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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
As of December 31, 2023 and 2022
(Expressed in millions of pesos)

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

1. Reporting Entity

Scotiabank Colpatria S.A., (the Parent Company) (and hereinafter, "the Bank") is a private company that was incorporated on December 7, 1972, under Public Deed No. 4458 of the Eighth Notary's Office of Bogotá D.C., as Corporación de Ahorro y Vivienda, becoming a commercial Bank through Public Deed No. 03748 of October 1, 1998, of the 25th Notary's Office of Bogotá D.C. On May 5, 2016, through Public Deed No. 8085 of the 29th Notary's Office of Bogotá D.C., the bylaws were amended.

With Resolution No. 3352 of August 21, 1992, the Financial Superintendency of Colombia authorized Corporación Colpatria UPAC Colpatria, today Scotiabank Colpatria S.A., to operate until June 14, 2100. The main purpose of the Bank is the execution and performance of all acts, contracts, and transactions permitted to banking establishments, subject to the requirements, restrictions, and limitations imposed by the laws especially those set forth in the Organic Statute of the Financial System.

The Bank and its subsidiaries have their main domicile in the city of Bogotá D.C., Colombia at Carrera 7 No. 24 - 89, as of December 31, 2023, operating through 95 offices in Colombia and have 5,370 employees, (as of December 31, 2022, it operated with 122 offices in Colombia and had 6,056 employees).

The direct and ultimate parent company of Scotiabank Colpatria S.A. is The Bank of Nova Scotia (Scotiabank), domiciled in Toronto, Canada.

The consolidated financial statements as of December 31, 2023, include the financial statements of the Bank and the following subsidiaries (hereinafter, the "Group"):

Subsidiary's Legal Name	Main Activity	Location	Shareholding % (1)
Fiduciaria Scotiabank Colpatria S.A.	Execution of all acts, contracts, and transactions permitted to trust companies, regulated by Colombian law. Its activity is mainly developed through administration, investment, guarantee, and real estate trusts.	Bogotá D.C.	94,64%
Scotia Securities (Colombia) S.A. Comisionista de Bolsa	The development of commission contracts for the purchase and sale of securities, the distribution of investment funds, and the performance of transactions on its own account.	Bogotá D.C.	94,90%
Crédito Fácil Codensa S.A. Compañía de Financiamiento – en liquidación	Entity in liquidation. In July 2023, the Financial Superintendency of Colombia was informed of the shareholders' final decision not to continue with the process of obtaining an operating license. The business will continue to operate through the current Commercial Agreement model, with no impact. By Public Deed No. 2634 of December 27, 2023, of the 10th Notary's Office of Bogotá D.C., registered with this Chamber of Commerce on December 29, 2023, under No. 03051003 of Book IX, the company was dissolved and entered into a state of liquidation.	Bogotá D.C.	50,99%

(1) The Bank's direct and indirect shareholding percentages in each of the subsidiaries have not changed as of December 31, 2023.

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

2. Relevant Issues

a. Capital Increase

The General Shareholders' Meeting of May 26, 2023, authorized to increase the Bank's capital and to decree, issue, and place ordinary shares, for which it was authorized to delegate the approval of the ordinary share subscription regulations to the Bank's Board of Directors, and Article 7 of the corporate bylaws was amended to increase the authorized capital from $350,000 to $432,150, represented in sixty-seven billion shares at a par value of 6.45 pesos. On November 20, 2023, based on (i) the Share Issuance and Placement Regulations and (ii) the share trading authorization duly approved by the Financial Superintendency of Colombia ("SFC" in its initials in Spanish), Multiacciones S.A.S. accepted the offer for the subscription of 5,618,410,945 ordinary shares of the Bank increasing its shareholding to 55.9817%.

The issued and paid ordinary shares were offered at a unit price of 44.4965 pesos and, therefore, the value of the capitalization corresponds to $250,000, distributed in $36,239 as capital and $213,761 as share issue premium.

The capitalization costs were recorded with a charge to the equity.

b. Countercyclical Portfolio Provisions

In order to promote financial stability, strengthen the healthy growth of the loan portfolio, and mitigate the impact of the current credit cycle on the financial system, particularly on credit institutions, the Financial Superintendency of Colombia issued External Circular 017 of November 30, 2023, which adopted transitory measures that will allow supervised entities to face the current economic conditions.

In line with this, Chapter XXXI - SIAR of the Basic Accounting and Financial Circular (BAFC) establishes the conditions to be met for credit institutions to be able to apply the methodology for calculating provisions in the decumulation phase. The purpose of these conditions is that, in downward trend periods, institutions may decumulate the countercyclical provisions created during the upward phase of the cycle, as long as a prudential level of provisions is maintained.

With the fulfillment of 3 of the 4 conditions established in the aforementioned chapter, the Superintendency authorized the Bank the plan to apply the calculation methodology in the decumulative phase. Given this, for December 2023, the model was applied by the decumulative phase releasing consumer portfolio provisions for $123,656 and commercial portfolio for $5,388. What has been described above applies to the Bank's separate financial statements and is recognized in profit or loss for the period.

For the consolidated financial statements, the adjustment resulting from the difference in the impairment of the loan portfolio between the local standard and the IFRS is recognized in other comprehensive income, which indicates that the impact described above is recognized in the consolidated income statement for the period.

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c. Liquidation of CFC Crédito Fácil Codensa S.A. Compañía de Financiamiento

On August 2, 2023, the Board of Directors of CFC Codensa decided not to continue with the process that was being carried out before the Financial Superintendency of Colombia to obtain the operating license to operate as Commercial financing company. It should be clarified that since this process had not been completed, CFC Codensa was in the pre-operational stage and had not started commercial activities.

This decision was informed to the regulator, clarifying that the Bank will continue to operate this business through the Current Model 'Commercial Agreement', which will continue to develop normally and without causing any impact to customers and/or suppliers. With this decision, the Bank's expectation of continuing with normal operation changes to an imminent liquidation.

As part of the voluntary liquidation process, CFC Codensa has initiated the relevant actions in accordance with the local regulations, mainly the legal precepts set forth in Chapters IX and X of the Code of Commerce, to conclude the termination of the company. By Public Deed No. 2634 of December 27, 2023, of the 10th Notary's Office of Bogotá D.C., registered with this Chamber of Commerce on December 29, 2023, under No. 03051003 of Book IX, the company was dissolved and entered into a state of liquidation.

At the time of the liquidation of CFC Codensa, Scotiabank Colpatria was the direct controlling company with a 50.99% equity interest, considering the provisions of the Financial Superintendency of Colombia.

3. Basis for the Preparation of the Consolidated Financial Statements

a. Declaration of Compliance with the Financial Information Accounting Standards Accepted in Colombia

The consolidated financial statements as of December 31, 2023, have been prepared in accordance with the Accounting and Financial Reporting Standards accepted in Colombia for Group 1 entities (Group 1 IFRS) established in Law 1314 of 2009, regulated by the 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, 938 of 2021, and 1611 of 2022, except for:

- The recognition, in other comprehensive income in equity, without affecting the profit or loss for the period, of the difference resulting between measuring the impairment of the loan portfolio in accordance with Chapter XXXI of the Basic Accounting and Financial Circular of the Financial Superintendency of Colombia in the separate financial statements and the measurement of the impairment of the loan portfolio under IFRS 9.

- The alternative allowed by Decrees 1311 of October 20, 2021, and 2617 of December 2022 to recognize, for accounting purposes in retained earnings in equity, the variation of the deferred income tax-derived from the increase in the income tax rate for the years 2021 and 2022, respectively.

- The recognition as an investment in a subsidiary of the Bank's investment in Crédito Fácil Codensa S.A. Compañía de Financiamiento, considering the provisions of the Financial Superintendency of Colombia.

The Group 1 IFRSs are based on the complete International Financial Reporting Standards (IFRS), issued and officially translated into Spanish by the International Accounting Standards Board (IASB).

b. Measurement Basis

The consolidated financial statements have been prepared on the basis of the historical cost except for certain significant items included in the consolidated statement of financial position:

- Financial instruments at fair value: The measurement basis is the fair value through the consolidated income statement.

- Equity instruments designated at initial recognition as at fair value through OCI: The measurement basis is fair value through other comprehensive income.

- Derivative financial instruments: Are measured at fair value through the consolidated income statement.

- Non-current assets held for sale: Measured at the lower of fair value less costs to sell and carrying amount.

- Employee benefits except for short-term defined benefits and termination benefits: Measured using the projected unit credit.

c. Functional and Presentation Currency

The items included in the Group's consolidated financial statements are expressed in the currency of the primary economic environment where the entity operates. The consolidated financial statements are presented "in Colombian pesos", which is the functional and presentation currency.

All information is presented in millions of pesos and has been rounded off to the nearest unit.

d. The Basis for the Presentation of Consolidated Financial Statements

In compliance with the requirements of the Financial Superintendency of Colombia, the Group prepares consolidated and separate financial statements. The separate financial statements are the basis for the distribution of dividends and other appropriations by the shareholders.

The consolidated financial statements are presented according to the following parameters:

- Consolidated statement of financial position: Assets and liabilities are presented in order of liquidity and maturity, respectively, because it is considered that for a financial institution, this method of presentation provides more reliable and relevant information. Consequently, in the notes to the consolidated financial statements, the amount expected to be recovered or paid within the following twelve (12) months and after twelve (12) months is disclosed for financial assets and liabilities.

