,506**
Residential Leasing		1,183,018	-	**1,183,018**
Repos and interbank		148,683	317,228	**465,911**
Total portfolio	$	**32,303,015**	**4,762,090**	**37,065,105**

[(1)] The main foreign currency is the U.S. dollar (USD).

10.7. Finance lease receivable portfolio

The following is the reconciliation between the gross investment in finance leases and the present value of the minimum lease payments to be received as of December 31, 2022 and 2021:

		December 31, 2022	December 31, 2021
Total gross lease payments receivable in the future	$	11,846,285	11,667,764
Plus Estimated residual value of assets delivered under leases (not guaranteed)		696	696
Gross investment in finance leases		**11,846,981**	**11,668,460**
Less unrealized financial income		(4,684,294)	(5,101,514)
Net investment in finance leases		**7,162,687**	**6,566,946**
Impairment of net investment in finance leases	**$**	**281,875**	**370,690**

The following is a detail of the gross investment and net investment in finance leases to be received as of December 31, 2022 and 2021 in each of the following years:

		December 31 ,2022		December 31 , 2021	
		Gross investment	Net Investment	Gross Investment	Net Investment
Up to 1 year	$	3,745,685	1,609,384	7,143,847	3,972,453
Between 1 and 5 years		5,019,048	2,995,241	3,401,075	2,238,834
More than 5 years		3,082,248	2,558,062	1,123,538	355,659
Total	**$**	**11,846,981**	**7,162,687**	**11,668,460**	**6,566,946**

In financial leasing transactions, the Parent Company, as lessor, delivers properties to the lessee for use during an established term in exchange for a royalty. The lessee, upon termination, has the right to acquire the assets through a call option agreed upon from the beginning, which generally corresponds to a price substantially lower than the commercial value when practicing it. Most contracts calculate the royalty based on the DTF or IBR, adding a few nominal points. The lessee is responsible for the insurance, maintenance, and any charges on the asset. Moreover, there are lease transactions without a call option that, from the beginning, have guaranteed residual values or, if not guaranteed, the residual values correspond to a low percentage of the asset value. In most prior contracts, the royalty is calculated based on the DTF or IBR, adding or subtracting a few nominal points; however, the lessee is still responsible for asset's VAT, insurance, and maintenance.

Note 11. - Other accounts receivable, net

The following is the detail of the other current accounts receivable as of December 31, 2022 and 2021:

Detail		December 31, 2022	December 31, 2021
Others	$	138,868	81,856
Donations		84,036	59,800
Abandoned ICETEX accounts		79,303	69,040
Supplier contract advance		50,129	20,761
Accounts receivable from the sale of goods and services		30,971	39,639
Taxes		18,545	8,189
Dividends		16,578	28,668
Commissions		10,799	8,645
Prepaid expenses		9,460	6,916
Deposits		4,810	3,422
Transfers to the National Directorate of Treasury		3,790	3,668
Credit card clearings and networks clearings		2,886	4,558
Credit balance in compliance with forward contracts (*)		1,739	635
Industry and trade tax advance		1,051	943
Royalties of property put up for operating lease		939	598
Contractionary monetary deposits		515	-
Wire transfers in process		323	
Fees, services, and advances		300	1
Contributions		271	237
Claims to insurance companies		222	1,203
Leases		210	989
Interests		186	77
To parent company, subsidiaries, related parties, and associates	$	79	36
Shortages in exchange		61	99
Shortages in cash		38	9
Subtotal	$	**456,109**	**339,989**
Provision of other accounts receivable		(19,447)	(19,093)
Total	$	**436,662**	**320,896**

(*) The balance in accounts receivable from forward settlements is due to the rate conditions; in this case, it favors the Bank, increasing the accounts receivable in settlements and impacts the number of operations maturating that month.

Accounts receivable from contracts with customers for compliance with IFRS 15

The items comprising the balance of accounts receivable, commissions resulting from contracts with customers are detailed below:

Goods and Services		December 31, 2022	December 31, 2021
Banking services commissions	$	29	26
Fiduciary activities		5,334	3,511
Other commissions		5,436	5,108
Total		10,799	8,645

The following is the impairment movement for the years ended as of December 31, 2022 and 2021:

		December 31, 2022	December 31, 2021
Balance as of December 31, 2021	**$**	**19,093**	**23,426**
Provision charged to profits and loss		6,488	5,425
Other accounts receivable recoveries		(247)	(582)
Write-off		(5,883)	(9,143)
Adjustment for foreign currency difference		(4)	(34)
Balance as of September 30, 2022	**$**	**19,447**	**19,093**

Note 12. - Income from non-current assets held for sale

Below is detailed the net income generated by the sale of property classified as held for sale during the periods ended on December 31, 2022 and 2021:

		December 31, 2022			December 31, 2021		
		Book value	Sale value	Income	Book value	Sale value	Income
Real estate [(1)]	$	13,058	18,299	5,241	30,514	42,174	11,660
Movable goods		1,969	2,988	1,019	1,850	2,110	260
	$	**15,027**	**21,287**	**6,260**	**32,364**	**44,284**	**11,920**

(1) The income of COP$6,260 recorded in the note of non-current assets held for sale (ANCMV in Spanish), COP$4,529 corresponds to the mobilization of 5 real state assets to the Nexus Inmobiliario Private Equity Fund as of December 2022, and COP$1,731 corresponds to the sale of real estate and movable goods that entered and were sold in the same period.

The assets held for sale movement are presented below.

		December 31, 2022
Balance as of December 31, 2021	**$**	**5,378**
Increases by addition during the period		4,378
Cost of ANCMV, net		152
Sale- Leaseback		(15,179)
Reclassifications from/to own use		5,271
Balance as of December 31, 2022	**$**	**-**

		December 31, 2021
Balance as of December 31, 2020	**$**	**33,969**
Increases by addition during the period		3,204
Cost of ANCMV sold, net		8,366
Sale- Leaseback		(40,730)
Reclassifications		569
Balance as of December 31, 2021	**$**	**5,378**

Note 13. - Investments in associates, joint ventures, and joint operations

13.1. Investments in associates and joint ventures

The investments in associates and joint ventures are detailed below:

		December 31, 2022	December 31, 2021
Associates	$	1,645,976	1,663,510
Joint ventures		1,584	1,480
Total	**$**	**1,647,560**	**1,664,990**

The shareholding percentages in each of the associates and joint ventures are presented below:

	December 31, 2022		December 31, 2021	
	% of ownership	Book value	% of ownership	Book value
Associates				
A Toda Hora S.A.	20.00%	2,577	20.00%	2,454
Corficolombiana	4.18%	760,263	4.14%	709,424
Aval Soluciones Digitales	26.60%	3,859	26.60%	4,425
Porvenir (*)	33.09%	879,277	33.09%	947,207
		$ 1,645,976		$ 1,663,510
Joint ventures				
A Toda Hora S.A	25.00%	$ 1,581	25.00%	$ 1,477
Aval Soluciones Digitales S.A. - Joint Ventures	26.34%	3	0.00%	3
		$ 1,584		$ 1,480

(*) The book value of the investment in Porvenir S.A. includes the goodwill for the acquisition of the Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A. (Pension and Severance Fund Management Company Porvenir S.A. in English) on December 2013 for COP$64,724.

The movement of investments in associates and joint ventures for the years ended on December 31, 2022 and 2021 are presented below:

Associated companies		**December 31,2022**	**December 31, 2021**
Balance at beginning of the period	$	**1,663,510**	**1,613,221**
Declared Dividends		(99,554)	(172,243)
Equity method with effect in OCI		(39,917)	(23,260)
Equity method with effect on income		121,937	245,792
Balance at end of the period	$	**1,645,976**	**1,663,510**

Joint ventures		**December 31,2022**	**December 31, 2021**
Balance at beginning of the period	$	**1,480**	**1,407**
Acquisitions in subsidiaries and associated companies		-	2
Method of participation with effect on income		104	71
Balance at end of the period	$	**1,584**	**1,480**

The corporate purpose of A Toda Hora S.A. is to provide the services referred to in Article 5 of Law 45 of 1990 and other supplementary regulations, particularly programming of computers, marketing of programs, representation of national or foreign companies producing or marketing programs, organization, and management of ATMs networks to conduct transactions or operations; as well as, processing data, and managing information in own or third-party equipment to establish accounts, create and organize files, and execute calculations, statistics, and general information, and communicating and electronic transferring of data.

The corporate purpose of Pension and Severance Fund Management Company Porvenir S.A. is to manage the pension and severance funds authorized by law, as well as to manage the autonomous equities forming the territorial entities, their decentralized entities, and private companies, in accordance with Article 16 of Decree 941 of 2002, in order to provide resources to pay their pension obligations; including pensions, retirement payments, quota-shares of retirement payments, and quota-shares of pensions in accordance with article 23 of Decree 1299 of 1994, regulated by Decrees 810 of 1998 and 941 of 2002; which constitute Autonomous Equities independent from the Company's equity.

The sole and exclusive purpose of Aval Soluciones Digitales S.A. shall be to provide authorized services to companies specialized in electronic deposits and payments in the development of its corporate purpose.

Corporación Financiera Colombiana S.A.(or Corficolombiana) is a credit institution whose primary function is to collect term funds through deposits or short-term debt instruments to carry out lending transactions and investments with the primary object of fostering or promoting the creation, reorganization, merger, transformation, and expansion of companies in the sectors established by the regulations of their activity; organized in accordance with the regulations established by the Organic Statute of the Financial System (Decree 663 of 1993) and other regulations modifying, abolishing, or replacing them. As the act and deed of the Annual General Meeting, the Corporation may change its place of business and, as the act and deed of the Board of Directors, may establish branches or agencies within the national territory or abroad.

The condensed financial information of investments in associates, recorded based on the equity method, is below:

	December 31, 2022					
	Assets	Liabilities	Equity	Revenues	Expenditures	Profit and loss
A Toda Hora	14,616	1,731	12,885	15,838	15,225	613
Corficolombiana	24,180,664	12,755,765	11,424,899	2,820,617	1,037,752	1,782,865
Aval Soluciones Digitales	40,511	26,002	14,509	941	3,066	(2,125)
Porvenir	3,493,763	1,032,337	2,461,426	3,058,424	2,904,457	153,967
	$ 27,729,554	13,815,835	13,913,719	5,895,820	3,960,500	1,935,320

	December 31, 2021					
	Assets	Liabilities	Equity	Revenues	Expenditures	Profit and loss
A Toda Hora S.A.	13,598	1,327	12,271	12,512	11,799	713
Corficolombiana	21,712,809	11,414,739	10,298,070	5,084,297	3,368,621	1,715,676
Aval Soluciones Digitales	24,656	8,021	16,634	2,690	2,293	397
Porvenir	4,111,970	1,445,269	2,666,701	2,766,126	2,186,523	579,603
	$ 25,863,033	12,869,356	12,993,676	7,865,625	5,569,236	2,296,389

The following is the detail of dividends received from associates during the years ended as of December 31, 2022 and 2021:

Porvenir S.A.	**December 31, 2022**	**December 31, 2021**
Cash	$ 99,315	171,741

Corficol S.A.	**December 31, 2022**	**December 31, 2021**
Shares	$ 31,722	27,128

The condensed financial information of investments in joint ventures, recorded based on the equity method, is presented below:

December 31, 2022

		Assets	Liabilities	Equity	Revenues	Expenditures	Profit or loss
A Toda Hora	$	78,721	72,396	6,325	350,131	349,718	414
Aval Soluciones Digitales S.A. - Joint Ventures - Dale! (*)		88,331	88,321	10	40,801	40,801	-

December 31, 2021

		Assets	Liabilities	Equity	Revenues	Expenditures	Profit or loss
A Toda Hora	$	75,731	69,820	5,911	304,583	304,299	284
Aval Soluciones Digitales S.A. - Joint Ventures - Dale! (*)		41,446	41,436	10	17,347	17,347	-

No dividends were received from joint ventures during the years ended as of December 31, 2022 and 2021.

ATH has entered into a joint venture agreement with other financial institutions of Grupo Aval to develop all commercial operations related to the centralized management of transactions of electronic transfer of data and funds through ATMs, the Internet, or any other electronic means.

ATH engages in its capacity as manager of such agreement to develop on its behalf and at its own credit the subject of the agreement.

(1) Dale! - Aval Soluciones Digitales is Company Specializing in Electronic Deposits and Payments (SEDPE in Spanish) that, through a technological platform, allows banked and unbanked people and businesses to open a deposit whereby they can carry out financial operations from a single 100% digital solution.

13.2 Jointly controlled operations

A joint operation is a joint arrangement whereby the parties that have joint control of the agreement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Those parties are called joint operators.

Such joint operations are recognized in each category of the Entity's financial statement in the proportional part of its shareholdings in the assets, liabilities, revenues, and expenditures of each joint operation in force during the period.