- Consolidated income statement for the year and other comprehensive income: These are presented separately in two statements. In addition, the consolidated income statement is presented as discriminated by the nature of expenses, this model provides more appropriate and relevant information.

- Consolidated statement of cash flows: It is presented by the indirect method, in which the net flow from operating activities is determined by correcting net income for the effects of items that do not generate cash flow, net changes in assets and liabilities derived from operating activities, and for any other item whose monetary effects are considered investing or financing cash flows. Interest revenues and expenses received and paid are part of the operating activities.

The following concepts are considered in the preparation of the consolidated statement of cash flows:

- Operating Activities: These are the activities that constitute the main source of the Group's income.
- Investing Activities: These correspond to the acquisition, sale, or use by other means of long-term assets and other investments not included in cash and cash equivalents.
- Financing Activities: Activities that produce changes in the size and structure of the net equity and liabilities that are not part of operating or investment activities.

Use of Estimates and Judgments Affecting the Consolidated Statement of Financial Position

The preparation of the consolidated financial statements of the Group, in accordance with the Accounting and Financial Reporting Standards, accepted in Colombia (IFRS), requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the amounts of assets, liabilities, contingent assets and liabilities at the date of the consolidated statement of financial position, as well as the revenues and expenses for the year. Actual results may differ from these estimates.

The relevant estimates and assumptions are revised on a regular basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

Information about critical judgments and estimates in the application of accounting policies that have the most significant effect on the consolidated financial statements is described in the following notes:

- Note 6: Estimation of Fair Value of Financial Instruments.

Information about the fair values of level 1 (listed prices), level 2 (observable prices), and level 3 financial instruments are disclosed in note 6(c).

The fair values and valuation of financial instruments are determined in accordance with the fair value hierarchy.

The Group considers observable data those market data that are available, verifiable, and reflect the assumptions that market participants will use when pricing the asset or liability.

- Note 11: Impairment of Financial Assets

Financial assets carried at amortized cost are assessed for impairment on the basis described in the accounting policy. See note 4(c).

Impairment of financial assets is based on the Group's best estimate of the present value of cash flows expected to be received. In estimating these cash flows, the Group makes judgments about the financial condition of the counterparty and the value of the underlying collateral. Each impaired asset is evaluated on its own conditions and recovery strategy. The accuracy of the provisions depends on the estimates of future cash flows for specific counterparty provisions and on the model of parameters and assumptions used for the determination of the provisions, detailed in note 8(a).

- Note 13: Impairment of Loan Portfolio

The estimation of the loan portfolio impairment is carried out in accordance with the guidelines of the IFRS 9 under assumptions of recovery of future cash flows taking into account, among other criteria, the historical behavior of the loans, particular characteristics of the debtors, securities for the loans, among others. The Group periodically evaluates its loan and finance lease portfolio and determines whether there is a need to record impairment against profit or loss for the accounting period.

- Note 16: Properties and Equipment

In leases, when the Bank acts as the lessee, the variables used in the determination of the values of the assets and liabilities for the right of use in lease contracts, terms, and interest rate correspond to the best estimates that the Bank has made regarding the time of use of the assets and the financing rate that it would use for an asset under similar conditions.

For the evaluation of impairment of properties and equipment, it is required to determine the recoverable amount of the asset calculated through appraisals by independent experts or by its value in use.

- Note 18: Impairment of Goodwill

The evaluation of the impairment of goodwill requires the determination of the recoverable amount of the Cash-Generating Unit (CGU) that contains it, identified as the Bank's consumer and mortgage segment and calculated using the discounted free cash flow methodology at the rate that represents the Bank's funding cost. The Bank uses the best information available at the evaluation date to determine the variables to be included in the discounted cash flow and the rate to be used.

- Note 23: Employee Benefits

The measurement of post-employment benefit obligations (retirement pensions) and other long-term obligations depend on long-term premises and assumptions determined on an actuarial basis, including estimates of the present value of projected future benefit payments, considering the probability of potential future events, such as increases in the minimum wage and demographic experience. These premises and assumptions may have an effect on the amount and future contributions if there is any variation. The above, under the requirements of IAS 19 "Employee Benefits".

The discount rate allows for establishing future cash flows at the present value at the measurement date. The Group determines a long-term rate that represents the investment market rate for government bonds that are denominated in the currency in which the benefit will be paid and considers the timing and amounts of future benefit payments, for which the Group has selected the government bond rate.

Variations in liabilities for changes in actuarial assumptions are recorded in the consolidated income statement.

- Note 24: Estimates for Provisions for Legal Proceedings

To cover possible losses from labor, tax, and civil proceedings, the Group estimates and recognizes a provision according to the circumstances, using management's opinion based on the concepts of the external legal advisors. These estimates and judgments are in some cases uncertain, causing differences between actual and estimated disbursements, these differences are recognized in the period.

e. Going Concern

During the year 2023, the Bank has had a financial performance lower than that presented by the market given its high burden in operating expenses and low-income growth; this has been the result of high operating costs after strategic processes such as the purchase of assets and liabilities of the Consumer portfolio of Citibank Colombia, as well as the low-income growth compared with the market due to multiple adjustments in the risk appetite.

In order to mitigate the impact on the Bank's profit or loss three priorities have been defined: customers, employees, and sustained profitable growth. Around these priorities, the Bank has been focusing on transforming Retail Banking, consolidating Corporate Banking, and strengthening Commercial Banking with the development of new products, offering a comprehensive service in accordance with the customer's needs, and simplifying processes to improve the efficiency of the business.

The analysis of the current situation and the prospects leads management to conclude that, as of December 31, 2023, there is no uncertainty about facts, events, or conditions that may cast doubt on the Group's continued normal operations.

Foreign Currency

Transactions in currencies other than the functional currency are translated into Colombian pesos and are recognized at the exchange rate in effect at the transaction date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate at the date the fair value was determined.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are recognized at the exchange rate at the transaction date.

As of December 31, 2023 and 2022, the exchange rates used per dollar were $3,822.05 (in pesos) and $4,810.20 (in pesos), respectively.

4. Main Accounting Policies

The policies and basis of accounting established below have been consistently applied in the preparation of the consolidated financial statements, in accordance with the Accounting and Financial Reporting Standards (IFRS) Accepted in Colombia, including any accounting instructions of the Financial Superintendency of Colombia.

SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

a. Basis for Consolidation

Subsidiaries: Subsidiaries are those over which the Bank directly or indirectly exercises control. The Bank controls a subsidiary when by being involved therein, it is exposed or has the right to some variable returns from its involvement in the stake and has the ability to influence such returns through the power exercised over the subsidiary. The Bank has power when having rights that give the ability to direct the relevant activities. The subsidiaries' financial statements 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 those of the Bank.

Loss of Control: When control over a subsidiary is lost, the assets and liabilities of the subsidiary, any related non-controlling interest, and other components of equity are derecognized. Any resulting gain or loss is recognized in profit or loss. If any interest in the subsidiary is retained, it shall be measured at fair value at the date on which control is lost.

Interests in Joint Agreements: Joint agreements are those over which there is joint control, established by contracts that require unanimous consent for decisions related to activities that significantly affect the agreement's returns. They are classified and accounted for as follows:

- Joint Operation: When the Group is entitled to the assets and obligations with respect to the liabilities related to the agreement, it accounts for each asset, liability, and profit or loss (including those held or incurred jointly) in connection with the operation.

Transactions Eliminated from Consolidation: Intercompany balances and transactions, in addition to any unrealized income or expense, arising from transactions between the companies of the Group, are eliminated during the preparation of the consolidated financial statements. Unrealized gains from transactions with companies whose investment is recognized under the equity method of accounting are eliminated from the investment in proportion to the Bank'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.

In the consolidation process, the Bank combines the assets, liabilities, and profit or loss of the entities in which the Bank determines control and then proceeds to eliminate reciprocal transactions and unrealized profits between them. The interest of non-controlling interests in controlled entities is presented in equity separately from the Bank's shareholders' equity.

The consolidated financial statements include the assets, liabilities, equity, and profit or loss of the Bank and its subsidiaries.

The following is a detail of the interest of each subsidiary:

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	December 31, 2023					
Entity	Shareholding %		Assets	Liabilities	Equity	Profit or Loss of the Controlling Company for the Period
Scotiabank Colpatria S.A.	Parent Company	$	41.279.945	38.339.713	2.940.232	(300.303)
Scotia Securities (Colombia) S.A. Comisionista de Bolsa	94,90%		47.078	1.308	45.770	2.669
Fiduciaria Scotiabank Colpatria S.A.	94,64%		40.678	8.316	32.362	7.938
Crédito Fácil Codensa S.A. (in liquidation)	50,99%		20.241	210	20.030	(9.564)
Total Bank and subsidiaries			**41.387.942**	**38.349.547**	**3.038.394**	**(299.260)**
Eliminations and adjustments			668.861	249.042	419.820	49.225
Consolidation	**$**		**42.056.803**	**38.598.589**	**3.458.214**	**(250.035)**

	December 31, 2022					
Entity	Shareholding %		Assets	Liabilities	Equity	Profit or Loss of the Controlling Company for the Period
Scotiabank Colpatria S.A.	Parent Comp	$	43.059.020	40.197.202	2.861.818	151.352
Scotia Securities (Colombia) S.A. Comisionista de Bolsa	94,90%		44.197	1.071	43.126	(254)
Fiduciaria Scotiabank Colpatria S.A.	94,64%		36.791	7.517	29.274	4.995
Crédito Fácil Codensa S.A. (in liquidation)	50,99%		29.826	232	29.594	(2.012)
Total Bank and subsidiaries			**43.169.834**	**40.206.022**	**2.963.812**	**154.081**
Eliminations and adjustments			682.156	256.465	425.691	20.457
Consolidation	**$**		**43.851.990**	**40.462.487**	**3.389.503**	**174.538**

b. Classification and Measurement of Financial Assets and Liabilities

The Group applies the requirements of IFRS 9 to determine the basis of measurement of financial assets, the classification of debt instruments is determined based on the cash flow characteristics of assets and the business models that manage them.

Financial assets and liabilities are classified into one of the following measurement categories:

- Amortized cost (AC)
- Fair value through other comprehensive income (FVTOCI)
- Fair value through profit or loss (FVTPL)

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Business Model Evaluation

The business model evaluation involves determining whether financial assets are managed to generate cash flows. The business model evaluation is performed at the portfolio level, reflecting how groups of assets are managed together to achieve a particular business objective.

For the business model evaluation, the following factors are taken into consideration:

- How the performance of assets in a portfolio is evaluated and reported to key decision-makers within each line of business.
- The risks that affect the performance of assets held within a business model and how those risks are managed.
- Whether the assets are held for trading purposes, i.e., assets that are acquired or contracted primarily for the purpose of selling or repurchasing in the short term or are held as part of a portfolio that is managed together to earn profits or take short-term positions.
- How compensation is determined for the management of the lines of business of the Bank managing the assets; and
- The frequency and volume of sales in prior periods and expectations about future sales activity.

Evaluation of Cash Flow Characteristics

The evaluation of the contractual cash flow characteristics involves the evaluation of the contractual characteristics of an instrument to determine whether they give rise to cash flows that are consistent with a basic loan agreement, this is given only if principal and interest payments on the outstanding principal amount (SPPI) are represented.

The principal is defined as the fair value of the instrument at initial recognition. The principal may change during the term of the instruments due to repayments.

Interest is defined as the consideration for the time value of money and the credit risk associated with the outstanding principal amount and for other basic lending risks and costs (liquidity risk and administrative costs), as well as a profit margin.

In conducting this evaluation, consideration is given to contractual features that could change the amount or timing of contractual cash flows such that the cash flows are no longer consistent with a basic loan agreement. If any contractual features are identified that could modify the cash flows of the instrument such that they are no longer consistent with a basic loan agreement, the related financial asset is classified and measured at fair value through profit or loss.

Financial Assets and Liabilities Measured at Amortized Cost

Financial assets for loan portfolio are classified at amortized cost considering that the model is the placement and collection according to the contractual terms, which give rise on specific dates to cash flows that are solely payments of principal and interest on the capital balance.

Debt instruments are measured at amortized cost if they are held in a business model whose objective is to collect contractual cash flows and these represent only payments of principal and interest. Debt instruments measured at amortized cost for non-trading purposes are initially recognized at fair value including transaction costs. Subsequent to recognition, they are measured at amortized cost by capitalizing premiums, discounts, transaction costs, and commissions considered an integral part of the effective interest rate less impairment of accumulated value.

Financial Assets at Fair Value through Profit or Loss

Financial assets for trading purposes are measured at fair value in the consolidated financial statements, with transaction costs recognized immediately in the consolidated income statement.

Debt instruments are measured at fair value through consolidated profit or loss if they are held under a business model whose objective is not to collect contractual cash flows or if the cash flows do not represent only payments corresponding to principal and interest. They are initially recognized at fair value and any transaction costs immediately impact on profit or loss. Subsequently, they continue to be measured at fair value through consolidated profit or loss.

All financial liabilities are classified as measured subsequently at amortized cost using the effective interest method, except for:

a. It is held in a business model where the Group benefits from changes in its value, or it is held for trading (e.g., financial derivatives) or,
b. Since initial recognition, it has been designated to be measured at fair value through profit or loss.

Financial Assets Measured at Fair Value through Comprehensive Income

Debt instruments are measured through other comprehensive Income if they are held in a business model whose objective is to obtain contractual cash flows, sell assets and, in addition, the cash flows represent only payments of principal and interest. Debt instruments measured at fair value through other comprehensive income are initially recognized at fair value including transaction costs and subsequently, at fair value. Unrealized gains or losses are recognized in consolidated other comprehensive income and subsequently, recycled to the consolidated income statement upon realization.

For debt instruments, interest income and impairment losses (or reversals) will continue to be accounted for in the consolidated income statement. Premiums, discounts, and related transaction costs are amortized over the expected life in consolidated comprehensive income using the effective interest rate.

Equity instruments are measured at fair value through consolidated other comprehensive income, this decision is irrevocable. The accumulated fair value is not recycled through income statements at the time of sale of the instrument. Dividend income continues to be recognized in consolidated income unless it represents a clear recovery of the cost of the investment. Transaction costs initially capitalized are not subsequently recycled to consolidated income at the time of use.

Reclassifications of Financial Assets

Debt Instruments

Reclassification of debt instruments between measurement categories may occur only if the Bank and its subsidiaries identify a change in the business model for managing their financial assets. This reclassification will be applied prospectively from the date of reclassification, without re-expressing previously recognized gains or losses or interest (including losses due to impairment).

Equity Instruments

Reclassifications between measurement categories of equity instruments are not permitted; therefore, after initial recognition, an investment in an equity instrument may not be reclassified.

c. Impairment of Financial Assets

Expected impairment losses are determined based on the present value of cash flows related to default events occurring within 12 months of the reporting period, or over the expected life of the financial instrument depending on the credit deterioration since origination. Expected losses reflect a probability-weighted unbiased outcome that considers multiple scenarios based on reasonable and supportable forecasts.

The expected loss model contains a three-stage approach, which is based on the change in credit quality of loans since initial recognition. Under the first stage, there is no significant increase in credit risk, and an impairment loss corresponding to the next 12 months from the reporting date is recognized. Under the second stage, there is a significant increase in credit risk, and an impairment loss corresponding to the ECL (Expected Credit Loss) - estimates of expected credit loss - is recognized for the life of the loan, but the loans are not disclosed as in default. Under the third stage, where there is objective evidence of impairment, these financial assets are classified and disclosed as impaired assets and impairment continues to be recognized for the life of the loan.

The ECL model utilizes forward-looking information using reasonable and supportable forecasts of macroeconomic conditions in the determination of significant increases in credit risk and the measurement of expected credit losses.

For more specific details on how the Group calculates ECL including the use of forward-looking macroeconomic information, refer to note 8(a) - Credit Risk.

ECL impairments are presented in the Consolidated Statement of Financial Position as follows:

- Financial assets measured at amortized cost: as a deduction from the carrying amount of these assets.
- Debt instruments measured at fair value through other comprehensive income: No impairment is recognized in the consolidated statement of financial position because the carrying amount of these assets is adjusted to fair value. The calculated loss is discounted directly from the value and is recognized in other comprehensive income.
- Exposures recognized in off-balance sheet accounts including non-disbursed loan commitments, letters of credit, and financial guarantees: as a provision recognized in other liabilities.
- When a financial instrument includes a utilized and an unutilized component, and the Bank is unable to identify the ECL separately, the Bank presents a combined amount for both components. The joint amount is presented as a deduction from the carrying amount of the utilized component. Any excess over the impairment is presented as a provision (liability).

Measurement of Expected Credit Loss

The probability of default (PD), exposure at default (EAD), and loss given default (LGD) inputs used to estimate expected credit losses are modeled based on the macroeconomic variables that are most closely related to credit losses in the relevant portfolio.

The details of these statistical parameters/inputs are as follows:

- PD: An estimate of the probability of default over a given time horizon. A predetermined value can only occur at a given point in time during the estimated remaining useful life if the amount exposed has not been previously derecognized and is still in the portfolio.
- EAD: An estimate of the exposure at a predetermined future date, taking into account the expected changes in the exposure subsequent to the reporting date, including repayments of principal and interest, whether contractually scheduled or otherwise, expected repayments on committed exposures, and accrued interest on payments not made.
- LGD: An estimate of the loss arising in the event of a default occurring at a given point in time. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, including the realization of any collateral. It is generally expressed as a percentage of EAD.

Forward-Looking Information

The measurement of expected credit losses for each stage and the evaluation of significant increases in credit risk consider information about past events and current conditions, as well as reasonable and supportable forecasts of future events and economic conditions. The estimation and application of forward-looking information require significant judgment.

Macroeconomic Factors

In its models, the Bank depends on a wide range of forward-looking information as economic inputs, such as GDP growth, unemployment rates, bank rates, and house price indices. The inputs and models used to calculate expected credit losses do not always capture all market characteristics at the date of the consolidated financial statements. To reflect this, qualitative adjustments or overlays may be made as temporary adjustments using expert credit judgment.

Multiple Forward-Looking Scenarios

The Bank determines the provision for credit losses using three probability-weighted forward-looking scenarios. Internal and external sources of information are considered to achieve an unbiased measure of the scenarios used, preparing the scenarios using forecasts generated by Scotia Economics (SE). The forecasts are created using internal and external models/data which are then modified by SE as necessary to formulate a "base case" view of the future direction of relevant economic variables, as well as a representative range of other possible foreseeable scenarios. The process involves developing two additional economic scenarios and considering the relative probabilities of each outcome. The 'base case' represents the most likely outcome and is aligned with information used by the Bank for other purposes, such as strategic planning and budgeting. The other scenarios represent more optimistic and pessimistic outcomes.