A summary of the shareholding in joint operations, in which the subsidiary Fiduciaria de Occidente has a shareholding, as of December 31, 2022 and 2021 is presented below:

		December 31, 2022		December 31, 2021	
	% Ownership	Assets	Liabilities	Assets	Liabilities
Emcali	25	$ 112	88	198	82
Fosyga under liquidation	6.55	47	1,272	62	1,146
Pensiones Cundinamarca 2012	55	27	27	27	
Concesionaria Calimio	56	8.9	2.8	7	3
Consorcio Sop 2012	33.33	612	21	152	31
Adaptation Fund	50	304	18.3	310	15
Consorcio Vinus	33	201	117	81	49
Total		**$ 1,312**	**1,546**	**837**	**1,326**

			December 31, 2022			December 31, 2021		
		% Ownership	Revenues	Expenditures	Income (Losses)	Revenues	Expenditures	Income (Losses)
Emcali	25	25	416	320	97	377	264	113
Fosyga under liquidation		6.55	1	147	(146)	1	68	(67)
Pensiones Cundinamarca 2012		55	-	-	-	-	-	-
Concesionaria Calimio		56	47	14	33	44	13	31
Consorcio Sop 2012		33.33	597	648	(52)	400	667	(267)
Adaptation Fund		50	486	243	243	447	198	249
Consorcio Vinus	33	33	144	60	84	68	36	32
Total			**1,691**	**1,432**	**259**	**1,337**	**1,246**	**91**

The joint operations' shareholdings of the company's asset, as of December 31, 2022 and 2021, include:

Asset shareholding		**December 31, 2022**	**December 31, 2021**
Cash and cash equivalents	$	334	568
Deposits and investments in debt securities		8	3
Accounts receivable		918	212
Property and equipment for own use		43	54
Other activities in joint operations		10	-
Total assets	**$**	**1,312**	**837**

The joint operations' shareholdings of the subsidiary Fiduciaria de Occidente S.A. liabilities as of December 31, 2022 and 2021 include:

Liabilities shareholding		**December 31, 2022**	**December 31, 2021**
Accounts payable	$	243	223
Other liabilities contributions		84	-
Other provisions		1,173	1,048
Liabilities at amortized cost		47	55
Total liabilities	**$**	**1,546**	**1,326**

The economic activity of joint operations (consortiums) is listed below:

Name	ACTIVITY
Emcali	Through the contract 160GF-CF-001-2005,the Special Purpose Vehicle is constituted, which shall have the following purposes, among others: (i) to collect all of Emcali's revenues through the mechanisms and procedures defined in the Operational Manual; (ii) to manage the trust income as established in this contract; (iii) to pay, under the instruction from EMCALI and in accordance with the provisions of this contract, all operating and business administration expenses through the trust, having regard to the provisions established in Annex No.4 of the contract. The principal place of business where the consortium operates is at Carrera 5 No. 12-42 in the city of Cali.
Fosyga (under liquidation)	The purpose of this contract is to collect, manage, and pay by the consortium the funds of the Solidarity and Guarantee Fund (FOSYGA in Spanish) of the General System of Social Security in Health pursuant to the provisions set forth in Law 100 of 1993. The principal place of business where the consortium operates is at Calle 31 No. 6-39 on the 19th floor in the city of Bogota.
Pensiones Cundinamarca (under liquidation)	Management of the funds of Cundinamarca Public Pension Fund, destined to cover the department of Cundinamarca's pension liabilities. The principal place of business where the consortium operates is at Carrera 13 No. 26A-47 on the 9th floor in the city of Bogota.
SOP 2012 Consortium	Administration of the resources that make up the autonomous assets that make up the National Pension Fund of the Territorial Entities (FONPET in Spanish) and the related and complementary activities involved in such administration. The main domicile where the consortium operates is at Carrera 13 No. 26A-47, 9th floor in the City of Bogota.

Name	ACTIVITY
Adaptation Fund	THE TRUSTEE undertakes with THE FUND to form a special purpose vehicle with the investment funds of the Adaptation Fund to collect, manage, invest, and pay inside Colombia and abroad by virtue of the provisions of Article 5 of Decree 4819 of 2010, ruled by Decree 2906 of 2011. The contract shall be performed in accordance with the terms, conditions, and requirements set forth in the contractual terms and conditions and its technical annex, as well as the offer submitted by THE TRUSTEE on April 27, 2012 for the original entering into the contract, and the offer submitted by the Trustee on December 30, 2013 to enter into the Supplementary Agreement No. 1, documents that are an integral part of this contract. In addition, the Trustee, as spokesperson of the special purpose vehicle, may enter into credit operations with the National Treasury and/or financial institutions supervised by the Office of the Financial Superintendent in accordance with the Article 84 of Law 1687 of 2013. PARAGRAPH: The Trustee undertakes to develop the contractual object with total autonomy and independence at its own account and risk, and under its own responsibility; therefore, this contract does not involve any employment relationship between the Trustee and the Fund. The principal place of business where the consortium operates is at Carrera 13 No. 26A-47 on the 9th floor in Bogota.
Concesionaria Calimio	Collection and management of the funds for developing the projects and those derived from thereof, including the capital contributions made by the trustor, the results from using the syndicated loan, and the payments corresponding to the economic interest received from the Western Integrated Mass (MIO in Spanish) System. The principal place of business where the consortium operates is at Carrera 13 No. 26A-47 on the 9th floor in Bogota.
Consorcio Vinus FBO	The CONCESIÓN VÍAS DEL NUS S.A.S. requested the assignment of the rights in the contract as fiduciary manager of the PROJECT TRUST AGREEMENT to FIDUCIARIA BANCOLOMBIA S.A. so that once the assignment of the rights in the contract takes effect, it is managed by FIDUCIARIA DE OCCIDENTE S.A. and FIDUCIARIA BOGOTÁ S.A., having to constitute for that purpose a consortium that allows them to manage the trust business. The purpose of the Consortium Agreement: (i)To constitute the CONSORTIUM;(ii) To establish the terms and conditions which shall regulate their joint will to implement and begin the management, organizational, and technological structure required for the Special Purpose Vehicle trusteeship, in order to develop the Project in accordance with the PROJECT TRUST AGREEMENT. The shareholding corresponds to 33% of Fiduciaria de Occidente S.A. and 67% of Fiduciaria Bogotá S.A. The principal place of business where the consortium operates is at Calle 67 No. 7 - 37 on the 3rd floor in the city of Bogota.

As of December 31, 2022 and 2021, the joint arrangements managed by Fiduciaria de Occidente S.A., such as Calimio, Pensiones Cundinamarca (under liquidation), Adaptation Fund, Sop 2012, Emcali, and Consorcio Vinus FBO in their financial statements do not have contingent liabilities or assets that could jeopardize their normal operational functioning. However, for the Consorcio Fosyga (under liquidation) case, a provision for possible contingencies by way of penalty by the Ministry of Social Protection (MPS in Spanish) and risk of lawsuits.

Legal and Financial Situation of the joint operation (consortium) FOSYGA 2005 "Under liquidation"

Concerning the legal contingencies related to the FIDUFOSYGA Consortium 2005, under liquidation, in which Fiduoccidente S.A. has a shareholding of 6.55%, there are contingencies in third party proceedings against the State in which the Consortium has been included as allegedly liable without contingencies derived from tax liability proceedings. The provisions in this Consortium, as of December 31, 2022, add up to
COP$17,900.

Note 14. - Tangible assets, net

The following is the movement in the carrying amount of tangible asset accounts (property and equipment for own use, properties leased out under operating lease, and investment property) for the periods ended December 31, 2022 and 2021:

		For own use	Operating lease	Investment property	Right-of-use assets	Total
Cost or fair value:						
Balance as of December 31, 2021	**$**	**577,433**	**47,657**	**171,419**	**358,510**	**1,155,019**
Increase or decrease due to change in the lease variables		-	-	-	26,399	26,399
Purchases		32,180	33,993	57,518	45,545	169,236
Addition for decommissioning costs		-	-	-	44	44
Withdrawals from sales (net)		(77,755)	-	(55,064)	(1,519)	(134,338)
Withdrawals from impairment(net)		(6,647)	-	-	(43,959)	(50,606)
Transfers from / to non-current assets held for sale		(8,531)	-	-	-	(8,531)
Transfers from / to investment property		(12,546)	-	11,492	-	(1,054)
Adjustment for foreign exchange difference		(1,831)	-	-	412	(1,419)
Other reclassifications		-	(6,287)	-	-	(6,287)
Change in fair value		-	-	30,735	-	30,735
Investment property revaluation		-	-	797	-	797
Balance as of December 31, 2022	**$**	**502,303**	**75,363**	**216,897**	**385,432**	**1,179,995**
Balance as of December 31, 2020	**$**	**584,914**	**16,103**	**164,595**	**342,278**	**1,107,890**
Increase or decrease due to change in lease variables		-	-	-	23,318	23,318
Purchases		25,739	33,762	35,121	29,790	124,412
Addition for decommissioning costs		-	-	-	117	117
Intangible capitalized to capital plant, and equipment		918	-	-	-	918
Withdrawals from sales (net)		(26,907)	-	(53,144)	(260)	(80,311)
Withdrawals from impairment (net)		(2,083)	-	-	(34,822)	(36,905)
Transfers from / to non-current assets held for sale		(569)	-	-	-	(569)
Transfers from / to investment property		(5,798)	-	-	-	(5,798)
Adjustment for foreign exchange difference		1,271	-	-	(1,911)	(640)
Other reclassifications		(52)	(2,208)	2,730	-	470
Change in fair value		-	-	17,691	-	17,691
Investment property revaluation		-	-	4,426	-	4,426
Balance as of December 31, 2021	**$**	**577,433**	**47,657**	**171,419**	**358,510**	**1,155,019**
Accumulated Depreciation:						
Balance as of December 31, 2021	**$**	**(327,844)**	**(9,979)**	**-**	**(116,880)**	**(454,703)**
Depreciation for the year charged to expenditure		(33,605)	(13,986)	-	(59,377)	(106,968)
Withdrawals from sales (net)		45,331	-	-	1,519	46,850
Withdrawals from impairment(net)		5,472	-	-	29,902	35,374
Transfers from / to non-current assets held for sale		3,260	-	-	-	3,260
Transfers from / to investment property		1,055	-	-	-	1,055
Adjustment for foreign exchange difference		2,565	-	-	(99)	2,466
Other reclassifications		-	6,210	-	-	6,210
Balance as of December 31, 2022	**$**	**(303,766)**	**(17,755)**	**-**	**(144,935)**	**(466,456)**
Balance as of December 31, 2020	**$**	**(308,959)**	**(7,109)**	**-**	**(87,417)**	**(403,485)**
Depreciation for the year charged to expenditure		(40,692)	(5,078)	-	(54,900)	(100,670)
Withdrawals from sales (net)		17,775	-	-	260	18,035
Withdrawals from impairment(net)		1,978	-	-	23,091	25,069
Transfers from / to investment property		3,068	-	-	-	3,068
Adjustment for foreign exchange difference		(1,066)	-	-	2,086	1,020
Other reclassifications		52	2,208	-	-	2,260
Balance as of December 31, 2021	**$**	**(327,844)**	**(9,979)**	**-**	**(116,880)**	**(454,703)**
Impairment losses:						
Balance as of December 31, 2021	**$**	**(294)**	**(157)**	**-**	**-**	**(451)**
Impairment charge for the year		(1,400)	(217)	-	-	(1,617)
Impairment recovery		265	-	-	-	265
Withdrawals from sales (net)		1,202	-	-	-	1,202
Balance as of December 31, 2022	**$**	**(227)**	**(374)**	**-**	**-**	**(601)**
Balance as of December 31, 2020	**$**	**(281)**	**(85)**	**-**	**-**	**(366)**
Impairment charge for the year		(19)	(72)	-	-	(91)
Impairment recovery		63	-	-	-	63
Other reclassifications		(57)	-	-	-	(57)
Balance as of December 31, 2021	**$**	**(294)**	**(157)**	**-**	**-**	**(451)**
Tangible assets, net:						
Balance as of December 31, 2021	**$**	**249,295**	**37,521**	**171,419**	**241,630**	**699,865**
Balance as of December 31, 2022	**$**	**198,310**	**57,234**	**216,897**	**240,497**	**712,938**

The real estate assets were transferred to the Nexus Inmobiliario Private Equity Fund - Compartimento Inmuebles Occicliente, managed by Nexus Capital Partners S.A.S and operated by Fiduciaria de Occidente, as consideration for the sale. The Parent Company and its subsidiaries received interest units from the Fondo de Capital, which at the end of December 31, 2022 amounted equal to COP $538,105; at 2021 COP $440,694; and at 2020 COP $314,593, which are recorded in the account 1302050001 - Restricted Domestic Issuers.

From the beginning of the project in 2020 until December 31, 2022, 42 real estate assets were mobilized by the parent company and 5 assets by Fiduciaria, in accordance with the sale plan defined by management.

a) Property and equipment for own use

The following is the detail of the balance as of December 31, 2022 and 2021 by type of property and equipment for own use:

For own use		Cost	Depreciation Accumulated	Loss Impairment	Carrying Amount
Land	$	26,720	-	-	26,720
Buildings		112,763	(36,251)	-	76,512
Office equipment, fixtures, and fittings		118,793	(86,699)	(29)	32,065
Computer equipment		202,750	(153,029)	(198)	49,523
Vehicles		1,146	(785)	-	361
Mobilization equipment and machinery		49	(43)	-	6
Improvements to third-party property		35,410	(26.959)	-	8,451
Ongoing constructions		4,672	-	-	4,672
Balance as of December 31, 2022	**$**	**502,303**	**(303,766)**	**(227)**	**198,310**

For own use		Cost	Depreciation Accumulated	Loss Impairment	Carrying Amount
Land	$	37,512	-	-	37,512
Buildings		173,123	(54,911)	-	118,212
Office equipment, fixtures, and fittings		120,751	(84,721)	(294)	35,736
Computer equipment		203,226	(157,897)	-	45,329
Vehicles		1,791	(1,663)	-	128
Mobilization equipment and machinery		49	(39)	-	10
Improvements to third-party property		38,989	(28,613)	-	10,376
Ongoing constructions		1,992	-	-	1,992
Balance as of December 31, 2021	**$**	**577,433**	**(327,844)**	**(294)**	**249,295**

Once such assets' useful life ends, they will be transferred internally to the corresponding asset account.

The property and equipment of the Parent Company and its subsidiaries, Fiduciaria de Occidente S.A., Ventas y Servicios S.A. – NEXA BPO, Banco de Occidente Panamá S.A., and Occidental Bank Barbados Ltd. do not have mortgages nor pledged as securities.

The Parent Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A. - NEXA BPO, Banco de Occidente Panamá S.A., and Occidental. All the property and equipment of the Parent Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A.– NEXA BPO, Banco de Occidente Panamá S.A., and Occidental Bank Barbados Ltd., as well as the properties leased under operating leases, are duly covered against fire, weak current, and other risks with insurance policies in force. The Parent Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A., Ventas y Servicios S.A., Fiduciaria de Occidente S.A. and Fiduciaria de Occidente S.A. - NEXA BPO, Banco de Occidente Panamá S.A., and Occidental Bank Barbados Ltd.

have insurance policies to protect their property and equipment for COP$947,637 and COP$940,720 as of December 31, 2022 and 2021, respectively, which covering risks of theft, fire, lightning, explosion, earthquake, strikes, riots, among others. Occidental Bank Barbados Ltd. establishes impairment on property and equipment when their carrying amount exceeds their recoverable amount. The Parent Company and its subsidiaries Fiduciaria de Occidente S.A., Ventas y Servicios S.A.– NEXA BPO, Banco de Occidente Panamá S.A., and Occidental Bank Barbados Ltd. evaluate at the end of each reporting period whether there is any indication of impairment of the value of any asset; and if such indication exists, the recoverable amount of the asset is estimated.

The following factors are considered in assessing whether there is any indication that an asset may be impaired:

External sources of information:

a. There are observable indications that the asset's value has significantly decreased more than expected, resulting from the passage of time or normal use.
b. During the period, significant changes have occurred or will occur in the immediate future with an adverse impact on the entity relating to the legal, economic, technological, or market environment where it operates or in the market for which the asset is intended.
c. During the period, the market interest rates or other yield rates of the market on investments have increased, which are likely to affect the discount rate used to calculate the value in use of the asset so that their recoverable amount decreases significantly.
d. The carrying amount of the net assets of the institution is greater than its market capitalization.