Definition of Default:

The Bank considers a financial asset to be in default when:

- The borrower is not likely to pay its credit obligations to the Bank in full without the Bank resorting to actions such as the collateral enforcement action (if collateral is held).
- The borrower is more than (90) ninety days past due on any credit obligation.

- The requirements of IFRS 9 define judgments and assumptions with respect to assessing whether credit risk has significantly increased since initial recognition and incorporating forward-looking information in the measurement.

Impairment of Other Accounts Receivable

To determine the impairment of other accounts receivable, the Group applies a simplified loss model for accounts receivable that do not contain a significant financial component, in which impairment is measured as the value equal to the expected credit losses over the expected life of the asset. The Group's analysis excludes items with maturities of less than 30 days, the nature of the items and debtors is analyzed, and the historical behavior of accounts with uncollected balances is analyzed together with the details of the losses.

The Group calculates credit losses based on the historical credit loss expectation for each defined asset group, considering the type of customer, the nature of the transaction, and the type of collateral.

To measure impairment, the information available at the evaluation date on past events, current conditions, and forecasts of future conditions is considered.

Impairment of Investments in Debt Securities

Issuer's ratings of CCC or lower given by external rating agencies are considered default for fixed income investments, and also if:

- Contractual payments are not being made.
- The issuer is likely to go into liquidation or a similar legal situation of bankruptcy.

d. Hedge Accounting

The Bank has opted to continue to apply the hedge accounting requirements of IAS 39. However, it has implemented the additional disclosures required by the IFRS 9 and the amendments related to the IFRS 7 "Financial Instruments: Disclosures".

Cash flow hedges are used primarily to hedge variability in cash results related to variable rate financial instruments and highly probable forecasted revenues and expenses.

All hedging relationships, their objective, and the risk management strategy to carry out these hedging transactions are formally documented at the outset. Hedging documentation includes identification of the hedging instrument for the hedged item, the nature of the risk being hedged, and the methodology for measuring the effectiveness of the hedging instrument in offsetting exposure to changes in the fair value of the hedged item or changes in cash flows attributable to the hedged risk.

The Bank also formally evaluates, both at the inception of each hedge and on an ongoing basis, whether the hedging instruments are highly effective in offsetting changes in cash flows of the hedged items. Hedge ineffectiveness is measured and recorded in the consolidated income statement.

Fair Value Hedges

This type of hedge seeks to protect the fair value of the hedged item through the use of hedging instruments, in general, swaps that reflect the movements of the interest rate curve, as the case may be. In general, swaps used as hedges reflect future interest rate expectations, through the exchange of the variable rate (IBR) vs. the fixed rate.

Cash Flow Hedges

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability (i.e., future interest payments on a variable index) or highly probable future transactions that may affect profit or loss. Cash flows associated with a group of these items may be hedged as long as they meet the requirements detailed in the Cash Flow Hedging Policy established by the Bank.

For cash flow hedges, changes in the fair value of derivatives that are designated as hedge accounting and that are determined to be effective are recognized in Other Comprehensive Income.

The ineffective portion of the gain or loss on the hedging instrument is recognized immediately in profit or loss for the period in the "other revenues and expenses" item.

- Invoice Hedging

  The Bank makes payments in USD, for the purposes of this strategy, the hedged item is defined as the projections of the highly probable USD cash flows that the Bank would pay within a predefined and sufficiently bounded future period, starting with the first cash flow to be paid. The projected USD cash flows that are eligible to be hedged are based on the Bank's budget expenditure projection. The hedging instrument, in this case, is the purchase of dollars in the SPOT market, under the schedule of projected cash flows for the payments that are the hedged item.

Effectiveness Measurement

The effectiveness of the hedge is measured by comparing the changes in the value of the hedging instrument with the changes in the value of a hypothetical swap that reflects the conditions of the hedged item. In this way, the hypothetical swap is constructed using a notional amount equal to the hedging swap, a variable rate that reflects the rate paid on the hedged item, and a fixed rate in pesos that, at the beginning of the hedge, makes the initial valuation of the hypothetical swap equal to zero. Likewise, the measurement of effectiveness is carried out retrospectively and prospectively.

Derivative financial instruments designated as hedging instruments seek to reduce the volatility arising from various types of risk (interest rate risk, exchange rates, etc.), while hedge accounting allows relating the recognition of gains and losses of the hedging instruments with the hedged item so that they can be offset in profit or loss at the same time.

A hedge is effective if, at the beginning of the period and in subsequent periods, the changes in cash flows attributable to the hedged risk during the period for which the hedge was designated are offset and the hedge effectiveness is within a range of 80% to 125%.

Hedge accounting is discontinued when the Bank revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer meets the criteria for hedge accounting. Any cumulative gain or loss on the hedging instrument that has been recognized in equity will continue in equity until the forecasted transaction is ultimately recognized in profit or loss. When the forecasted transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

Derecognition of Financial Assets

The Group derecognizes a financial asset in the consolidated statement of financial position when the contractual rights over the cash flows of the financial asset expire, or when it transfers the financial asset during a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred, for example, the unconditional sale of financial assets, asset securitizations in which the assignor does not retain subordinated financing or grant any type of credit enhancement to the new holders, and other similar cases.

On derecognition of a financial asset in its entirety, the difference between the carrying amount of the asset and the sum of the consideration received and to be received and the cumulative gain or loss that has been recognized in other comprehensive income and retained earnings is recognized in profit or loss.

If the Group neither transfers nor retains substantially all the risks and benefits inherent to ownership and continues to retain control of the transferred asset, the Bank recognizes its interest in the asset and the associated obligation for the amounts it would have to pay. For example, sales of financial assets with a promise to repurchase for a fixed price or for the sale price plus interest.

If the Group retains substantially all the risks and benefits inherent to ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized loan for the resources received. For example, asset securitizations in which the assignor assumes subordinated financing or other type of credit enhancement for a portion of the transferred asset.

Accordingly, financial assets are only derecognized from the Statement of Financial Position when the rights over the cash flows that they generate have been extinguished or when the implicit risks and benefits have been substantially transferred to third parties.

e. Cash and Cash Equivalents

Cash and cash equivalents consist of cash balances, interbank funds, and demand deposits with original maturities of three months or less from the date of acquisition, subject to an insignificant risk of changes in fair value and are used by the Group in the management of its short-term commitments.

Ordinary interbank funds: Interbank funds are considered to be those placed or received by the Group directly from another financial institution, without any investment or loan portfolio transfer agreement. They are transactions related to the corporate purpose, agreed upon for a term not exceeding thirty (30) calendar days, provided that they seek to take advantage of excesses or make up for liquidity defects with them. Likewise, they include the so-called over-night transactions carried out with banks abroad using funds of the Group.

Interest income generated by the transaction is recorded in the consolidated income statement.

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f. Interest

Interest income is recognized in the consolidated income statement using the effective interest method. The effective interest rate is the discount rate that exactly equals the estimated cash flows receivable or payable over the expected life of the financial instrument (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. To calculate the effective interest rate, the Group estimates cash flows taking into account all contractual conditions of the financial instrument excluding credit losses.

The calculation of the effective interest rate includes all commissions and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

g. Fees and Commissions

The Group recognizes revenue from ordinary activities to represent the transfer of goods or services committed to customers for an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This will be reflected in accounting if it meets the following criteria:

- The parties to the contract have approved the contract (in writing, orally, or in accordance with other traditional practices of the business) and agree to comply with their respective obligations.
- The Group can identify the rights of each party with respect to the goods or services to be transferred.
- The Group may identify the payment conditions with respect to the goods or services to be transferred.
- The contract has a commercial basis (that is, the risk, timing, or amount of the entity's future cash flows are expected to change as a result of the contract.) The Group is likely to collect the consideration to which it is entitled in exchange for the goods or services that will be transferred to the customer. In assessing whether it is probable that the amount of consideration will be collected, the Group will consider only the customer's ability and intention to pay the consideration when due. The amount of consideration to which the entity will be entitled may be less than the price established in the contract if the consideration is variable, this is because the entity can offer the customer a price reduction.

The initial measurement will be the transaction price, and any subsequent amortization will be made in a systematic manner consistent with the transfer of the goods or services to the customer.

Transaction Price: The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring the goods or services committed to the customer, excluding amounts collected on behalf of third parties (taxes). The consideration committed in a contact with a customer may include fixed amounts, variable amounts, or both.

h. Properties and Equipment

Properties and equipment include property assets held by the Group for current or future use.

Recognition and Measurement

The Group recognizes an item of properties and equipment when it is probable that the economic benefits will flow to the entity and its cost can be measured reliably.

The initial measurement of properties and equipment is at cost, which is the cash equivalent amount at the date of recognition in books, plus attributable costs. Import duties, non-recoverable indirect taxes, trade deductions, and discounts, as well as estimates related to asset retirements, are also included.

Subsequent to its recognition as an asset, an item of properties and equipment is recorded at cost less accumulated depreciation and, if applicable, accumulated value of impairment losses. Gains and losses on the sale of an item of properties and equipment are recognized net in profit or loss.

Decommissioning

A provision is recognized for the estimated amount of the costs to decommission the leased assets to bring them to the condition in which they were initially received. The carrying amount of the decommissioning provision is estimated at the end of the reporting period.

Derecognition

An item of properties and equipment is derecognized when it meets the criteria for derecognition. That is, through its use or if the Group will not receive economic benefits from the asset through use or sale. Gains or losses on derecognition are recognized in profit or loss for the period.

Depreciation

The value incurred for depreciation of each period will be recognized in profit or loss for the period, using the straight-line method, according to the estimated useful lives that the Group considered will faithfully represent the term of time in which an element classified in this group of assets is expected to compensate an economic benefit.

The Group determined the useful life of each class or group of assets, which will be recorded as properties and equipment, taking into account the expected use of the assets, the expected physical wear and tear, the technical or commercial obsolescence, and finally, the legal limits or restrictions on the use of the asset.

The useful lives determined by the Group are:

Type of Property	Useful Life
Buildings	80 years
Equipment and furniture	10 years
Office supplies	10 years
Computer equipment	5 years
Vehicles	5 years
Leasehold improvements	7 years
Assets held for use	7 years
Improvements to owned property	10 years

i. Leases when the Bank and its Subsidiaries Act as the Lessee

Definition of Lease

The Group evaluates whether a contract is or contains a lease based on the definition of a lease. A contract is, or contains, a lease if the contract or a part of a contract conveys the right to control the use of an identified asset (the underlying asset) for a period of time in exchange for consideration. When the leased assets are not under a short-term contract (less than 12 months) or are of low value, they are recognized as an asset and a liability according to the following principles:

Initial Measurement of the Right-of-Use Asset

At the commencement date, the Group will measure a right-of-use asset at cost, which will comprise:

- The amount of the initial measurement of the lease liability.
- Lease payments made prior to or as of the commencement date less lease incentives received.
- Initial direct costs incurred by the lessee; and
- An estimate of the costs to be incurred by the lessee in decommissioning and removing the underlying asset and restoring the asset to the conditions required by the terms and conditions of the lease. The Group will recognize these costs as part of the cost of the right-of-use asset if liability on account of them is incurred.

Initial Measurement of Lease Liabilities

At the commencement date, the Group will measure the lease liability at the present value of the lease payments that have not been paid at that date. Lease payments will be discounted using the Bank's and subsidiaries' incremental borrowing rate.

At the commencement date, lease payments included in the measurement of the lease liability comprise subsequent payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- Fixed payments less any lease incentive receivable.
- Variable lease payments that depend on an index or rate initially measured using the index or rate at the commencement date.
- Value expected to be paid by the lessee as a residual value guarantee.
- Strike price of a call option if the entity is reasonably certain of exercising it.
- Penalty payments to terminate the lease, if the term of the lease reflects that the Bank and its subsidiaries will exercise the option to terminate the lease.

Subsequent Measurement

Subsequent Measurement of the Right-of-Use Asset

After the commencement date, the Group will measure its right-of-use asset by applying the cost model less accumulated depreciation and losses for impairment of value and adjusted for any measurement of the lease liability.

Subsequent Measurement of Lease Liabilities

After the commencement date, the Group will measure the lease liability:

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- Increasing the carrying amount to reflect the interest on the lease liability.
- Decreasing the carrying amount for lease payments made; and
- Re-measuring the carrying amount for re-measurements of or modifications to the lease and fixed lease payments that have been revised. The Group will perform this remeasurement by discounting the modified lease payments using the modified discount rate if there is a change in the lease term or there is a change in the evaluation of a call option of the underlying asset.

After the commencement date, the Group recognizes in profit or loss for the period the interest on the lease liability and the variable lease payments not included in the initial measurement on the date on which the conditions giving rise to these payments take place.

The Group has applied its judgment in determining the duration of the contracts in which extension clauses are included. The evaluation of whether the entity is reasonably certain to exercise such options has an impact on the term of the lease, which significantly affects the value of lease liabilities and right-of-use assets recognized.

j. Investment Properties

Investment properties are immovable properties held for the purpose of earning rental income or capital appreciation or both and not held for use in the supply of goods or services, or administrative purposes. Investment properties are initially measured at cost. The Group has adopted the cost model as its policy in the subsequent measurement of these properties.

The initial cost includes expenses that are directly attributable to the acquisition of the investment property. The cost of assets constructed by the entity itself includes the cost of materials and direct labor, any other costs directly attributable to the process of making the asset suitable to work for its intended use, and capitalized borrowing costs.

Subsequent measurement of investment properties is made at initial cost less depreciation and any impairment losses.

Any gain or loss on the sale of an investment property is recognized in the income statement.

At each accounting close, the Group analyzes whether there are any indications, both external and internal, that an asset is impaired. If there is evidence of impairment, the value of the impairment is estimated and recognized in the income statement for the period.

k. Intangible Assets

The Group's intangible assets correspond to assets of a non-monetary nature and without physical appearance. They are assets whose cost can be reliably estimated, and it is considered probable that the expected future economic benefits attributable to the asset will flow to the Group.

The initial measurement of intangible assets depends on how the Bank obtains the asset. An intangible asset may be obtained in the following ways: through separate acquisition, as part of a business combination, or internally generated assets.

An intangible asset acquired in a separate transaction is measured at cost, which includes the acquisition price, including import duties and non-refundable taxes on the acquisition, and any costs directly attributable to the preparation of the asset for its intended use. In business combinations, the value of the cost of the asset will be that corresponding to its fair value at the date of acquisition. For internally generated intangible assets, all expenditures in the research phase are recognized in the expense for the year in which they are incurred and those incurred in the development phase, necessary to create, produce, and prepare the asset for its intended use are capitalized.

Subsequent expenditures are capitalized only when they increase the future economic benefits incorporated into the specific asset related to these expenditures. All other expenditures, including expenditures to generate goodwill and marks internally, are recognized in profit or loss.

The Group's intangible assets are carried at cost less the accumulated amortization and amount of losses from value impairment.

Amortization is recognized in profit or loss based on the straight-line amortization method according to the estimated useful life,

Amortization is recognized in income based on the straight-line amortization method according to the estimated useful life, from the date on which they are available for use since they more accurately reflect the expected pattern of consumption of the future economic benefits related to the asset.

Amortization methods, useful lives, and residual values are revised each financial year and adjusted if necessary.

l. Goodwill

Goodwill represents the excess of the price paid over the fair value of assets and liabilities acquired in a business combination. Goodwill is subject to an annual impairment assessment and, if any, it is recorded in profit or loss. Once an impairment loss is recognized, it is not reversed in subsequent periods.

Impairment of Goodwill

In accordance with IAS 36, Impairment of Assets, the Bank tests for goodwill impairment recognized in the financial statements related to the acquisition of the consumer business, credit cards, and small-sized and medium-sized companies of Citibank Colombia S.A., and distributed to the cash-generating unit (CGU) identified during the current period. If as a result of this analysis, it is determined that the recoverable amount of the CGU exceeds the carrying amount, the unit and the goodwill attributed to that unit will be considered as not impaired. If the carrying amount of the unit exceeds its recoverable amount, the entity shall recognize the impairment loss of the value by first depleting the initially recorded goodwill.

For such calculation, the valuation of the cash-generating unit that has been assigned the respective goodwill in its acquisition is used, using the discounted cash flow method and considering the economic situation of the country and the banking sector, historical financial information, and projected growth of income and costs for three years and, subsequently, growth in perpetuity according to the projected growth of the economy, discounted at the rate that represents the Bank's funding cost, the main way in which the Bank is financed.

m. Impairment of Non-Financial Assets

The carrying amount of the Group's non-financial assets, excluding deferred tax assets, is revised in each balance sheet to determine whether there is any indication of impairment. If such indications exist, then the recoverable amount of the asset is estimated. An impairment loss is recognized if the carrying amount of an asset exceeds its recoverable amount.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs to sell. To determine the value in use, the estimated future cash flows are discounted to their present value, using a pre-tax discount rate that reflects current market assessments of the time value of money and the specific risks that may be in the asset.

Impairment losses recognized in prior periods are assessed at each balance sheet date for any indication that the loss has decreased or disappeared. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized.

n. Non-Current Assets Held for Sale

For an asset to be classified as non-current held for sale, it must meet the following conditions: Its carrying amount must be expected to be recovered essentially through a sale transaction; not be intended for use; the asset must be available in its present conditions for immediate sale, management must be committed to a business plan for the sale, and it is expected to occur within a period of less than 1 year.

Non-current assets held for sale are measured at the lower of the carrying amount and fair value less costs to sell at the measurement date.

o. Employee Benefits

The Group grants its employees the following benefits in exchange for services rendered by them:

Short-Term Benefits

These are employee benefits that are expected to be fully paid off within twelve months after the end of the annual reporting period.

The different employees of the Group are entitled to short-term benefits, such as salaries, vacations, legal and extra-legal bonuses, and severance payments & interest on severance payments under the labor regime Law 50 of 1990, and other extralegal benefits. These benefits granted to employees will be recognized once the requirements of enforceability are met, not only in accordance with the provisions of the Law, but also with respect to those extralegal benefits determined by the Group, and in consideration, however, of conditions such as type of contract, type and amount of salary, length of service, among other particular characteristics, as stipulated in the Group's internal policies. Therefore, it is expected that recognition will occur: Once the employee expresses his/her intention to use the benefits, either at the end of the terms determined by law or as a result of a definitive settlement of his/her employment contract.