Internal sources of information:

a. There is evidence of the obsolescence or physical impairment of an asset.
b. During the period, significant changes have occurred or are expected to happen in the immediate future in the scope or way the asset is used or expected to be used, which will adversely affect the entity.
c. There is evidence of internal reports indicating that the economic yield of the asset is, or will be, worse than expected.

b) Property and equipment under operating lease

The following is the detail of the balance as of December 31, 2022 and 2021 by type of property and equipment under operating lease:

December 31, 2022		Cost	Depreciation Accumulated	Loss Impairment	Carrying Amount
Computer equipment	$	47,094	(11,807)	-	35,288
Vehicles		22,772	(3,580)	-	19,192
Mobilization equipment and machinery		5,496	(2,366)	(375)	2,755
Total	**$**	**75,362**	**(17,753)**	**(375)**	**57,234**

December 31, 2021		Cost	Depreciation Accumulated	Loss Impairment	Carrying amount
Computer equipment	$	33,547	(6,871)	(126)	26,550
Vehicles		9,045	(1,700)	(32)	7,313
Mobilization equipment and machinery		5,064	(1,407)	-	3,657
Total	**$**	**47,656**	**(9,978)**	**(157)**	**37,521**

The following is the summary of the minimum lease royalties to be received by the Parent Company in the next installments on properties delivered under operating lease as of December 31, 2022 and 2021:

		December 31, 2022	December 31, 2021
Not older than one year	$	18,734	9,796
Older than one year and less than five years		35,976	24,098
Total	**$**	**54,710**	**33,894**

During the years ended as of December 31, 2022 and 2021, no revenue was recorded in the profit or loss period as contingent royalties received on properties delivered under operating lease.

In operating lease transactions, the Parent Company, as lessor, delivers properties to the lessee for use for an established term in exchange for a royalty. Once the lease term ends, the lessee may purchase the asset at its commercial value, extend the lease, or return it. In most contracts, the royalty is calculated based on the DTF or IBR, adding or subtracting some nominal points. For extensions, fixed fees are established. The lessee is responsible for VAT, insurance, maintenance, and any charges on the asset. The returned assets are relocated or marketed by the Parent Company.

c) Investment properties

The following is the detail of the balance as of December 31, 2022 and 2021 by type of investment properties for the Parent Company and subsidiaries:

Investment properties		**Cost**	**Accrued adjustments at fair value**	**Carrying Amount**
Land	$	79,229	32,509	111,738
Buildings		90,002	15,156	105,158
Balance as of December 31, 2022	**$**	**169,231**	**47,665**	**216,896**

Investment properties		**Cost**	**Accrued adjustments at fair value**	**Carrying Amount**
Land	$	69,856	24,551	94,407
Buildings		65,943	11,069	77,012
Balance as of December 31, 2021	**$**	**135,799**	**35,620**	**171,419**

The following amounts have been recognized in the income statement from investment property management during the periods ended as of December 31, 2022 and 2021:

		December 31, 2022	December 31 2021
Rental income	$	1,131	558
Direct operating expenses arising from investment properties generating rental income		(362)	(94)
Direct operating expenses arising from investment properties that do not generate rental income		(3,919)	(3,042)
Net	**$**	**(3,150)**	**(2,578)**

The investment properties of the Parent Company and subsidiaries are valued annually at fair value based on market values determined by qualified independent experts who have sufficient experience in the valuation of similar properties. The significant methods and assumptions used in determining the fair value in accordance with the IFRS 13 were as follows:

- **Comparative market method**

  It is the devaluation technique that seeks to establish the commercial value of the asset based on the study of recent offers or transactions of similar and comparable properties to the object of the appraisal. Such offers or transactions must be classified, analyzed, and interpreted to get an estimate of commercial value.

- **Sales comparison approach**

  The sales comparison approach allows for determining the value of the property being appraised by comparing it with similar properties that are being or have recently been traded in the real estate market.

This comparative approach considers sales of similar or substitute property and data obtained from the market and establishes a value estimate using processes that include comparison. In general, a property whose value (the asset under appraisal) is compared with sales of similar properties that have been traded on the open market. Advertisements and offers can also be considered.

The Parent Company has to date any restrictions on collecting rental income or on the realization of property classified as an investment property.

d) Right-of-use assets

The following is the detail of the balance as of December 31, 2022 and 2021 of the right of use by type of property and equipment:

Rights of use		Cost	Depreciation Accumulated	Carrying Amount
Buildings	$	315,477	(111,641)	203,836
Office equipment, fixtures, and fittings		120	(28)	92
Computer equipment		67,673	(32,883)	34,790
Vehicles		2,162	(383)	1,779
Balance as of December 31, 2022	**$**	**385,432**	**(144,935)**	**240,497**

Rights of use		Cost	Depreciation Accumulated	Carrying Amount
Land		-	-	-
Buildings	$	291,460	(94,666)	196,794
Office equipment, fixtures, and fittings		120	(4)	116
Computer equipment		66,930	(22,210)	44,720
Vehicles		-	-	-
Balance as of December 31, 2021	**$**	**358,510**	**(116,880)**	**241,630**

Note 15. - Intangible assets, net

The following is the movement in the intangible asset accounts for the periods ended as of December 31, 2022 and 2021:

Cost:		Goodwill	Other Intangibles	Total assets intangibles
Balance as of December 31, 2021	**$**	**22,724**	**558,109**	**580,833**
Additions / Purchases (net)		-	141,308	141,308
Withdrawals / Sales (net)		-	(5,505)	(5,505)
Exchange difference		-	55	55
Balance as of December 31, 2022		**22,724**	**693,967**	**716,691**
Balance as of December 31, 2020		**22,724**	**458,893**	**481,617**
Additions / Purchases (net)		-	115,031	115,031
Withdrawals / Sales (net)		-	(15,840)	(15,840)
Exchange difference		-	25	25
Balance as of December 31, 2021	**$**	**22,724**	**558,109**	**580,833**
Accumulated amortization:				
Balance as of December 31, 2021	**$**	**-**	**125,811**	**125,811**
Amortization for the year charged to profit or loss		-	55,988	55,988
Withdrawals / Sales (net)		-	(5,319)	(5,319)
Exchange difference		-	10	10
Balance as of December 31, 2022	**$**	**-**	**176,490**	**176,490**
Balance as of December 31, 2020	**$**	**-**	**85,917**	**85,917**
Amortization for the year charged to profit or loss		-	45,312	45,312
Withdrawals / Sales (net)		-	(5,419)	(5,419)
Exchange difference		-	1	1
Balance as of December 31, 2021	**$**	**-**	**125,811**	**125,811**
Intangible assets, net:				
Balance as of December 31, 2021	**$**	**22,724**	**432,298**	**455,022**
Balance as of December 31, 2022	**$**	**22,724**	**517,477**	**540,201**

In the periods mentioned above, the Parent Company and subsidiaries, Fiduciaria de Occidente S.A. and Ventas y Servicios S.A.– NEXA BPO, do not have impairment losses on these intangibles.

Goodwill

The goodwill recorded arose from the merger of the Bank with Banco Unión. And to evaluate it, the goodwill has been allocated to the Bank as a single cash generating unit.

The technical valuation study of 2022 for the goodwill arising from the acquisition of Banco Unión was prepared with the technical support of PricewaterhouseCoopers Asesores Gerenciales S.A.S. (2021: Deloitte Asesores and Consultores Ltda). The evaluation of the goodwill recorded by the Bank as of December 2022 concluded that the goodwill assigned to the cash-generating unit is not impaired and has an excess of COP$80,873 in the value in use (2021: COP$33,770) concerning the carrying value.

The recoverable amount of the cash-generating unit was determined based on the use value calculations. These calculations used management-approved cash flow projections covering five-year and three-month periods. The following are the main macroeconomic assumptions used in the 2022 valuation:

Macroeconomic Information						
Index	2022	2023	2024	2025	2026	2027
Gross Domestic Product (Real GDP)	6.6%	-1.5%	3.2%	3.7%	3.7%	3.7%
CPI Colombia	9.8%	7.4%	2.7%	2.9%	2.9%	2.9%
CPI U.S.	7.9%	3.7%	2.2%	2.2%	2.2%	2.2%
IBR	11.4%	8.4%	6.2%	6.2%	6.2%	6.2%
Income tax rate	35.00%	35.00%	35.00%	35.00%	35.00%	35.00%
Financial sector surtax	3.00%	5.00%	5.00%	5.00%	5.00%	5.00%

According to IAS 36, the latest cash flow projections on financial budgets or forecasts have been approved by the Bank's management, excluding any estimations on cash inflows or outflows expected to arise from future restructuring or improvements in asset performance. The projections based on these budgets or forecasts will cover a maximum period of five years.

The valuation approach and methodology applied by PricewaterhouseCoopers Asesores Gerenciales S.A.S. considers a revenue approach based on expected dividend flows (2021: Deloitte Asesores and Consultores Ltda. revenues approach).

Income approach

The future dividend flow methodology seeks to obtain the total value of the cash-generating unit through the cash projection that would be paid to the shareholder, which is determined as a percentage of the net income projections. Thus, compliance with the solvency margin, the hedge of the reinvestment needs in assets, operating funds (costs, expenses, taxes, working capital) and payment of the cost of debt are ensured. This analysis requires the projection of the flows generated during a determined period to bring them later to present value by discounting them at an appropriate rate for such operation, also considering a terminal value.

Discount rate

The discount rate must consider the time value of money, inflation, and the risk inherent in the transaction being carried out.

The concept of cost of capital is taken as a reference framework from the CAPM (Capital Asset Pricing Model) model to define the discount rate. It is determined based on a risk-free rate added with a market risk premium component, which may increase or decrease depending on the market behavior of the asset whose valuation will be done (Beta coefficient).

The following aspects were considered in the construction of the discount rate used in the business valuation of 2022:

a) Risk-free rate (Rf): The risk-free rate was taken as the United States Treasury rate with a 10-year term. Rf = 3.8%. Source: U.S. Department of the Treasury

b) Country risk (Rc): The Colombian EMBI was used, which indicates the difference in return between the U.S. and the Colombian bonds. Rc= 4.6%. Source: Invenómica.

c) Market risk premium (Rp): It is the extra return the stock market has historically provided over the risk-free rate as compensation for market risk. Rp=6.0%. Source: PwC Research.

d) Size premium (Rt): Result 0.0%.

e) Beta (β): The beta coefficient was applied based on the data from comparable companies. The result was 1.02. Source: S&P Global – Capitaliq.

f) Implicit devaluation (Ri): To calculate the implicit devaluation, the long-term inflation rates of the United States and Colombia are considered to express the effect of the Colombian peso devaluation compared to the US dollar. Source: Oxford Economics - EMI.

g) Cost of equity COP (Ke): In accordance with the methodology used, a nominal discount rate of 16.5% in Colombian pesos was estimated.

Considering the above assumptions, the following is the discount rate obtained:

Discount rate

Banco de Occidente: Banco Unión

Variable	Rate
Levered Beta	1.02
Market risk premium	6.00%
Risk-free rate	3.80%
Country risk	4.60%
Cost of Equity (USD)	**14.50%**
Long-term inflation Colombia	9.80%
Long-term inflation U.S.	7.90%
Inflation differential	1.80%
Cost of equity (COP)	**16.50%**

Sensitivity Analysis.

The sensitivity analysis shows the profit or loss of the value-in-use of Banco Unión (9.8% of the Banco de Occidente valuation). The central value has a spread of 0.0% for both the Ke and the gradient. This value corresponds to the base scenario, which coincides with the value-in-use of Banco Unión (COP$532,292).

The values on the right and above the base value will be lower, considering that the discount rate is increasing, and the gradient of the perpetuity growth is decreasing. Thus, the upper right corner value is the most conservative scenario. In contrast, the values below and to the left of the base value will be higher, considering that the discount rate is decreasing, and the growth gradient is increasing. Thus, the value in the bottom left corner is the most optimistic scenario. It should be mentioned that no impairment scenarios are evident with the analyzed values of variation on the growth gradient and the discount rate since no value is lower than the book value (COP$451,420).

Spread on Ke

Spread on growth gradient (g)	1.00%	-0.50%	0.00%	0.50%	1.00%
1.0%	508,467	497,600	487,028	4,917,145	4,744,062
-0.5%	530,854	519,444	508,345	4,932,995	4,759,123
0.0%	556,005	543,984	532,292	4,948,845	4,774,184
0.5%	584,465	571,754	559,391	4,964,695	4,789,244
1.0%	616,932	603,433	590,305	4,980,545	4,804,305

December 31, 2022

CGU	$ Goodwill	Book Value	Recoverable Amount	Excess
Banco Unión	22,724	451,420	532,293	80,873

December 31, 2021

CGU	$ Goodwill	Book Value	Recoverable Amount	Excess
Banco Unión	22,724	290,383	324,154	33,770

Detail of intangible assets other than goodwill

The following is the detail of intangible assets other than goodwill as of December 31, 2022 and 2021:

As of December 31, 2022		**Cost**	**Amortization Accumulated**	**Carrying amount**
Licenses	$	4,802	1,510	3,292
Computer programs and applications		689,164	174,979	514,185
Total	**$**	**693,966**	**176,489**	**517,477**

As of December 31, 2022		**Cost**	**Amortization Accumulated**	**Carrying amount**
Licenses	$	6,329	2,186	4,143
Computer programs and applications		551,780	123,625	428,155
Total	**$**	**558,109**	**125,811**	**432,298**

Note 16. - Income tax

In Colombia.

The current tax provisions applicable to the parent company stipulate that:

In accordance with Article 22 of Law 1819 of 2016 for the determination of income tax and complementary taxes in the value of assets, liabilities, equity, income, costs, and expenses, the liable taxpayers of this tax obliged to keep accounting records will apply the recognition and measurement systems, in accordance with the technical accounting regulatory frameworks in force in Colombia, when the tax law explicitly refers to them and in cases where this does not regulate the matter. In any case, the tax law may expressly provide for a different treatment in accordance with Article 4 of Law 1314 of 2009.