Short-term employee benefit obligations are measured on an undiscounted basis and are recognized as expenses as the related service is provided.

Post-Employment Benefits

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Agreements whereby an entity provides benefits after the period of employment are post-employment benefit plans. Post-employment benefits are divided into two:

1. Defined Contribution Plans

   The Bank's legal obligation is limited to the amount it has agreed to contribute to the fund. The accounting is based on the value of the contributions agreed with the pension and severance pay fund at the rate required by the current labor legislation. Defined contribution plans do not require actuarial calculations. They are accounted for based on the contribution of the services rendered by the employee on a monthly basis.

2. Defined Benefit Plans

   If the Bank's obligation consists in providing the agreed benefits to the employees, where payment of the benefit to the employee is assumed in the future at the time of complying with the conditions required by the labor legislation, actuarial calculations are required to measure the obligation incurred, as well as the expense. The obligations are measured on a discounted basis by applying the Projected Unit Credit methodology1.

   Actuarial calculations to measure the obligations to employees for defined long-term benefits and obligations will be performed annually; however, management may perform the calculation with a different periodicity when an event occurs that impacts the behavior of the macroeconomic indicators and variables to be used.

Long-Term Benefits

These are all employee benefits that are expected to be fully paid off after twelve months following the end of the annual reporting period.

The liability for long-term employee benefits is determined based on the present value of the estimated future payments to be made to the employees, calculated based on an actuarial study prepared by the projected unit credit method, by using actuarial assumptions of mortality rates, salary increases, employee turnover, and interest rates determined by reference to current market yields of bonds at the end of the period of National Government issues or high-quality corporate obligations.

The Group grants its employees long-term extralegal seniority premiums 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 according to the nominal salary rate. Likewise, vacation and retirement benefits at the time of retirement are granted.

Termination Benefits

Termination benefits are employee benefits provided for the termination of the employment period as a result of the termination of the employee's contract before the normal retirement date. The Group recognizes a liability and an expense as termination benefits on the earlier of the following dates:

- When the entity can no longer withdraw the offer of those benefits.
- The time when the entity recognizes the costs of a reorganization.

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p. Contingent Assets

They are recognized when the Group has a present obligation, whether legal or constructive, as a result of a past event, where it is probable that it will have to give up resources that incorporate economic benefits to assume the obligation, and a reliable estimate can be made of the amount of the obligation, when some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an account receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount can be measured reliably.

The amount recognized as a provision should be the best estimate, at the end of the reporting period, of the expenditure required to assume the present obligation. Estimates shall be determined according to the professional judgment and the experience obtained in similar operations.

Provisions should be revised at the end of each reporting period and adjusted to reflect the best estimate available when it is no longer probable that resources incorporating economic benefits will flow out of the entity to meet the obligation.

Litigation

The Group estimates and recognizes a provision for litigation to cover possible losses from claims filed by employees and customers, civil, commercial, and tax lawsuits, based on management's opinion and supported by concepts of external legal advisors.

Onerous Contracts

A provision for onerous contracts is recognized when the economic benefits that the Group expects from the contracts are less than the unavoidable costs of complying with the established obligations.

q. Financial Guarantees

Financial guarantees are contracts that require the issuer to make specific payments to reimburse the holder for the loss incurred when a specific debtor fails to meet its payment obligation, in accordance with the conditions of a debt instrument.

Upon initial recognition, financial guarantees granted are accounted for by recognizing a liability at fair value, which corresponds to the present value of the commissions and yields to be received for such contracts throughout their term, with a balancing entry in assets of the number of similar commissions and yields collected at the beginning of the operations and accounts receivable for the present value of future flows to be received.

Financial guarantees are analyzed periodically in order to determine the credit risk to which they are exposed and to evaluate the need to establish a provision, which is determined by applying criteria similar to those established for quantifying impairment losses.

r. Taxes

Income Taxes

Income tax expenses include current and deferred tax. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income.

Current Taxes

Current tax is the amount payable or recoverable for income taxes and current taxes, calculated based on tax laws enacted or substantively enacted at the date of the consolidated statement of financial position. Management periodically evaluates the position taken in the income tax returns with respect to situations where tax laws are subject to interpretation and, if necessary, constitutes provisions for amounts expected to be payable to the tax authorities.

The Group estimates its tax liabilities based on an understanding of the country's tax legislation and also has independent tax advice for each situation that may require it. As of December 31, 2023, and December 31, 2022, the Management of the Bank and its subsidiaries considers that none of the administrative tax proceedings to which it is a party, individually or in an aggregate form, is material and that none will generate a significant financial impact; therefore, Management does not consider it necessary to disclose the possible contingencies that could arise from the legal proceedings in progress.

The Bank and its subsidiaries only offset current income tax assets and liabilities if there is a legal right before the tax authorities and intend to pay off the resulting debts for their net amount or otherwise, realize the assets and pay off the debts simultaneously.

Deferred Taxes

Deferred tax is recognized using the liability method, determined by the temporary differences between the tax bases and the carrying amounts of assets and liabilities included in the financial statements.

Deferred tax is recognized in profit or loss for the period, except for items that are recognized in equity or other comprehensive income. In these cases, the tax is also recognized in equity or other comprehensive income, respectively.

Deferred tax liabilities are the amounts payable in the future for income tax related to deductible temporary differences, while deferred tax assets are the amounts to be recovered for income tax due to the existence of deductible temporary differences, offsettable negative tax bases, or tax credits pending application. A temporary difference is defined as the difference between the carrying amount of assets and liabilities and their tax base.

The carrying amount of deferred tax assets is revised at the date of the consolidated statement of financial position and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be used.

Recognition of Deductible Temporary Differences

Deferred tax liabilities arising from deductible temporary differences are recognized in all cases except:

- When arising from the initial recognition of goodwill or from an asset or liability in a transaction other than in a business combination which, at the date of the transaction, do not affect the accounting profit or loss or the tax base;

- that they correspond to differences associated with investments in subsidiaries, partner companies, and joint ventures over which the Bank and its subsidiaries have the ability to control the timing of their reversal and it is not probable that their reversal will occur in the foreseeable future.

Recognition of Deductible Temporary Differences

Deferred tax assets arising from deductible temporary differences are recognized in all cases except for:

- Those cases in which the differences arise from the initial recognition of assets or liabilities in a transaction other than in a business combination which, at the date of the transaction, do not affect the accounting profit or loss or the tax base;
- those relating to temporary differences associated with investments in subsidiaries to the extent that the temporary differences will reverse in the foreseeable future and are expected to generate future positive tax revenues to offset the differences.

Tax planning opportunities are only considered in the evaluation of the recoverability of deferred tax assets if the Bank and its subsidiaries intend to adopt them or it is probable that they will be adopted.

Measurement

Deferred tax assets and liabilities are measured using the tax rates that apply in the financial years in which the assets are expected to be realized or the liabilities are expected to be settled, based on approved or about to be approved regulations and after considering the tax consequences that will follow from the manner in which the Group expects to recover the assets or settle the liabilities.

The Group revises the carrying amount of deferred tax assets at year-end to reduce such amount to the extent that it is not probable that there will be sufficient future positive tax bases to offset them.

Deferred tax assets that do not meet the above conditions are not recognized in the consolidated statement of financial position. The Group reconsiders at year-end whether the conditions for recognizing previously unrecognized deferred tax assets are met.

Deferred tax assets and liabilities are recognized in the consolidated statement of financial position as non-current assets or liabilities, regardless of the expected date of realization or settlement.

Non-monetary assets and liabilities of the Bank and its subsidiaries are measured in terms of their functional currency. If tax gains or losses are calculated in a different currency, exchange rate variations give rise to temporary differences and the recognition of a deferred tax liability or asset and to the recognition of a deferred tax liability or asset, and the resulting effect is charged or credited in profit or loss for the period.

Offsetting and Classification

The Bank and subsidiaries only offset deferred income tax assets and liabilities if there is a legal right of set-off before the tax authorities and such assets and liabilities correspond to the same tax authority. Deferred tax assets and liabilities are recognized in the Bank's consolidated statement of financial position as non-current assets or liabilities, regardless of the expected date of realization or settlement.

Deferred tax assets and liabilities are recognized in the statement of financial position as non-current assets or liabilities, regardless of the expected date of realization or settlement.

Industry and Commerce Tax

In application of Article 19 of Law 2277 of 2022, as of the tax year 2023, the possibility of taking 50% of the industry and commerce tax as a tax discount is eliminated.

5. Accounting Pronouncements Issued but Not Yet in Force

The Group monitors developments and changes in standards issued by the IASB and local regulators to measure the impact on the adoption of new standards on the consolidated financial statements.

a. New Rules and Interpretations Not Yet in Force

As of December 31, 2023, there have been no new rules or amendments issued by IASB that were adopted in advance or that have been adopted by the National Government.

b. Rules and Amendments Applicable from January 1, 2024:

Through Decree 1611 issued on August 5, 2022, the National Government adopts the amendments to IAS 1, IAS 8, IAS 12, and IFRS 16 issued by IASB during the first half of 2021, which modify the technical framework of the Financial Reporting Standards for Group 1 of the Single Regulatory Decree of Accounting, financial reporting, and information assurance standards, of Decree 2420 of 2015. These amendments will enter into force from January 2024.