On December 13, 2022, law 2277 (Law for Equality and Social Justice) was passed, which includes regulations to contribute to the equity, progressiveness, and efficiency of the tax system. The most important considerations are described below:

- The income tax rate applicable to domestic and similar institutions will be 35%.
- For the tax years 2023, 2024, 2025, 2026, and 2027, the financial institutions are subject to a surtax provided that they have obtained a taxable base equal to or greater than 120,000 Tax Value Units (TVU) as follows: of five (5) percentage points. The surtax will be subject to an advance payment of 100%
- The irregular income rate increases by 5 percentage points, resulting in a rate of 15%.
- The 50% tax discount to the industry and trade, notices, and boards tax is derogated and becomes deductible.
- ✓ The percentage for profits resulting from the disposal of shares registered in a Colombian stock exchange and owned by one ultimate beneficiary not to constitute incomes or irregular income is modified. Such disposal must not exceed three percent (3%) of the outstanding shares of the respective company during the same tax year; the percentage previously was 10%.
- ✓ A minimum tax rate of 15% was established for taxpayers of the income tax, referred to in Articles 240 and 240-1 of the Tax Code, excluding foreign legal persons without residence in the country, to whom it will be calculated based on the adjusted accounting income.
- ✓ A limit of 3% on tax incentives and benefits was established.
- ✓ The tax discount for investment in research, technological development, and innovations was extended from 25% to 30%. However, costs and expenditures giving rise to the discount will not be capitalized or taken as a cost or deduction by the same taxpayer.
- ✓ Article 36-3 T.C., which allowed taxpayers to consider the dividend distribution in shares or capital shares, or their transfer to the capital account, product of the capitalization due to a revaluation of equity account, as revenue that does not represent a taxable income or irregular income was repealed.
- ✓ From 2023, the tax rate in the case of documents that have been elevated to the public deed concerning the real estate disposal for any reason, whose value is equal to or greater than twenty thousand (20,000) TVU, the rate will be determined based on the following table:

TVU Ranges		**Marginal Rate**	**Tax**
From	**To**		
>0	20,000	0%	0
>20,000	50,000	1.50%	(Disposal value in TVU minus 20,000 TVU) x 1.5%.
>50,000	onwards	3%	(Disposal value in TVU minus 50,000 TVU) x 3% + 450 TVU

- The payments or credits to account susceptible of constituting a tax revenue in favor of natural person non-VAT-payer due to ordinary activities from transfers in or through payment service providers, aggregators, and acquiring or paying institutions will not be subject to withholding tax by income tax.

- The withholding tax system on dividends is in force, the ranges are extended, and the rates are modified as follows:

Beneficiary Payment	Withholding tax rate		
	Revenue (Dividend) in TVU	Susceptible of distribute as Non-taxable. Art. 49 T.C. From profits taxed on behalf of the company	(Susceptible to distribute as taxable Art. 49 T.C.) From profits that were untaxed on behalf of the company
Resident natural person	> 0 up to 1,090	0	The applicable general rate for income according to the tax year. After that, the designated table, for those susceptible to distributing as non-taxable, must be applied to the net resulting after deducting this tax.
	> 1,090 onwards	(Dividends in TVU -1,090TVU) *15%	
Non-resident natural person		20%	The applicable general rate for income according to the taxable year. After that, the table allocated for the susceptible of distributing as non-taxable must be applied to the net resulting after deducting this tax.
Legal persons			
National (residents)		10%	
Non-resident Legal Person		20%	

- The provision compelling to adopt an information system that allows the Bank Debit Tax (BDT) verification, control, and withholding was added so that a single account does not have to be marked as exempt. The system must be developed within 2 years after the Law comes into force.

- The BDT exemption is established to the mass payments to retail made through payment gateways or payment service providers.

In line with this, the determination of the income tax and additional taxes' taxable base for the periods ended December 31, 2022 and 2021 was carried out based on the tax provisions applicable in each period.

The income tax expense is recognized based on the management's best estimate of the current and deferred income tax.

IN BARBADOS:

Occidental Bank (Barbados) Ltd. was incorporated under the laws of Barbados on May 16, 1991, and is licensed to conduct banking and trust business from and within Barbados. The Bank's registered office is at Chelsea House, Chelsea Road, St. James. Michael, Barbados.

The table below details the percentage of the calculation at the close of the 2022 fiscal year, updated on the Barbados Revenue Authority's website:

Rates according to taxable income:

- 5.5% on taxable profits and income up to Bds$1,000,000 (Approximately COP$1,878,015,000)
- 3.00% on taxable profits and income exceeding Bds$1,000,000, but not exceeding Bds$20,000,000 (approximately COP$37,560,300,000)
- 2.5% on taxable profits and income of up to Bds$20,000,000 but not exceeding Bds$30,000,000 (approximately COP$56,340,450,000)

In accordance with current tax regulations, the tax returns on the company's income may be subject to review by the tax authorities during the last nine years.

IN PANAMA:

Banco de Occidente (Panama) S.A. is an institution organized and incorporated in accordance with the laws of the Republic of Panama and began operations on June 30, 1982, in the light of an International License granted by the Superintendency of Banks of Panama through Resolution No. 9-82 of March 16, 1982.

The bank transactions in the Republic of Panama are regulated and supervised by the Superintendency of Banks of Panama (hereinafter referred to as "the Superintendence") in accordance with the legislation established by the Executive Decree No. 52 of April 30, 2008, which adopts the single text of Decree Law 9 of February 26, 1998, amended by the Decree Law 2 of February 22, 2008, whereby the banking regime of the Republic of Panama is established and the Superintendency and the regulations governing it are created. The Bank is also subject to the regulations and supervision of the Office of the Financial Superintendent of Colombia, the home country supervisor.

In accordance with the Panamanian tax laws, the Bank is not subject to income tax by way of profits because it exclusively conducts transactions that are completed, consummated, and take effect abroad from an office established in Panama; hence, most of its income comes from foreign sources. In addition, the income from interest on time deposits at banks operating in Panama is exempt from the income tax.

a. Components of the income tax expense

The income tax expense for the years ended as of December 31, 2022 and 2021 comprises the following:

	December 31, 2022	December 31, 2021
Income tax for the current-period	$ 25,053	135,292
Rent surtax	4,546	13,093
Subtotal current-period taxes	**29,599**	**148,385**
Prior periods adjustment	6,039	(71,282)
Adjustment for uncertain tax positions	(7,536)	34
Net deferred taxes for the period	97,529	(62,059)
Adjustment of deferred income tax of prior periods	(8,175)	59,825
Deferred taxes subtotal	**89,354**	**(2,234)**
Total	**$ 117,456**	**74,903**

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

The following is a reconciliation between the Group's total income tax and supplementary tax expense calculated at the current tax rates and the income tax expense actually recorded in the income statement for each year:

	December 31, 2022	December 31, 2021
Profit before income tax	**$ 573,799**	**660,810**
Total tax rate	38%	34%
Notional tax expense calculated according to the current tax rates	218,044	224,675
Non-deductible expenses	17,816	10,183
Untaxed dividends received	(2,120)	(1,067)
Untaxed equity method income	(46,376)	(83,498)
Interest and other non-taxable income	(1,056)	(10,321)
Exempt income	(6,294)	(3,186)
Irregular income with different tax rates	(1,406)	-
Tax benefit in the acquisition of productive assets	(25,747)	(14,333)
Tax discounts	(6,077)	(16,197)
Profits of subsidiaries in tax-free countries	(17,072)	(12,102)
Difference in the tax rate on profits of subsidiaries in countries with different tax rates	8,305	(4,836)
Effect on the application of different rates to determine the deferred tax	(5,779)	4,117
Prior periods adjustment	6,039	(71,282)
Adjustment for uncertain tax positions of prior periods	(7,536)	34
Adjustment of prior periods' deferred tax	(8,175)	59,825
Other items	(5,109)	(7,108)
Total tax expense for the period	**$ 117,456**	**74,903**

The income tax expense is recognized based on the management's best estimate of the current and deferred income tax.

The effective tax rate of the parent company, Banco de Occidente, and its subsidiaries regarding the continuing operations for the annual period ended as of December 31, 2022, was 20.47% and 11.34% for the annual period ending as of December 31, 2021. The variation was 9.13 p.p. The effective tax rate, with a tax liability of COP$117,456 for December 2022 and a tax liability of COP$74,903 for December 2021, is mainly due to the following factors:

• For the annual period ended on December 31, 2022, compared to the period ended on December 31, 2021, an increase in the effective rate of 1.4 p.p. was generated by way of non-deductible expenses in this category, including the following non-deductible items: provision of returned property, BDT, penalties, and fines.

• For the annual period ended on December 31, 2022, compared to the period on December 31, 2021, the dividends of the non-controlled institution were delivered as non-taxable generating for the year 2022, a decrease in the effective rate of -0.2 p.p.

• For the annual period ended on December 31, 2022, compared to the period ended on December 31, 2021, the non-taxable equity method income increased, representing an increase of 6.9 p.p. over the effective tax rate for the year ended as of December 31, 2021.

• For the year ended as of December 31, 2022, compared to the period ended on December 31, 2021, there was a decrease of -0.6 p.p. regarding the effective tax rate due to an increase in exempt income corresponding to lease purchase agreements and income obtained in countries included in the 578 Agreement of the Andean Community (CAN in Spanish).

• For the year ended on December 31, 2022, compared to the period ended as of December 31, 2021, there was a decrease of -2.1 p.p. in the effective rate, which corresponds to the tax benefit of 30% for the purchase of real productive fixed assets of the leasing unit and, in turn, the refund requested by the management in the event of non-compliance with the conditions stipulated by the regulation.

• For the year ended on December 31, 2022, compared to the period ended on December 31, 2021, there was an increase of 1.9 p.p. caused by the increase in the industry and trade tax taken as a tax discount and not as a deduction. It also corresponds to the tax discount approved by the Ministry of Science, Technology and Innovation (Minciencias in Spanish) for research and development of the estimated amount of COP$9,191 from Banco de Occidente and COP$885 from Fiduciaria.
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• For the period ended on December 31, 2022, compared to the period ended on December 31, 2021, a decrease of -1.8 p.p. was generated concerning the effective tax rate, given the changes generated by Law 2155 of 2021 and Law 2277 of 2022, which resulted in an increase of tax rates for the years 2022 to 2027 at the rate of 40%, the Bank had a deferred tax asset.

• For the year ended December 31, 2022, compared to the period as of December 31, 2021, in the item of prior period adjustments, there was an increase of 1.7 p.p. corresponding to an adjustment of $6,039 in the income tax return for the year 2021, which is offset by the adjustment of deferred tax for prior periods of -$8,175, giving a net of COP$2,136.

• For the year ended on December 31, 2022, compared to the period ended on December 31, 2021, a decrease in the effective rate of -1.4 p.p. was generated concerning the same item of 2021, corresponding to the recovery of the liability for tax uncertainties.

c. Deferred income taxes regarding to subsidiaries, associates, and joint ventures

In compliance with IAS 12, the Group did not record deferred tax liabilities related to temporary differences in investments in subsidiaries and associates because: i) The Parent Company has control over the subsidiaries and, therefore, can decide about the reversal of such temporary differences; and ii) The Parent Company does not expect their realization in the medium term; therefore, it is probable that such temporary differences will not be reversed in the foreseeable future. As of December 31, 2022 and 2021, in compliance with IAS 12, paragraph 39, there was no deferred tax liability related to the taxable temporary difference on investments in subsidiaries.

The temporary differences for the items indicated as of December 31, 2022, amounted to COP$1,017,974.

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d. Deferred taxes by type of temporary difference

The differences between the book value of assets and liabilities and their tax bases give rise to the following temporary differences that generate deferred taxes, calculated and recorded in the periods ended as of December 31, 2022 and 2021, based on the tax rates currently in force for the years in which such temporary differences will be reversed.

As of December 31, 2022

		December 31, 2021	Credited (charged) to profit and loss	Credited (charged) to OCI	December 31, 2022
Deferred tax assets					
Valuation of fixed income investments	$	72,556	(5,833)	92,496	159,219
Valuation of derivatives		19,820	63,111	-	82,931
Investments provision		1	(1)	-	-
Loan portfolio		10	(10)	-	-
Provision for loan portfolio		-	2	-	2
Property, plant, and equipment		-	12	-	12
Non-deductible passive provisions		593	(514)	-	79
Employee benefits		10,705	278	-	10,983
Financial leasing agreements		53,577	6,664		60,241
Others		80,569	(28,510)	21,482	73,541
Subtotal (1)		**237,831**	**35,199**	**113,978**	**387,008**
Deferred tax liabilities					
Equity investments		(10,358)	(2,724)	(5,136)	(18,218)
Provision for loan portfolio		(78,846)	(105,033)	-	(183,879)
Property, plant, and equipment		(43,922)	(7,590)	-	(51,512)
Property, plant, and equipment depreciation		(281)	105	-	(176)
Investment properties		-	863	(863)	-
Right of use		(5,261)	(1,395)	-	(6,656)
Deferred charges for intangible assets		(33,608)	2,894	-	(30,714)
Employee benefits		-	(999)	(154)	(1,153)
Goodwill		(7,953)	-	-	(7,953)
Others		(3,184)	(10,674)	-	(13,858)
Subtotal (2)		**(183,413)**	**(124,553)**	**(6,153)**	**(314,119)**
Total	**$**	**54,418**	**(89,354)**	**107,825**	**72,889**

As of December 31, 2021

		December 31, 2020	Credited (charged) to profit and loss	Credited (charged) to OCI	December 31, 2021
Deferred tax assets					
Valuation of fixed income investments	$	121	6,059	66,376	72,556
Valuation of derivatives		46,372	(26,552)	-	19,820
Provision for investments		-	1	-	1
Loan portfolio		-	10	-	10
Provision for loan portfolio		48	(48)	-	-
Investment properties		-	(79)	79	-
Non-deductible passive provisions		-	593	-	593
Employee benefits		19,177	(7,874)	(598)	10,705
Financial leasing agreements		45,363	8,214		53,577
Others		46,409	15,296	18,864	80,569
Subtotal		**157,490**	**(4,380)**	**84,721**	**237,831**
Deferred tax liabilities					
Valuation of fixed income investments		(17,472)	17,472	-	-
Equity investments		(8,218)	369	(2,509)	(10,358)
Provision for loan portfolio		(92,035)	13,189	-	(78,846)
Property, plant, and equipment		(44,783)	861	-	(43,922)
Property, plant, and equipment depreciation		(280)	(1)	-	(281)
Right of use		-	(5,261)	-	(5,261)
Deferred charges for intangible assets		(9,617)	(23,991)	-	(33,608)
Goodwill		(6,817)	(1,136)	-	(7,953)
Financial leasing agreements		(7,504)	7,504	-	-
Others		(792)	(2,392)	-	(3,184)
Subtotal		**(187,518)**	**6,614**	**(2,509)**	**(183,413)**
Total	**$**	**(30,028)**	**2,234**	**82,212**	**54,418**

The following is an analysis of current and deferred tax assets and liabilities as of December 31, 2022 and 2021:

Deferred tax balances:

December 31, 2022		Gross amount of deferred tax	Reclassifications of clearing	Balances in financial position statements
Deferred income tax asset	$	387,008	(314,052)	72,956
Deferred income tax liability		(314,119)	314,052	(67)
Net	**$**	**72,889**	**-**	**72,889**

December 31, 2022		Gross amount of deferred tax	Reclassifications of clearing	Balances in financial position statements
Deferred income tax asset	$	237,831	(183,413)	54,418
Deferred income tax liability		(183,413)	183,413	-
Net	**$**	**54,418**	**-**	**54,418**

Current tax balances:

December 31, 2022		Gross amount of current tax	Reclassifications of clearing	Balances in financial position statements
Deferred income tax asset	$	589,234	(24,815)	564,419
Deferred income tax liability		(25,356)	24,813	(541)
Net	**$**	**563,878**	**-**	**563,878**

December 31, 2021		Gross amount of current tax	Reclassifications of clearing	Balances in financial position statements
Deferred income tax asset	$	253,520	(1,521)	521,999
Deferred income tax liability		(9,669)	1,521	(8,148)
Net	**$**	**243,851**	**-**	**243,851**

e. Effect of current and deferred taxes on each component of the other comprehensive income account in the equity

The effects of current and deferred taxes on each component of other comprehensive income are detailed below for the years ended as of December 31, 2022 and 2021:

		Year ended on: December 31, 2022			Year ended on: December 31, 2021		
		Amount before tax	Deferred tax expense (revenue)	Net	Amount before tax	Deferred tax expense (revenue)	Net
Items that may be subsequently reclassified to profit and loss							
Exchange difference of net investment abroad - Hedged portion	$	49,942	-	**49,942**	46,629	-	**46,629**
Hedge of net investment abroad - Unearned hedging instrument		(49,942)	21,482	**(28,460)**	(46,629)	18,864	**(27,765)**
Difference exchange on foreign transactions		32,823	-	**32,823**	(828)	-	**(828)**
Shareholding in OCI of investments in associated companies and joint ventures		(39,917)	-	**(39,917)**	(23,260)	-	**(23,260)**
Unrealized net gain/loss on debt securities		(389,396)	92,496	**(296,900)**	(270,415)	66,376	**(204,039)**
Subtotals		**(396,490)**	**113,978**	**(282,512)**	**(294,503)**	**85,240**	**(209,263)**
Items that will not be reclassified to income							
Revaluation of investment properties		461	(863)	**(402)**	1,154	79	**1,233**
Unrealized net gain/loss on financial instruments at a fair value		10,415	(5,136)	**5,279**	23,558	(2,509)	**21,049**
Actuarial gain/loss from employee benefits		320	(154)	**166**	1,860	(598)	**1,262**
Subtotals		**11,196**	**(6,153)**	**5,043**	**26,572**	**(3,028)**	**23,544**
Total other comprehensive income during the period	**$**	**(385,294)**	**107,825**	**(277,469)**	**(267,931)**	**82,212**	**(185,719)**

f. Tax uncertainties

Tax uncertainties

The following is the movement of tax uncertainties during the years ended as of December 31, 2022 and 2021:

		December 31, 2022	December 31,2021
Opening balance	**$**	**7,536**	**7,502**
Increase in the provision		-	933
Use of provision		(87)	(1,742)
Amount of unused provisions		(7,461)	-
Financial cost		12	843
Conversion effect		0	-
Ending balance	**$**	**0**	**7,536**

The liability for tax uncertainties as of December 31, 2021, had a balance of COP$7,462 corresponding to uncertain positions. However, for 2022, the Bank's management, together with the advisors, reviewed the case and based on tax case law and other current regulations, concluded that for 2022 there is no tax uncertainty and proceeded with the release of the provision recognized.

Note 17. - Customer deposits

The following is a detail of the balances of deposits received from customers of the parent company and its subsidiaries in the development of their deposit-taking transactions:

Detail		December31, 2022	December31, 2021
Demand			
Checking accounts	$	7,586,598	7,732,324
Savings accounts		22,021,958	19,385,348
Other demand funds		96,584	53,110
		29,705,140	**27,170,782**
Time			
Term deposit certificate		13,390,805	9,169,470
Total deposits	**$**	**43,095,945**	**36,340,252**
By currency			
In Colombian pesos	$	38,382,393	32,221,464
In U.S. dollars		4,692,943	3,601,950
Other currencies		20,609	516,838
Total by Currency	**$**	**43,095,945**	**36,340,252**

Below is a detail of the maturity of the term deposit certificates in force as of December 31, 2022:

		December 31, 2022
Year		**Value**
2022	$	2,297,210
2023		7,401,615
2024		1,598,643
2025		1,492,573
2026		353,487
After 2027		247,277
Total	**$**	**13,390,805**

For 2022, there are still those CDTs (term deposit certificates in English) that mature on the last days of December 2022, which are not business days, so they are paid on the following business day; that is, January 2023; therefore, they are still in force on the cut-off date. The year 2022 also has the value of the interest per CDT as of December 31, 2022.

The following is a summary of the effective interest rates charged on customer deposits:

	December 31, 2022				December 31, 2021			
	Deposits in pesos		Deposits in dollars		Deposits in pesos		Deposits in dollars	
	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %
Checking accounts	0.00%	13.20%	0.00%	2.80%	0.00%	2.50%	0.10%	2.75%
Savings account	0.1%	17.20%	0.00%	2.00%	0.00%	3.50%	0.01%	0.50%
Term deposit certificates	0.00%	17.40%	0.25%	6.50%	0.01%	8.67%	0.15%	4.00%

Interest payment frequency: For term deposit certificates, the interest payment frequency corresponds to what was agreed with each customer in their security. For savings accounts, the frequencies are daily payments.

The following is the detail of concentration of deposits received from customers by economic sector:

Sector	December 31, 2022		December 31, 2021	
	Amount	%	Amount	%
Government or Colombian government entities (1)	$ 6,292,153	14.60%	5,428,933	14.94%
Manufacturing	886,456	2.06%	705,444	1.94%
Real estate	508,446	1.18%	346,118	0.95%
Trade	5,339,261	12.39%	5,405,649	14.88%
Agriculture and animal husbandry	276,004	0.64%	208,782	0.57%
Individuals	4,664,241	10.82%	4,040,951	11.12%
Others (2)	25,139,653	58.33%	20,211,830	55.62%
Eliminations	(10,269)	-0.02%	(7,455)	-0.02%
Total	**$ 43,095,945**	**100%**	**36,340,252**	**100%**

(1) The government includes sections O and U (according to ISIC classification) corresponding to public administration and defense and compulsory social security schemes; and activities of extraterritorial organizations and bodies, respectively.
(2) The most representative item included in this category corresponds to financial and insurance activities (section K), which as of December 31, 2022, had a total balance of COP$16,696,053 million, representing 67.65% of the total of the category. (As of December 31, 2021, it had a total balance of COP$12,796,972, representing 64.7% of the total of the category).

As of December 31, 2022, there were 13,221 customers with balances over COP$250 pesos for a total value of $38,480,228 million. (As of December 31, 2021, there were 10,028 customers with balances over COP$250 for a total value of COP$29,820,932 million).

For customer deposits, the expense incurred in profit and loss by way of interest on savings accounts, term deposit certificates, and checking accounts in the years ended as of December 31, 2022 and 2021 are COP$1,912,314 and COP$494,151, respectively.

Note 18. - Financial Obligations

18.1. Financial obligations

The following is a summary of the financial obligations obtained by the Parent Company and its subsidiaries as of December 31, 2022 and 2021 with the main purpose of financing their international trade transactions:

	December 31, 2022		December 31, 2021	
Colombian legal tender	**Short term portion**	**Long term portion**	**Short term portion**	**Long term portion**
Interbank and overnight funds				
Banks and correspondents	$ 1,157	-	505	-
Ordinary bought interbank funds	-	-	245,077	-
Transfer commitments in repo transactions	1,103,078	-	1,159,282	-
Simultaneous transactions	44,986	-	469,969	-
Commitments arising from short selling	-	566,644	-	53,329
Total interbank and overnight funds	**1,149,221**	**566,644**	**1,874,833**	**53,329**
Banks credits				
Credits	-	1,995	-	10,572
Bank credits total	**-**	**1,995**	**-**	**10,572**
Lease agreements				
Lease liabilities	-	372,825	-	375,262
Total lease agreements	**-**	**372,825**	**-**	**375,262**
Total liabilities in legal tender	**1,149,221**	**941,464**	**1,874,833**	**439,163**
Foreign currency				
Interbank and overnight funds				
Banks and correspondents	-	-	1,733	-
Ordinary bought interbank funds	70,591	-	80	-
Transfer commitments in repo transactions	342,399	-	-	-
Simultaneous transactions	73,188	-	69,633	-
Total interbank and overnight funds	**486,178**	**-**	**71,446**	**-**
Banks credits				
Credits	2,817,867	702,785	1,925,455	363,040
Letters of credit	-	-	3,184	-
Acceptances	31,821	-	88,064	-
Total bank credits	**2,849,688**	**702,785**	**2,016,703**	**363,040**
Lease agreements				
Lease liabilities	1,696	-	1,781	-
Total lease agreements	**1,696**	**-**	**1,781**	**-**
Total liabilities in foreign currency	**3,337,562**	**702,785**	**2,089,930**	**363,040**
Total financial obligations	**$ 4,486,783**	**1,644,249**	**3,964,763**	**802,203**

As of December 31, 2022, the short-term financial obligations corresponding to simultaneous and repo transactions of COP$2,130,295 were collateralized by investments of COP$1,313,913 (as of December 31, 2021 for COP$1,629,251 collateralized by investments of COP$1,897,052).

The following is a summary of the effective interest rates to be accrued on the financial obligations, as of December 31, 2022 and 2021:

	December 31, 2022 in Colombian pesos		December 31, 2021 in Colombian pesos	
	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %
Interbank funds and repo and simultaneous transactions	1.00	16.00	1.00	4.75
Correspondent banks	2.18	3.45	-	-

	December 31, 2022 in foreign currency		December 31, 2021 in foreign currency	
	Minimum rate %	Maximum rate %	Minimum rate %	Maximum rate %
Interbank funds and repo and simultaneous transactions	4.20	5.53	0.68	0.90
Correspondent banks	2.17	7.93	0.49	3.25

For short-term financial obligations, the expense incurred in the profit and loss by way of interest on money market transactions of the interbank funds, transfer commitments in repo and simultaneous transactions, and other interest type for the years ended as of December 31, 2022 and 2021 are COP$133,287 and $25,892, respectively.

18.2. Bonds and investment securities

The Parent Company is authorized by the Office of the Financial Superintendent of Colombia to issue or place bonds or general collateral bonds. All bond issues by the Parent Company have been issued without collaterals and represent exclusively the liabilities of each of the issuers.

The following is the detail of liabilities as of December 31, 2022 and 2021, by issue date and maturity date in legal tender:

Issuer	Issue date	December 31, 2022	December 31, 2021	Maturity date	Interest Rate
Ordinary Bonds Banco de Occidente	Between08/09/2012 and 08/20/2020	1,609,382	1,949,773	Between 08/20/2023 and 12/14/2032	Between CPI + 2.37% and 4.65%; Fixed 5.71%+ IBR 1.37%
Subordinated bonds Banco de Occidente	Between 01/30/2013 and 10/12/2017	713,034	827,805	Between 01/30/2025 and 06/10/2026	Between CPI + 3.58% - 3.64% and 4.60%
Total	**$**	**2,322,416**	**2,777,578**		

Future maturities as of December 31, 2022 of outstanding investment securities in long-term debt are the following:

		December 31, 2022
Year		Value
2023	$	148,557
2024		281,547
After 2024		1,892,312
Total	**$**	**2,322,416**

For long-term financial obligations by the issuance of bonds, the interest accrued in profit and loss for the periods ended on December 31, 2022, and 2021 was COP$286,904 and COP$184,658, respectively.

18.3. Financial obligations with rediscount entities

The Colombian Government has established certain credit programs to promote the development of specific economy sectors, including foreign trade, agriculture, tourism, housing construction, and other industries. The programs are managed by various government entities such as the Colombian Foreign Trade Bank ("BANCOLDEX" in Spanish). the Fund for the Financing of the Agricultural Sector ("FINAGRO" in Spanish), and the Financial Corporation for the Territorial Development ("FINDETER" in Spanish).

The following is the detail of loans obtained by the Parent Company from these institutions as of December 31, 2022 and 2021:

	Interest rates in force at cutoff		December31, 2022	December31, 2021
Legal tender				
Colombian Foreign Trade Bank- “BANCOLDEX”	Between DTF -1.50% and 3.80%; IBR -1.00% and 3.40%; Fixed 2.19% and 18.83%.	$	361,243	316,545
Fund for the Financing of the Agricultural Sector- "FINAGRO".	Between DTF 0.0% and 2.0%; IBR 0.9% Fixed 6.31% and 15.2%.		80,584	34,070
Financial Corporation for the Territorial Development "FINDETER"	Between DTF -3.0% and 1.95%; IBR -0.90% and 0.0%; Fixed 5.23% and 18.83%.		525,168	599,485
Total legal tender		$	966,995	950,100
Foreign currency				
Colombian Foreign Trade Bank- “BANCOLDEX”	SOFR 180	$	442	1,726
Total foreign currency			442	1,726
Total rediscount institutions		$	967,437	951,826

The following is a detail of the maturities of the financial obligations with rediscount institutions in force as of December 31, 2022:

Year		December 31, 2022 Value
2023	$	177,278
2024		111,984
2025		131,068
After 2025		547,107
Total	**$**	**967,437**

For financial obligations with rediscount institutions, the interest accrued in profit and loss for the periods ended as of December 31, 2022 and 2021 were COP$58,159 and $26,233, respectively.

Total financial obligations	COP$	9,420,886	8,496,369

Note 19. - Provisions for employee benefits

In accordance with the Colombian labor law and based on the labor agreements and collective agreements applicable to the Parent Company and its subsidiaries, Fiduciaria de Occidente S.A. and Ventas y Servicios S.A.– NEXA BPO, are entitled to short-term benefits such as: salaries, vacations, legal and extra-legal bonuses, and interests on severance funds of long-term, such as: extra-legal bonuses and retirement benefits, including: severance pay to employees who continue with the labor regime before Law 50 of 1990, and legal and extra-legal retirement pensions. In the case of the foreign subsidiaries Banco de Occidente Panamá S.A. and Occidental Bank (Barbados) Ltd., according to the labor legislation of their country, they only have short-term benefits. The compensation of key management personnel includes salaries, non-cash benefits, and contributions to a defined benefit post-employment plan, see note 30.