The standards and amendments presented below do not generate a significant impact on the consolidated financial statements:

Affected Standard	Issued	Entry into Force	Detail
Amendment to IAS 1 *Disclosure of accounting policies*	February 2021	January 1, 2024	Companies must disclose material information about their accounting policies, and, in that sense, the amendment requires the application of the concept of materiality to disclosures of accounting policies.
Amendment to IAS 12 *Deferred taxes related to assets and liabilities arising from a single transaction*	May 2021	January 1, 2024	The modifications reduce the scope of the exemption on initial recognition so that it will not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognize a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a service withdrawal obligation.
Amendment to IAS 8 *Definition of accounting estimate*	February 2021	January 1, 2024	The amendment clarifies how companies must distinguish changes in accounting policies from changes in accounting estimates, specifying that a company develops an accounting estimate to achieve the objective previously defined in an accounting policy. This is in consideration of the fact that only the effects of changes in estimates are to be applied prospectively, while changes in accounting policies must be applied retrospectively.
Amendment to IFRS 16 *COVID-19-related rent reductions*	March 2021	January 1, 2024	Modification issued as a practical optional solution that simplifies the way in which the lessee accounts for rent reductions that are a direct consequence of COVID-19. The practical solution included in the 2020 modifications; the application of the practical file application has been extended by 12 months.

6. Estimation of the Fair Value of Financial Instruments

a. Determination of Fair Value

The Group has established processes to ensure that the valuation of financial instruments is appropriately determined.

The fair value of financial assets and liabilities that are traded in active markets is based on market prices listed at year-end.

An active market is a market in which transactions for assets and liabilities are carried out with sufficient volume and frequency to provide market price information on an ongoing basis.

Market observable prices represent a Hierarchy Level one (1) valuation. Where possible, valuations are based on observable market price inputs obtained in an active market.

Listed prices are not always available in the market, as well as transactions in inactive or illiquid markets. In these cases, internal models that maximize the use of observable inputs are used to estimate fair value. When the significant inputs to the models are observable, the valuation is classified in Hierarchy Level two (2).

When financial instruments are traded in an inactive market or using models where observable parameters do not exist and management judgment is required, to determine fair value, the use of unobservable inputs is necessary and, therefore, they are considered at Hierarchy Level Three (3).

The Group calculates the fair value of fixed-income instruments and derivatives on a daily basis, using price information provided by the officially designated official price vendor (PRECIA). This vendor has been authorized after complying with the rules applicable to price vendors for valuation in Colombia, including its purpose, operating regulations, approval process for valuation methodologies, and required technological infrastructure, among other aspects. After evaluating the methodologies of the price vendor PRECIA it is concluded that the fair value calculated for the derivative instruments based on prices and inputs provided by the price vendor is appropriate.

The level in the fair value hierarchy within which the fair value measurement is classified 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. Financial instruments that are listed in markets that are not considered active, but are valued based on listed market prices, quotations from price vendors, or alternative price sources supported by observable inputs are classified as Level 2.

If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, that measurement is a Level 3 measurement. The assessment of the significance of a particular input in the fair value measurement in its entirety requires professional judgment, taking into account factors specific to the asset or liability. The Group considers observable data those market data that are already available, are distributed or regularly updated by the price vendor, are reliable and verifiable, have no proprietary rights, and are provided by independent sources that actively participate in the market in question.

The main valuation techniques and inputs used in estimating the fair value of financial instruments classified in level 2 and level 3 are presented below.

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Type	Valuation Technique for Level 2	Main Inputs Used
Debt securities	Calculation of the present value of discounted financial instruments with curves constructed from observable data, taking into account market variables.	- RVU bond benchmarks (SEN/MEC system price)
Derivatives	Calculation of the present value of financial instruments and market comparison technique. Fair values are based on quotes from Bloomberg/ Reuters transactional systems, brookers: ICAP, Tradition, GFI, Tullet, CME, central banks.	Currency forwards: - Interest rates - Devaluations
	Quotes reflect current transactions in similar instruments.	- Exchange rates USD/COP options: - Interest rates - Devaluations - Volatility matrices - Exchange rates S&P500 options: - S&P500 Index - Volatility matrices Forwards on securities: - Underlying prices - Interest rates IRSs, interest rate, and currency hedging swaps: - Colombian and foreign interest rates (SOFR/IBR curves) - Exchange rates
Participating securities of Holding Bursátil Regional	Market valuation price calculated by auction within the valuation day.	Inputs published by the Price vendor

Type	Valuation Technique for Level 3	Main Unobservable Inputs	Interrelationship between significant unobservable information and fair value measurement
Variable income securities - Investment in Credibanco, ACH, Redeban	Discounted free cash flow	- Balance sheet and P&L projection assumptions (assets, liabilities, income, expenses) - Cost of debt - Cost of capital. - Perpetuity estimate	The estimated fair value may increase (decrease) if: - Balance sheet and income statement projections were higher (lower) according to market behavior and the investee company's use of resources. - The cost of debt would be higher (lower) according to the average funding rate used.

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Type	Valuation Technique for Level 3	Main Unobservable Inputs	Interrelationship between significant unobservable information and fair value measurement
			- The cost of capital was higher (lower) according to the estimates included in its calculation - The estimate of perpetuity was higher (lower) according to the expected growth of the Colombian economy
Investment in Titularizadora Colombiana	Discounted free cash flow	- Balance sheet and P&L projection assumptions (assets, liabilities, income, expenses) - Perpetuity estimate	The estimated fair value may increase (decrease) if: - The estimate of perpetuity was higher (lower) according to the expected growth of the Colombian economy

b. Determination of fair values of financial assets and liabilities carried at amortized cost determined solely for disclosure purposes

The following is a detail of how financial assets and liabilities recognized in the accounting records at amortized cost and which are valued at fair value for disclosure purposes only were valued.

- **Loan Portfolio**

The estimated fair value of the loan portfolio reflects changes in the general level of interest rates that have occurred since the loan portfolio was originated or acquired. The specific valuation methods used are the following:

For the fixed-rate portfolio, the fair value is determined by discounting the expected future cash flows thereof, based on market interest rates for loan portfolios with similar terms and risks.

For a floating rate loan portfolio, the fair value is determined without considering the potential adjustment to changes in credit spreads; therefore, the fair value is supposed to be equal to the carrying amount.

- **Deposits, Subordinated Bonds, and Financial Obligations**

The fair values of deposits payable on demand or on notice or customer deposits, subordinated bonds, and floating rate financial obligations payable at a fixed term are not adjusted for changes in credit spreads; therefore, the fair value of these types of deposits is supposed to be equal to their carrying amount.

The estimated fair value of fixed-rate deposits payable at a fixed term is determined by discounting the contractual cash flows based on the market interest rates offered for deposits with similar conditions and risks.

c. Carrying Amount and Fair Value

The following table shows the carrying amount, fair value, and fair value hierarchy of financial instruments assets and liabilities:

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		December 31, 2023				
		Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
ASSETS						
Cash	$	**2.576.346**	**2.576.346**	**-**	**-**	**2.576.346**
Investments at fair value through profit or loss - Debt securities		**663.112**	**663.112**	**-**	**-**	**663.112**
Issued or guaranteed by the nation and/or foreign governments		542.019	542.019	-	-	542.019
Issued or guaranteed by other financial institutions		121.093	121.093	-	-	121.093
Investments at fair value through profit or loss - Equity instruments		**19.844**	**-**	**-**	**19.844**	**19.844**
Investments at amortized cost		**1.567.625**	**-**	**1.554.588**	**-**	**1.554.588**
Issued or guaranteed by the Colombian government		1.567.625	-	1.554.588	-	1.554.588
Investments at fair value through OCI		**2.230.081**	**2.096.135**	**6.586**	**127.360**	**2.230.081**
Issued or guaranteed by the Colombian government		2.096.135	2.096.135	-	-	2.096.135
Equity instruments		133.946	-	6.586	127.360	133.946
Trading derivatives		**1.709.144**	-	**1.709.144**	**-**	**1.709.144**
Currency forward		1.184.623	-	1.184.623	-	1.184.623
Currency swap		37.097	-	37.097	-	37.097
Interest rate swap		448.726	-	448.726	-	448.726
Spot transactions		90	-	90	-	90
Currency options		38.608	-	38.608	-	38.608
Hedging derivatives		**179.368**	**-**	**179.368**	**-**	**179.368**
Currency rate swap		174.558	-	174.558	-	174.558
Interest rate swap		4.810	-	4.810	-	4.810
Loan portfolio		**29.846.914**	**-**	**-**	**32.939.584**	**32.939.584**
Commercial portfolio		12.015.350	-	-	11.965.176	11.965.176
Consumer portfolio		19.230.146	-	-	20.974.408	20.974.408
Portfolio impairment		(1.398.582)	-	-	-	-
Total financial assets	$	**38.792.434**	**5.335.593**	**3.449.686**	**33.086.788**	**41.872.067**
LIABILITIES						
Trading derivatives		**1.352.523**	**-**	**1.352.523**	**-**	**1.352.523**
Currency forward		803.813	-	803.813	-	803.813
Security forward		292	-	292	-	292
Currency swap		36.781	-	36.781	-	36.781
Interest rate swap		454.017	-	454.017	-	454.017
Currency options		57.620	-	57.620	-	57.620
Hedging derivatives		**234.948**	**-**	**234.948**	**-**	**234.948**
Currency swap		189.464	-	189.464	-	189.464
Interest rate swap		45.484	-	45.484	-	45.484
Customer deposits		**29.141.927**	**-**	**-**	**27.883.112**	**27.883.112**
Bank current account deposits		1.987.552	-	-	1.987.552	1.987.552
Term deposit certificates		14.974.901	-	-	13.716.086	13.716.086
Savings deposits		11.435.124	-	-	11.435.124	11.435.124
Others		744.350	-	-	744.350	744.350
Financial obligations		**5.508.629**	**-**	**-**	**5.508.629**	**5.508.629**
Interbank funds		2.421.002	-	-	2.421.002	2.421.002
Bank loans		2.429.827	-	-	2.429.827	2.429.827
Loans rediscount entities		500.303	-	-	500.303	500.303
Leases		150.307	-	-	150.307	150.307
Other financial obligations		7.190	-	-	7.190	7.190
Investment securities		1.373.606	-	-	1.294.244	1.294.244