The following is a detail of the balances of provisions for employee benefits as of December 31, 2022 and 2021:

		December 31, 2022		December 31, 2021
Short-term benefits	$	75,779	$	72,253
Post-employment benefits		9,630		10,925
Long-term benefits		6,590		7,043
Total liabilities	$	**91,999**	$	**90,221**

a) Post-employment benefits

- In Colombia, retirement pensions, when employees retire after certain years old and years of service, are assumed by public or private pension funds based on defined contribution plans where the institutions and employees contribute monthly amounts defined by law to have access to the pension upon the retirement of the employee. However, for some employees hired by the Parent Company before 1968 who met the age and years of service requirements, the Parent Company assumes the pensions directly.
- In accordance with IAS 19, the pension liability was updated, resulting in a pension liability of COP$2,329.
- 45 employees hired by the Parent Company before 1990 are entitled to receive upon their retirement date at the employee's or the company's will a compensation corresponding to the last month's salary multiplied by each year worked. on December 31, 2022, the provision caused by this item corresponds to COP $2,464.
- In the Parent Company and its subsidiary, Fiduciaria de Occidente S.A., an additional premium is recognized extra-legally or by collective agreements to the employees who retire upon reaching the age and years of service to begin enjoying the pension granted by the pension funds. As of December 31, 2022, the provision caused by this item corresponds to COP$4,837.
- The Parent Company and its subsidiary, Fiduciaria de Occidente S.A., recognize an extra-legal bonus to employees who retire upon reaching the age and years of service required to receive the pension granted by the pension funds. This bonus is paid at the time of the employee's retirement. The value assigned to professional personnel is COP$10, and to operational personnel is COP$5 (Retirement bond, retirement pension).
- In the Parent Company, some employees belong to previous labor regimes, according to which their severance payments are assumed by the Parent Company upon their retirement (severance payments of previous law employees). The new regimes involve this benefit in the defined contribution plans.

b) Long-term employee benefits

- The Parent Company and its subsidiary, Ventas y Servicios S.A. – NEXA BPO, grant their employees long-term extra-legal bonuses during their working life, depending on the number of years of service, every five, ten, fifteen, and twenty years, etc., each payment calculated as days of salary (between 15 and 180 days). For the Parent Company from 2021, only the unionized employees continue in the plan since a change in the payment model was made to the non-unionized employees.
- The Parent Company and its subsidiary, Ventas y Servicios S.A. – NEXA BPO, have recorded the liabilities corresponding to these benefits based on the actuarial calculations made in accordance with the same parameters of the retirement benefits. As of December 31, 2022, the retirement benefits correspond to COP$6,590.

The following is the movement in employee retirement benefits and long-term benefits during the years ended as of December 31, 2022 and 2021:

	Post-employment benefits		Long-term benefits	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Balance at beginning of period	$ 10,925	$ 13,503	$ 7,043	$ 37,098
Costs incurred during the period	299	391	592	2,604
Interest costs	743	676	442	1,459
Past service costs	-	-	-	(28,377)
	$ 11,967	$ 14,570	$ 8,077	$ 12,784
(Gain)/losses due to changes in demographic assumptions	581	297	(99)	(2,162)
(Gain)/losses due to changes in financial assumptions	(902)	(2,157)	72	(1,262)
	$ (321)	$ (1,860)	$ (27)	$ (3,424)
Payments to employees	(2,016)	(1,785)	(1,460)	(2,317)
Balance at end of period	$ 9,630	$ 10,925	$ 6,590	$ 7,043

The variables used to calculate the projected obligation for the different retirement and long-term employee benefits are shown below:

	Post-employment benefits		Long-term benefits	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
Discount rate	13.63%	7.43%	13.75%	7.00%
Inflation rate	3.00%	3.00%	0.00%	3.01%
Salary increase rate	4.00%	3.60%	4.00%	4.00%
Pension increase rate	3.00%	3.00%	0.00%	0.00%
Employee turnover	19.87%	14.47%	19.87%	14.47%
Average duration of the plan (in years)	3.75	5.67	3.33	4.09

The expected life of employees is calculated based on the mortality tables published by the Office of the Financial Superintendent of Colombia, which have been made based on the mortality experience provided by the different insurance companies operating in Colombia.

The following is the sensitivity analysis of the liability in the retirement benefit of employees of the different financial and actuarial variables, with the other variables constant:

	-0.50 Points		+0.50 Points	
As of December 2022	Post-employment	Long-term	Post-employment	Long-term
Discount rate	$ 185	112	$ (176)	(107)
Salary increase rate	(99)	(111)	101	114
Pension increase rate	(53)	-	55	-

c) Expected future benefits payments

Expected future benefits payments, reflecting services as appropriate, are expected to be paid as follows:

Year	Post-employment benefits	Other long-term benefits
2022	$ 2,447	$ 1,127
2023	1,618	1,477
2024	1,456	1,463
2025	1,288	1,397
2026	1,205	1,510
Years 2027-2031	6,379	5,281

The Parent Company will cover the future cash flows for extra-legal and pension benefits payments with its own resources.

As of December 31, 2022 and 2021, the number of post-employment and long-term benefit participants are as follows:

Benefit	2022	2021
Post-employment participants	6,776	6,813
Long-term participants	2,878	3,052

Note 20. - Provisions for legal contingencies and other provisions

The movement and balances of legal and other provisions during the periods ended as of December 31, 2022 and 2021 are described below:

	Legal provisions	Other provisions	Total provisions
Balance as of December 31, 2021	**$ 3,395**	**43,238**	**46,633**
Adjustment for adoption of new regulations	-	-	-
Balance as of January 1, 2022	**3,395**	**43,238**	**46,633**
Increase due to new provisions in the period	2,180	20,062	22,242
Increase in existing provisions in the period	177	182	359
Increases due to adjustments arising from the passage of time	-	13	13
Uses of provisions	(1,898)	-	(1,898)
Amounts reversed for unused provisions	(459)	(9,706)	(10,165)
Conversion adjustments	-	1	1
Balance as of December 31, 2022	**$ 3,395**	**53,790**	**57,185**
Balance as of December 31, 2020	**$ 4,214**	**55,714**	**59,928**
Adjustment for adoption of new regulations	-	-	-
Balance as of January 1, 2021	**4,214**	**55,714**	**59,928**
Increase due to new provisions in the period	709	15,931	16,640
Increase in existing provisions in the period	282	424	706
Increases due to adjustments arising from the passage of time	-	21	21
Uses of provisions	(924)	(2,934)	(3,858)
Amounts reversed for unused provisions	(886)	(25,918)	(26,804)
Balance as of December 31, 2021	**$ 3,395**	**43,238**	**46,633**

Other legal provisions

The sixteen (17) civil lawsuits filed against the Bank arising from the development of its purpose and are mainly related to claims from customers who consider that (i) checks were improperly paid from its accounts or (ii) the withdrawal of resources was allowed without their authorization through electronic channels, as well as one (01) administrative investigation by a state control and surveillance body and the labor demands that represent a risk are duly provisioned to an amount of COP$2,776 as of December 31, 2022.

Labor provisions

Among the labor lawsuits filed against the parent company arising from the development of its purpose, and representing a risk, due to nonconformities in the termination of the employment contractor or the conditions for the development of the contract, as of December 31, 2022, 3 are duly provisioned in the amount of COP$299 for Banco de Occidente, and 2 are duly provisioned in the amount of COP$33 for the subsidiaries, pursuant to the analysis of the case and the risk and probability by the external labor consultant.

Tax provisions

Tax lawsuits filed against the Parent Company arising from the development of its purpose and which represent a risk, (i) an annulment action and the re-establishment of rights amounting to COP$286 duly provisioned as of December 31, 2022.

Other provisions

Other provisions for the periods ended as of December 31, 2022 and 2021, composed by:

Decommissioning of assets

The Parent Company and the subsidiary Ventas y Servicios S.A.– NEXA BPO established a provision for decommissioning of assets corresponding to the infrastructure improvements of the offices under lease as of December 31, 2021 and 2022. The decommissioning is caused by the disassembly of improvements to leave the leased facilities in their original state or as agreed in the contract. As of December 31, 2022, the Parent Company recorded a provision of COP$1,754 and Ventas y Servicios S.A.– NEXA BPO, COP$191. As of December 31, 2021, the Parent Company recorded a provision of COP$1,754 and Ventas y Servicios S.A.– NEXA BPO of COP$493.

Provision for loan commitments

As of December 31, 2022, the provisions for contingencies on behalf of the parent company amounting to COP$50,389 were included. 53.55% corresponds to credit cards, and the remaining 46.45% to letters of credit and bank guarantees. Meanwhile, as of December 31, 2021, the provisions for contingencies on behalf of the parent company amounting to COP$39,942 were included. 51.82% corresponds to letters of credit and bank guarantees, and the remaining 48.18% to credit cards.

Other provisions

Fiduciaria de Occidente S.A. by December 31, 2022, constituted provisions by demand in Consorcio Fidufosyga for joint operations amounted to COP$1,172. As of December 31, 2021, the balance recorded is COP$1,048.

Note 21. - Other liabilities

Other liabilities as of December 31, 2022 and 2021, comprise the following:

Concepts	December 31, 2022	December 31, 2021
Suppliers and accounts payable	$ 375,300	270,606
Cashier's checks	250,668	182,013
Taxes, withholdings, and labor contributions	128,871	81,654
Collections made	59,200	100,620
International exchange received	57,829	48,282
Withdrawals payable	43,450	45,071
Dividends and surplus	41,354	51,968
Credit surpluses	40,368	32,719
Clearing bank items	30,880	17,534
Others	26,545	11,308
National Guarantees Fund	22,942	12,994
Payments to third parties OcciRed	21,147	10,575
Peace bonds	20,769	25,501
Contributions on transactions	13,310	9,509
Credit balances of credit card	11,242	9,642
Sales tax payable	10,169	8,124
Uncollected drawn checks	8,907	14,382
Promising buyers	8,359	6,312
Terminated accounts	5,342	5,763
Trading derivates	3,857	8,422
Loan portfolio disbursements	2,971	14,463
Commissions and fees	2,288	2,150
Collection services	2,134	1,250
Loyalty programs	751	737
Deferred credits	656	688
Prepaid revenue	644	458
Leases	530	2,720
Non- deliverable forwards	341	392
Cash and exchange surpluses	40	46
Insurances and insurance premiums	39	28
Contributions and affiliations	4	-
ATH and ACH transactions	2	5
Non-financial liabilities	-	28
	$ 1,190,909	**975,964**

Note 22. - Equity

The number of authorized, issued, and outstanding shares as of December 31, 2022 and 2021 were as follows:

		December 31, 2022	December 31, 2021
Prior year's profits determined in the Parent Company's separate financial statements (*)	$	492,074	320,628
Dividends paid in cash		150,000	192,374
Outstanding ordinary shares		155,899,719	155,899,719
Total outstanding shares		**155,899,719**	**155,899,719**
Withholding tax (**)		**(323)**	**(410)**
Total dividends declared	**$**	**150,000**	**192,374**

(*) The profits reported correspond with the closing of December 2021 and 2020.
(**) Withholding at source to be carried forward to shareholders (Art.242-1 T.C.)

Appropriated retained earnings in reserves

The following is the detail of the composition as of December 31, 2022 and 2021:

		December 31, 2022	December 31, 2021
Statutory reserve	$	3,134,027	3,134,027
Mandatory and voluntary reserves		823,923	490,745
Total	**$**	**3,957,950**	**3,624,772**

Statutory reserve

Pursuant to the legal norms in force, the Parent Company and its subsidiaries, Fiduciaria de Occidente S.A., and Ventas y Servicios S.A.– NEXA BPO, must create a statutory reserve by appropriating the ten percent (10%) of the net incomes of each year until reaching an amount equal to fifty percent (50%) of the subscribed capital stock. This reserve may be reduced below fifty percent (50%) of the subscribed capital stock to stem losses in the retained earnings excesses. The statutory reserve cannot be lower than the abovementioned percentage except to cover losses in the retained earnings excesses.

Dividends Declared

Dividends are declared and paid to shareholders based on net profits for the immediately preceding year. The dividends declared by the Parent Company were the following:

	December 31, 2022	December 31, 2021
Preceding year's profits established in the Parent Company's separate financial statements (*)	$ 492,074	320,628
Dividends paid in cash	150,000	192,374
Outstanding ordinary shares	155,899,719	155,899,719
Preferred share	-	-
Total outstanding shares	**155,899,719**	**155,899,719**
Withholding tax (**)	**(323)**	**(410)**
Total dividends declared	**$ 150,000**	**192,374**

(*) The profits reported correspond with the closing of December 2021 and 2020.

(**) Withholding at source to be carried forward to shareholders (Art.242-1 T.C.)

The Parent Company and its subsidiaries have a simple capital structure; therefore, there is no difference between the basic profit per share and the diluted profit.

Note 23. - Non-controlling interests

The following table provides information about each subsidiary that has significant non-controlling interests as of December 31, 2022 and 2021:

December 31, 2022

Institution	Country	Ownership	Shareholding value in the equity	Shareholding value in profits (losses)	Dividends declared in the period
Fiduciaria de Occidente S.A.	Colombia	4.44%	$ 15,479	1,207	1,776
Ventas y Servicios S.A.	Colombia	19.99%	10,261	380	-
Banco de Occidente Panamá S.A.	Panama	5.00%	8,901	2,246	-
			$ 34,641	**3,833**	**1,776**

December 31, 2021

Institution	Country	Ownership	Shareholding value in the equity	Shareholding value in in profits (losses)	Dividends declared in the period
Fiduciaria de Occidente S.A.	Colombia	4.44%	$ 16,356	3,671	1,888
Ventas y Servicios S.A.	Colombia	19.99%	9,882	1,088	-
Banco de Occidente Panamá S.A.	Panama	5.00%	9,647	1,780	-
			$ 35,884	**6,538**	**1,888**

The following table shows information about each of the direct subsidiaries in which the Company has a significant non-controlling shareholding as of December 31, 2022 and 2021:

December 31, 2022

Institution		Assets	Liabilities	Total income	Net income	Other comprehensive income	Transaction cash flow
Fiduciaria de Occidente S.A.	$	390,766	42,149	138,005	27,191	380	12,491
Ventas y Servicios S.A.		110,143	58,811	320,457	1,899	-	20,850
Banco de Occidente Panamá S.A.		3,998,939	3,820,914	164,744	44,927	(22,361)	(214,612)
	$	**4,499,848**	**3,921,874**	**623,206**	**74,017**	**(21,981)**	**(181,271)**

December 31, 2021

Institution		Assets	Liabilities	Total income	Net income	Other comprehensive income	Transaction cash flow
Fiduciaria de Occidente S.A.	$	408,364	39,994	174,057	82,677	3,545	40,140
Ventas y Servicios S.A.		105,615	56,182	327,372	5,441	-	32,404
Banco de Occidente Panamá S.A.		3,324,500	3,131,565	123,570	35,595	37,476	136,146
	$	**3,838,479**	**3,227,741**	**624,999**	**123,713**	**41,021**	**208,690**

As of December 31, 2022, there are no significant transactions with uncontrolled shareholdings of the Parent Company, nor protective rights or restrictions on access to the use of assets or payment of liabilities thereof.

Note 24. - Commitments and contingencies

a. Commitments

Credit Commitments

In the development of its normal operations, the Parent Company grants guarantees or letters of credit to its customers in which it irrevocably undertakes to pay third parties if the customers do not comply with their obligations to such third parties, with the same credit risk for the loan portfolio. The granting of guarantees and letters of credit are subject to the same loan disbursement approval policies regarding the customers' creditworthiness, and the guarantees deemed appropriate under the circumstances are obtained.

The commitments to extend credits represent unused portions of authorizations to extend credit in the form of loans, credit card use, or letters of credit. Concerning credit risk on commitments to extend credit lines, the Parent Company is potentially exposed to losses at an amount equal to the total amount of unused commitments if the unused amount were to be fully withdrawn. However, the amount of loss is lower than the total amount of unused commitments since most commitments to extend credit are contingent once the customer maintains the specific credit risk standards. The Parent Company monitors the maturity terms of the credit lines' relative commitments because long-term commitments have a higher credit risk than short-term commitments.

The following is the detail of guarantees, letters of credit, and credit commitments on unused credit lines as of December 31, 2022 and 2021:

		December 31, 2022		December 31, 2021	
		Notional amount	Fair value	Notional amount	Fair value
Guarantees	$	2,552,685	58,291	1,280,344	43,368
Unused letters of credit		255,381	375	191,197	566
Overdrafts quotas		2,241,656	2,241,656	-	
Unused credit card limits		3,565,446	3,565,446	2,983,051	2,983,051
Credit agreement		158,696	158,696	128,182	128,182
Not-disbursed approved loans		19,766	19,766	37,397	37,397
Others		1,023,527	1,023,527	759,226	759,226
Total	$	**9,817,157**	**7,067,757**	**5,379,397**	**3,951,790**
Provision for loss contingencies		(50,394)	(50,394)	(39,944)	(39,944)
Total	**$**	**9,766,763**	**7,017,363**	**5,339,453**	**3,911,846**

The outstanding balances of unused lines of credit and guarantees do not necessarily represent future cash requests because such quotas may expire and not be used totally or partially.

The following is a detail of credit commitments by type of currency:

		December 31, 2022	December 31, 2021
Colombian pesos	$	7,663,151	4,645,848
U.S. dollars		2,130,280	718,642
Euros		22,054	7,976
Others		1,672	6,931
Total	**$**	**9,817,157**	**5,379,397**

Capital expenditures disbursement commitments

As of December 31, 2022 and 2021, the Parent Company and subsidiaries had contractual commitments of capital expenditures (intangible and other) of COP$45,305 and COP$112,524, respectively. The Parent Company and subsidiaries have already allocated the necessary resources to meet such commitments, and they believe that net income and funds will be enough to cover these and similar commitments.

b. Contingencies

Legal contingencies

As of December 31, 2022, the result of the valuation of the claims of the judicial proceedings by civil suits, excluding those of remote probability, amounted to COP$117,051.

Then in effect, in the normal course of transactions, claims arise against the Bank, which, based on its own estimates, it is the Bank's management opinion that there will be no losses regarding such claims.

As of December 31, 2022, the Bank has the following proceedings against it that affect the financial statements (equal to or greater than COP$3,521):

(i) Public interest claim filed by Carlos Julio Aguilar against Banco de Occidente and other financial institutions before the Eleventh Administrative Court of the Circuit of Cali, under file number 2004-1924. The lawsuit was brought against the financial institutions that participated in the Performance Plan of Valle department in 1998 on the grounds that the interest on interest was agreed upon. The process is still in the discovery process; no first-instance ruling has been delivered, and there is no evidence to prove the facts of the claim. Therefore, as of December 31, 2022, estimating provisions for this process is not yet necessary. The claims were estimated to be the sum of COP$15,900 million.

(ii) Process of survey and marking of boundaries promoted by Mr. Carmen Capella de Escolar against Mosel SAS and others, before the Second Civil Judge of the Specialized Circuit Court in Land Restitution of Cartagena, with file number 0205 of 2014. The Bank attends to this proceeding due to a complaint in a lawsuit filed by the company Mosel SAS since the Bank was the owner of the real estate that is the object of the proceeding. As such, it established the boundaries of the property, which was subsequently sold. The claim was answered in on time, and it is firmly believed that the merit exceptions raised by the Bank will be recognized by the judge when entering judgment, coupled with the fact that the compensation for damages claimed by the plaintiff for the sum of COP$4,000 million is not duly supported.

(iii) Incident of joint and several liabilities initiated against the Bank and other banking institutions by MEDICAL DUARTE ZF and other entities within the executory proceeding they promoted against a bank's customer before the Fifth Labor Court of the Circuit of Barranquilla. The incident rests on the fact that the Bank allegedly did not comply with the garnishee orders issued by the court on the customer's deposits, a situation that does not correspond to reality since the customer's bank accounts had no resources and were already embargoed by another judicial authority. the Bank answered the incident promptly with the appropriate factual and legal arguments. However, the court decided to declare it jointly and severally liable along with two other financial institutions for COP$70,980 million based on a regulation that is clearly not applicable to the case. The Bank filed a motion for reversal and supplementary appeal against this decision. When deciding on the reversal appeal, the court confirmed its decision and processed it. It is currently being processed. However, it is firmly believed that it should be vacated because it lacks factual basis, coupled with the fact that there is no regulation in the law allowing to declare a Bank jointly and severally liable for default with a garnishee order issued by an executive labor proceeding.

(iv) Reversal action filed before the Superintendence of Corporate Affairs, through which it is aimed to revoke a leasing contract entered into by and between the Bank and a company under business reorganization so that the leased assets return to the supplier's equity. It is grounded on the fact that the entity allegedly did not pay the price of the property. In this case, the Bank acted in good faith and has the payment support of the assets delivered in leasing; therefore, it is considered that there are no requirements for the action to succeed. The plaintiff estimated its claims at COP$8,255 million.

Concerning the forgoing proceedings against the Company, after the corresponding evaluation, it was established that they do not require provision.

Tax contingencies

As of December 31, 2022, the Parent Company and its subsidiaries have no claims for the existence of national and local tax proceedings establishing, while exercising its activity as a taxpayer entity, penalties that imply the constitution of contingent liabilities due to the remote possibility of a resources outflow for such items.

Labor contingencies

In the course of the labor relationship between the Group and its employees, as a consequence of the grounds for the termination of the employment contract or the development thereof, different claims arise against which possible lawsuits are estimated for COP$1,484 as of December 31, 2022. It does not include those cases of remote qualification, which based on the analysis and reports of the lawyers in charge, do not require provisioning or disclosure because they are uncertain obligations that do not imply an outflow of resources.

Note 25. - Revenues and expenditures from contracts with customers

The following is a detail of commission revenues and expenditures for the years ended as of December 31, 2022 and 2021:

Revenues		**December 31, 2022**	**December 31, 2021**
Banking services commissions	$	270,351	246,467
Credit card commissions		143,319	123,596
Fiduciary activities		76,271	80,402
Transfers, checks, and		5,852	6,344
office network services commissions		1,299	1,406
Total	**$**	**497,092**	**458,215**
Expenditures			
Banking services	$	22,887	18,534
Bank expenses		1,056	1,034
Sales and service charge		12,681	7,998
Bank guarantees		42	37
Placements		48,902	43,349
Credit cards		5,715	3,694
Others		60,331	51,753
Total		**151,614**	**126,399**
Net commission revenue	**$**	**345,478**	**331,816**

The following table discloses the revenues from customer contracts as of December 2022 and 2021:

		December 31,2022	**December 31, 2021**
Revenues			
Revenue from contracts with customers	$	497,092	458,215
Timing of revenue recognition			
At a point in time		7,151	7,750
Over time		489,941	450,465

Note 26. - Other income, net, and other expenses

The following is a detail of other income and other expenses for the years ended as of December 31, 2022 and 2021:

Other income		December 31, 2022	December 31, 2021
Other operating income	$	273,652	273,818
Share of net profits of associates and joint ventures		122,041	245,863
Income on sale of property and equipment		9,708	5,051
Dividends		5,580	3,138
Profit on sale of non-current assets held for sale		6,260	12,015
Net income on valuation of investment property		30,735	17,691
Net (Loss) profit on sale of investments		(28,970)	1,345
Net income from foreign currency exchange difference		172,640	230,605
Total other income	**$**	**591,646**	**789,526**

Other expenses		December 31, 2022	December 31, 2021
Personnel expenses	$	811,302	759,171
Taxes and rates		208,810	161,892
Insurance		122,563	111,775
Consulting, audit, and other fees		127,279	126,882
Contributions, affiliations, and transfers		113,604	97,818
Others(*)		82,541	53,606
Depreciation of right-of-use assets		59,377	54,900
Amortization of intangible assets		55,988	45,312
Depreciation of tangible assets		47,590	45,770
Maintenance and repairs		45,236	38,341
Utilities		30,982	28,415
Advertising services		35,520	30,966
Electronic data processing		15,306	15,568
Leases		15,745	14,630
Transportation services		12,755	11,065
Losses on sale of property and equipment		9,594	8,314
Cleaning and security services		12,721	12,588
Supplies and stationery		4,470	3,432
Casualty losses		10,331	6,595
Adequacy and installation		6,982	4,559
Impairment losses of other assets		2,447	1,699
Travel expenses		4,328	2,427
Donation expenses		1,571	1,315
Derecognition in assets		293	4,310
Loss on sale of non-current assets held for sale		-	95
Total other expenses	**$**	**1,837,335**	**1,641,444**

(*) Other expenses category mainly comprises administrative expenses, outsourcing services, contingent quota provisions, systematization services, and database queries.

Note 27. - Analysis of operating segments

Operating segments are components of the Parent Company that are responsible for developing business activities that may generate revenues or incur expenses and whose operating results are regularly reviewed by the Board of Directors and for which specific financial information is available:

a. **Description of products and services from which each reportable segment derives its income:** The Parent Company is organized into four business segments integrated by the following companies: Fiduciaria de Occidente S.A., Banco de Occidente Panamá S.A., Occidental Bank Barbados Ltd., and Ventas y Servicios S.A.– NEXA BPO. All these institutions provide banking and financial services in Colombia in corporate or commercial banking, consumer, and mortgage banking.

b. **Factors used by management to identify reportable segments:** The operating segments identified above are based on the strategic organization of the Parent Company to address the different economic sectors in Colombia, Panama, and Barbados, considering that under the laws of these countries, each of these companies have been operating for several years.

   The consolidated information of each entity is reviewed by the Parent Company's Board of Directors, which is available to the stock market only for the Parent Company, considering that it has its shares and securities registered in the National Registry of Securities of Colombia.

c. **Measurement of net income, assets, and liabilities of the operating segments:** The Board of Directors of the Parent Company reviews the consolidated financial information prepared in accordance with the IFRS of each of its operating segments.

   The Board of Directors evaluates each segment performance based on the net income of each segment and certain credit risk indicators.

d. **Information on net income, assets, and liabilities of the reportable operating segments:** The following is the detail of the summarized reportable financial information for each segment of the periods ended as of December 31, 2022 and 2021:

December 31, 2022

		Banco de Occidente S.A. (Parent Company)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panamá S.A.	Occidental Bank (Barbados) Ltd.	Eliminations	Total
Assets								
Financial assets at fair value with changes in profit and loss	$	2,549,767	73,206	11,285	1,107	-	-	2,635,365
Financial assets at fair value through OCI		2,425,803	27,395	-	1,178,941	394,032	(4,031)	4,022,140
Financial assets in debt securities at amortized cost		1,802,692	-	-	-	-	-	1,802,692
Investments in associates and joint ventures		2,091,323	237,836	-	-	-	(681,599)	1,647,560
Financial assets in loans portfolio at amortized cost		43,245,944	(162)	-	1,971,234	555,887	(71,228)	45,701,675
Other assets		2,868,805	52,328	98,857	847,657	359,651	(32,321)	4,194,977
Total assets	**$**	**54,984,334**	**390,603**	**110,142**	**3,998,939**	**1,309,570**	**(789,179)**	**60,004,409**
Customer deposits		38,479,688	-	-	3,468,809	1,161,304	(13,856)	43,095,945
Financial obligations		9,121,922	18,854	8,830	344,095	-	(72,815)	9,420,886
Other liabilities		2,203,630	23,132	49,981	8,010	3,705	(16,955)	2,271,503
Total liabilities	**$**	49,805,240	**41,986**	**58,811**	**3,820,914**	**1,165,009**	**(103.626)**	**54,788,334**
Equity	**$**	**5,179,094**	**348,617**	**51,331**	**178,025**	**144,561**	**(685,553)**	**5,216,075**

		Banco de Occidente S.A. (Parent Company)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco deOccidente Panamá S.A.	Occidental Bank (Barbados) Ltd.	Eliminations	Total
Income from parent's continuing operations								
Financial income	$	4,521,395	3,554	720	126,958	41,664	(2,989)	4,691,302
Fees and commissions		412,207	85,311	-	6,021	2,398	(8,845)	497,092
Other operating income		10,905,646	49,140	319,737	31,766	8,089	(198,492)	11,115,886
Total income	**$**	**15,839,248**	**138,005**	**320,457**	**164,745**	**52,151**	**(210,326)**	**16,304,280**
Borrowing costs								
Provision for impairment of financial assets	$	932,174	199	4	9,556	1,364	-	943,297
Depreciation and amortization		138,417	5,023	18,097	1,714	184	(480)	162,955
Paid commissions and fees		223,672	1,783	41	2,656	903	(77,441)	151,614
Administrative expenses		785,460	20,651	45,414	9,548	6,654	(41,265)	826,462
Other operating expenses		13,196,746	77,810	253,823	96,342	25,810	(4,381)	13,646,150
Income tax		110,228	5,348	1,178	-	702	-	117,456
Total expenses	**$**	**15,386,697**	**110,814**	**318,557**	**119,816**	**35,617**	**(123,567)**	**15,847,934**
Income for the period	**$**	**452,551**	**27,191**	**1,900**	**44,929**	**16,534**	**(86,759)**	**456,346**

December 31, 2021

		Banco de Occidente S.A. (Parent Company)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panamá S.A.	Occidental Bank (Barbados) Ltd.	Eliminations	Total
Assets								
Financial assets at fair value with changes in profit and loss	$	5,222,409	76,657	7,012	1,441,447	411,981	-	7,159,506
Financial assets at fair value through OCI		3,564,297	26,891	-	1,440,619	416,432	(4,451)	5,443,788
Financial assets in debt securities at amortized cost		883,207	-	-	-	-	-	883,207
Investments in associates and joint ventures		2,112,679	255,504	-	-	-	(703,193)	1,664,990
Financial assets in loans portfolio at amortized cost		35,286,355	(73)	-	1,377,136	500,795	(99,106)	37,065,107
Other assets		500,508	49,312	98,603	(934,701)	(238,944)	(27,917)	(553,139)
Total assets	**$**	**47,569,455**	**408,291**	**105,615**	**3,324,501**	**1,090,264**	**(834,667)**	**51,663,459**
Liabilities								
Customer deposits		32,273,799	-	-	3,123,343	954,031	(10,921)	36,340,252
Financial obligations		8,560,315	17,216	16,558	1,781	-	(99,501)	8,496,369
Other liabilities		1,584,052	22,706	39,624	6,441	2,114	(16,678)	1,638,259
Total liabilities	**$**	**42,418,166**	**39,922**	**56,182**	**3,131,565**	**956,145**	**(127,100)**	**46,474,880**
Equity	**$**	**5,151,289**	**368,369**	**49,433**	**192,936**	**134,119**	**(707,567)**	**5,188,579**

		Banco de Occidente S.A. (Parent Company)	Fiduciaria de Occidente S.A.	Ventas y Servicios S.A.	Banco de Occidente Panamá	Occidental Bank (Barbados) Ltd	Eliminations	Total (Barbados) Ltd.
Revenues from parent's continuing operations								
Financial income	$	2,643,585	418	128	73,771	27,652	(3,596)	2,741,958
Fees and commissions		371,970	81,415	-	7,338	2,664	(5,172)	458,215
Other operating income		5,832,514	92,223	327,244	42,462	6,214	(224,490)	6,076,167
Total income	**$**	**8,848,069**	**174,056**	**327,372**	**123,571**	**36,530**	**(233,258)**	**9,276,340**
Borrowing costs								
Provision for impairment of financial assets	$	878,025	(57)	(20)	3,195	1,395	-	882,538
Depreciation and amortization		120,988	4,966	19,618	898	115	(603)	145,982
Paid commissions and fees		182,190	2,053	29	2,503	728	(61,104)	126,399
Administrative expenses		690,096	19,997	43,409	7,511	4,967	(35,325)	730,655
Other operating expenses		6,326,603	62,182	257,185	73,869	13,921	(3,804)	6,729,956
Income tax		70,091	2,239	1,709	-	778	86	74,903
Total expenses	**$**	**8,267,993**	**91,380**	**321,930**	**87,976**	**21,904**	**(100,750)**	**8,690,433**
Income for the period	**$**	**580,076**	**82,676**	**5,442**	**35,595**	**14,626**	**(132,508)**	**585,907**

e. Reconciliation of net income, assets, and liabilities of the reportable operating segments

The following is a detail of the reconciliation of total income, expenses, assets, and liabilities of the segments with the corresponding consolidated items at the Parent Company level:

1. Income

		December 31, 2022	December 31, 2021
Total reportable income by segment	$	16,514,605	9,509,598
a. Demand deposits yields		(2,989)	(691)
b. Dividends		(234)	-
c. Equity method		(87,805)	(12,417)
d. Others		(119,297)	(220,150)
Total consolidated income	**$**	**16,304,280**	**9,276,340**

2. Expenditures

		December 31, 2022	December 31, 2021
Total reportable expenditures by segment	$	15,971,504	8,791,183
a. Interest on bank credits		(3,024)	(668)
b. Equity method		(1,283)	-
c. Others		(119,263)	(100,082)
Total consolidated expenditures	**$**	**15,847,934**	**8,690,433**

3. Assets

		December 31, 2022	December 31, 2021
Total reportable assets by segment	$	60,793,589	52,498,126
a. Banks and other correspondents		(13,856)	(69,435)
b. Interbank funds sold		(71,228)	(108,442)
c. Investments		(685,630)	(696,334)
d. Accounts receivable		(16,562)	(30,963)
e. Others		(1,904)	70,507
Total consolidated assets	**$**	**60,004,409**	**51,663,459**

4. Liabilities

		December 31, 2022	December 31, 2021
Total reportable liabilities by segment	$	54,891,960	46,601,980
a. Checking accounts		(5,695)	(63,087)
b. Banks credits		(71,228)	(108,442)
c. Accounts payable		(16,558)	1,121
d. Bonds		-	(18,745)
e. Others		(10,145)	62,053
Total consolidated liabilities	**$**	**54,788,334**	**46,474,880**

5. Equity

		December 31, 2022	December 31, 2021
Total reportable equity by segment	$	5,901,628	5,896,146
a. Capital stock		(41,351)	(41,574)
b. Additional paid-in capital		(198,940)	(198,940)
c. OCI		(951,468)	(922,102)
d. Surplus equity method		169,366	(46,799)
e. Gain or loss		342,525	536,468
f. Others		(5,685)	(34,620)
Total equity	**$**	**5,216,075**	**5,188,579**

Equity by country

Country		December 31, 2022	December 31, 2021
Colombia	$	4,897,520	4,865,977
Panama		318,555	322,602
Total equity	**$**	**5,216,075**	**5,188,579**

6. Revenues by country

Country		December 31, 2022	December 31, 2021
Colombia	$	16,239,206	9,234,667
Brazil		9,264	10,751
Costa Rica		8,680	3,617
Mexico		8,191	4,480
Ecuador		7,779	2,030
Peru		7,351	5,150
Chile		6,263	4,105
Paraguay		5,087	1,582
Guatemala		3,901	1,434
Grand Cayman Island		3,183	851
Uruguay		1,760	157
Honduras		1,558	416
Salvador		594	384
U.S.		543	1,493
Dominican Republic		439	280
Panama		320	4,076
Ireland		158	-
Barbados		2	3
Luxembourg		-	651
Belize		-	129
Singapore		-	84
Total consolidated revenues	**$**	**16,304,280**	**9,276,340**

f. Largest customers of the parent company

There are no customers representing 10% of the Parent Company's total revenues during the periods ended as of December 31, 2022 and 2021.

Note 28. - Offsetting of financial assets with financial liabilities

The following is a detail of financial instruments subject to contractually required offsetting as of December 31, 2022 and 2021:

As of December 31, 2022

	Gross amounts of financial assets financial recognized	Net amount of financial assets presented in the financial position	Related amounts not offset in the financial position Financial instruments	Net amount
Assets				
Derivative financial instruments	$ 754,968	754,968	-	754,968
Repo and simultaneous transactions	766,848	766,848	393,462	373,386
Total	$ **1,521,816**	**1,521,816**	**393,462**	**1,128,354**
Liabilities				
Derivative financial instruments	$ 930,802	930,802	-	930,802
Repo and simultaneous transactions	2,130,296	2,130,296	1,734,217	396,079
Total	$ **3,061,098**	**3,061,098**	**1,734,217**	**1,326,881**

As of December 31, 2021

	Gross amounts of financial assets recognized	Net amount of financial assets presented in the financial position	Related amounts not offset in the financial position Financial instruments	Net amount
Assets				
Derivative financial instruments	$ 463,730	463,730	-	463,730
Repo and simultaneous transactions	72,587	72,587	228,820	(156,233)
Total	$ **536,317**	**536,317**	**228,820**	**307,497**
Liabilities				
Derivative financial instruments	$ 517,293	517,293	-	517,293
Repo and simultaneous transactions	1,752,214	1,752,214	1,403,851	348,363
Total	$ **2,269,507**	**2,269,507**	**1,403,851**	**865,656**

The Parent Company and its subsidiary, Fiduciaria de Occidente S.A., have derivative financial instruments that, in accordance with Colombian law or the country where the counterparty is located, are legally enforceable. In addition, Colombian legal norms allow the Parent Company to offset instruments derived from its same liability obligations.

Note 29. - Unconsolidated structured entities

The following table shows the total assets of the unconsolidated structured entities in which the Bank and Subsidiaries had a shareholding on the reporting date and their maximum loss exposure to loss concerning such shareholdings:

Funds managed by Grupo Aval		**December 31, 2022**	**December 31, 2021**
Total assets under management	$	8,411,430	8,839,301
Investments at fair value with changes in profit and loss		580,510	480,813
Other accounts receivable		2	1
Total assets in relation to the Grupo Aval interests in unconsolidated structured entities		**8,991,942**	**9,320,115**
Maximum exposure of Grupo Aval	$	**8,991,942**	**9,320,115**

Note 30. - Related parties

In accordance with IAS 24, a related party is a person or entity that is related to the entity preparing its financial statements, which may exercise control or joint control over the reporting entity, exercise significant influence over the reporting entity, or be regarded as a member of key management personnel of the reporting entity or a controlling company of the reporting entity. The related party definition includes persons and/or relatives related to the entity (key management personnel), entities that are members of the same group (controlling company and subsidiary), associates, or joint ventures of the entity or Grupo Aval's entities.

In accordance with the above, the related parties for the Parent Company and subsidiaries, Fiduciaria de Occidente S.A., Occidental Bank Barbados Ltd, Banco de Occidente Panamá S.A., and Ventas y Servicios S.A.– NEXA BPO, are classified in the following categories:

1. Natural persons that exercise control or joint control over the Parent Company; that is, who own more than 50% shareholding in the reporting entity. Additionally, it includes close relatives who could be expected to influence or be influenced by such a person.

2. Key management personnel include members of the Board of Directors and the President of Grupo Aval, the Parent Company, Fiduciaria de Occidente S.A., the General Manager of Ventas y Servicios S.A.– NEXA BPO, Occidental Bank Barbados Ltd., and Banco de Occidente Panamá S.A.: plus, the key management personnel of those institutions, who are the persons involved in the planning, direction, and control of such institutions.

3. Companies belonging to the same group, the controlling, subsidiaries, or other subsidiaries of the same controlling company of Grupo Aval are included.

4. Associates and joint ventures: companies in which Grupo Aval has significant influence, which is generally considered when between 20% and 50% of their capital is owned.

5. This category includes entities controlled by natural persons included in categories 1 and 2.

6. This item includes institutions in which the persons included in categories 1 and 2 exercise significant influence.

All transactions with related parties are carried out at market conditions. The most representative balances as of December 31, 2022 and 2021 with the related parties are included in the following tables, whose headings correspond to the definitions of related parties recorded in the three previous categories:

December 31, 2022

	Categories					
	1	2	3	4	5	6
	Natural persons with control over Banco de Occidente	Key management personnel	Companies belonging to the same group	Associates and joint ventures	Institutions controlled by the persons included in categories 1 and 2	Entities that are significantly influenced by persons included in categories 1 and 2
Asset						
Cash and its equivalents	$ -	-	8,129	-	-	-
Financial assets in investments	-	-	-	103,796	-	-
Financial assets in loan transactions						
Accounts receivable	14	16,986	331,057	21,603	326,530	-
Other assets	-	189	25,937	927	112,019	-
	-	208	16,731	-	968	-
Liabilities						
Deposits	$ 182,872	60,416	1,002,228	78,738	288,440	2,376
Accounts payable	292	2,977	30,273	-	53	-
Financial obligations	-	130	54,465	-	58,107	-
Other liabilities	-	21	1,905	-	-	-

December 31, 2021

	Categories					
	1	2	3	4	5	6
	Natural persons with control over Banco de Occidente	Key management personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by the persons included in the categories 1 and 2	Entities that are significantly influenced by persons included in categories 1 and 2
Asset						
Cash and its equivalents	$ -	-	8,763	-	-	-
Financial assets in investments	-	-	-	-	794	-
Financial assets in credit operations	21	17,464	304,813	9,050	320,705	602
Accounts receivable	-	212	33,872	10	73,323	1
Other assets	-	-	8,298	-	32	-
Liabilities						
Deposits	156,619	32,973	1,505,680	56,172	386,905	656
Accounts payable	105	3,127	37,281	-	7,386	-
Financial obligations	-	130	97,041	1,000	52,710	-
Other liabilities	$ -	14	3,202	-	402	-

The most representative transactions for the years ended as of December 31, 2022 and 2021 with related parties comprise:

a. Sales, services, and transfers

December 31, 2022

	Categories					
	1	2	3	4	5	6
	Natural persons with control over Banco de Occidente	Key management personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by the persons included in the categories 1 and 2	Entities that are significantly influenced by persons included in categories 1 and 2
Interest income	$ 4	1,015	37,593	1,243	27,979	43
Borrowing costs	2,174	1,925	39,528	2,746	19,160	35
Fee and commission income	3	199	11,903	25,451	77,023	6
Fees and commissions expense	-	698	83,697	21,968	510	-
Other operating income	5	109	159,575	6,191	21,327	1
Other expenses	-	129	13,472	11,641	7,424	-

December 31, 2021

	Categories					
	1	2	3	4	5	6
	Natural persons with control over Banco de Occidente	Key management personnel	Companies belonging to the same group	Associates and joint ventures	Entities that are controlled by the persons included in the categories 1 and 2	Entities that are significantly influenced by persons included in categories 1 and 2
Interest income	$ 7	741	14,753	62	13,421	48
Borrowing costs	788	320	8,150	519	9,115	4
Fee and commission income	3	136	9,856	28,800	66,050	6
Fees and commissions expense	-	774	78,163	12,968	231	-
Other operating income	7	784	190,187	6,126	11,094	2
Other expenses	-	106	2,393	26,024	8,349	-

The outstanding amounts are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the current or prior years about bad debt or doubtful accounts related to amounts due by related parties.

b. Compensation for key management personnel

For the periods ended as of December 31, 2022 and 2021, the compensation received by key management personnel consists of the following:

Items	December 31, 2022	December 31, 2021
Salaries	$ 25,593	25,022
Short-term employee benefits	4,924	3,928
Other long-term benefits	35	20
Termination benefits	229	-
Total	**$ 30,781**	**28,970**

Note 31. - Events after the closing date of the preparation of the consolidated financial statements

No subsequent events occurred between the closing date as of December 31, 2022, and February 24, 2023, the date of the statutory auditor's report, that had an impact on the consolidated financial statements to such date nor in the Bank's income and equity.

Note 32. - Approval of consolidated financial statements

The consolidated financial statements and accompanying notes were approved by the Board of Directors and the Legal Representative in accordance with Minute No.1632 dated February 24, 2023, to be submitted to the Annual General Meeting for approval, which may approve or modify them.

ISSUER

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Banco de Occidente S.A.

10.875% Subordinated Notes due 2034

Global Coordinator

BBVA

Joint Book-Running Managers

BBVA **BofA Securities**

May 7, 2024