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		December 31, 2023				
		Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
Total financial liabilities	$	**37.611.633**	**-**	**1.587.471**	**34.685.985**	**36.673.456**

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		December 31, 2022				
		Carrying Amount	Level 1	Level 2	Level 3	Total Fair Value
ASSETS						
Cash	$	**2.966.199**	**2.966.199**	**-**	**-**	**2.966.199**
Investments at fair value through profit or loss - Debt securities		**1.133.395**	**1.133.395**	**-**	**-**	**1.133.395**
Issued or guaranteed by the nation and/or foreign governments		618.610	618.610	-	-	618.610
Issued or guaranteed by other financial institutions		514.785	514.785	-	-	514.785
Investments at fair value through profit or loss - Equity instruments		**18.347**	**-**	**-**	**18.347**	**18.347**
Investments at amortized cost		**1.537.409**	**-**	**1.522.979**	**-**	**1.522.979**
Issued or guaranteed by the Colombian government		1.537.409	-	1.522.979	-	1.522.979
Investments at fair value through OCI		**1.615.395**	**1.498.492**	**-**	**116.903**	**1.615.395**
Issued or guaranteed by the Colombian government		1.493.289	1.493.289	-	-	1.493.289
Equity instruments		122.106	5.203	-	116.903	122.106
Trading derivatives		**904.442**	**-**	**904.442**	**-**	**904.442**
Currency forward		176.096	-	176.096	-	176.096
Security forward		405	-	405	-	405
Currency swap		17.500	-	17.500	-	17.500
Interest rate swap		696.168	-	696.168	-	696.168
Spot transactions		54	-	54	-	54
Currency options		14.219	-	14.219	-	14.219
Hedging derivatives		**154.632**	**-**	**154.632**	**-**	**154.632**
Currency rate swap		138.721	-	138.721	-	138.721
Interest rate swap		15.911	-	15.911	-	15.911
Loan portfolio		**34.502.179**	**-**	**-**	**33.821.369**	**33.821.369**
Commercial portfolio		14.785.398	-	-	14.538.113	14.538.113
Consumer portfolio		19.716.781	-	-	19.283.256	19.283.256
Total financial assets	$	**42.831.998**	**5.598.086**	**2.582.053**	**33.956.619**	**42.136.758**
LIABILITIES						
Trading derivatives		**957.613**	**-**	**957.613**	**-**	**957.613**
Currency forward		208.450	-	208.450	-	208.450
Security forward		138	-	138	-	138
Currency swap		30.689	-	30.689	-	30.689
Interest rate swap		701.688	-	701.688	-	701.688
Spot transactions		769	-	769	-	769
Currency options		15.879	-	15.879	-	15.879
Hedging derivatives		**10.024**	**-**	**10.024**	**-**	**10.024**
Interest rate swap		10.024	-	10.024	-	10.024
Customer deposits		**32.871.094**	**-**	**-**	**32.953.499**	**32.953.499**
Bank current account deposits		2.029.744	-	-	2.029.744	2.029.744
Term deposit certificates		13.645.216	-	-	13.727.621	13.727.621
Savings deposits		16.570.421	-	-	16.570.420	16.570.420
Others		625.713	-	-	625.714	625.714
Financial obligations		**4.210.736**	**-**	**-**	**4.210.736**	**4.210.736**
Interbank funds		336.113	-	-	336.113	336.113
Bank loans		3.086.492	-	-	3.086.492	3.086.492
Loans rediscount entities		595.251	-	-	595.251	595.251
Leases		185.128	-	-	185.128	185.128
Other financial obligations		7.752	-	-	7.752	7.752
Investment securities		**1.373.919**	**-**	**-**	**1.373.919**	**1.373.919**
Total financial liabilities	$	**39.423.386**	**-**	**967.637**	**38.538.154**	**39.505.791**

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d. Valuation of Equity Instruments Level 3

The Group has investments in this type of instruments in Redeban Multicolor S.A., Credibanco S.A., ACH Colombia S.A., and Titularizadora Colombiana S.A. In accordance with paragraph (a) of this note, the valuation method used is discounted free cash flow, constructed based on the valuator's own projections, income, costs, and expenses of the entity to be valued over a period of five years, taking historical information obtained from the company and residual values determined with growth rates in perpetuity established by the valuator in accordance with his experience. These projections and residual values were discounted at interest rates constructed with curves taken from price vendors adjusted for estimated risk premiums and taking into account the risks associated with the company being valued.

The following is a summary of the ranges of the main variables used in the valuation of each of these companies:

- **Redeban Multicolor S.A.**

Results of the Valuation by Selected Approach	
Present value adjusted by the discount rate	250.045
Number of outstanding shares	15.791.803
Valuation price per share (pesos)	15.833,82

Present Value Adjusted by Discount Rate	
Variables	**The Range Used for Valuation**
Income (growth % over 5 years)	7,0% -15,9%
Growth in residual values after 5 years	3,10%
Equity cost rate	15,06% - 17,50%

The following is a list of the published price sensitivities whose variables were defined by the investor; this investment is recognized in the income statement:

Present Value Adjusted by Discount Rate					
No. of Shares	**Published Price per Share**	**Variables**	**Favorable Impact**	**Variation**	**Unfavorable Impact**
15.791.803	15.833,82	Revenue	16.020,28	+/- 1%	15.647,36
		Growth in residual values after 5 years	16.280,96	+/- 1% of the gradient	15.415,07
		Equity cost rates	16,809.53	+/- 50PB	14.946,00

- **Credibanco S.A.**

Variable	Rank % 2023p – 2027p
Internal inflation	Between 3,1% and 9,40%
Gross domestic product	Between 1,20% and 3,10%

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The following table includes a sensitivity analysis of changes in these variables in the Bank's equity considering that variations in the fair value of this investment are recognized in Other Comprehensive Income in equity.

Present Value Aadjusted by Discount Rate				
Variables	Published Price per Share	Variation	Favorable Impact	Unfavorable Impact
Income	118.92	+/- 1%	122.76	115.08
Growth in residual values after 5 years		+/- 1% of the gradient	126.93	112.27
Discount interest rates		+/- 50 PB	125.37	113.05

- **ACH Colombia S.A.**

Results of the Valuation by Selected Approach	
Present value adjusted by the discount rate	$1.104.002
Number of outstanding shares	6.594.807
Valuation price per share (pesos)	$167.404,87

Present Value Adjusted by Discount Rate	
Variables	The Range Used for Valuation
Income (growth %)	Average 9,96%
Equity cost rate	15,60% - 13,74%

- **Titularizadora Colombiana S.A.**

Results of the Valuation by Selected Approach	
Present value adjusted by the discount rate	$17.060.626
Number of outstanding shares	3.800.369
Valuation price per share (pesos)	$4,49

Present Value Adjusted by Discount Rate	
Variables	The Range Used for Valuation
Income (growth % over 5 years)	5,0% - 36,2%
Growth in residual values after 5 years	4,36%
Discount rate	15,6% - 22,6%

The following is a list of the published price sensitivities whose variables were defined by the investor:

Present Value Adjusted by Discount Rate					
No. of Shares	Published Price per Share	Variables	Favorable Impact	Variation	Unfavorable Impact
3.800.369	4,5	Revenue (*)	48.817.753	+/- 1%	NA
		Growth in residual values after 5 years	2.993.708	+/- 1% of the gradient	NA

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		Equity cost rates	a general cost of the sector is calculated, not an equity of the entity	+/- 50PB	NA

(*) Average of the 5 years of valuation

e. Transfer of Hierarchy Levels

During 2023, there were no transfers of fair value levels. In the year 2022, there was a transfer from Level 1 to Level 2 for $1,254,464 of Negotiable debt securities; there were no transfers from Level 2 and Level 1 from or to Level 3:

f. Reconciliation Hierarchy Level 3

		Equity Instruments
Balance as of December 31, 2022		**135.250**
Valuation adjustment with effect on profit or loss		(3.518)
Valuation adjustment with effect on OCI		15.472
Balance as of December 31, 2023	**$**	**147.204**
Balance as of December 31, 2021		**120.345**
Valuation adjustment with effect on profit or loss		(2.411)
Valuation adjustment with effect on OCI		17.316
Balance as of December 31, 2022	**$**	**135.250**

7. Operating Segments

An operating segment is a component of the Group that develops business activities from which revenues may be earned from ordinary activities and costs and expenses may be incurred and whose operating results are regularly assessed by the Group's highest decision-making authority, which decides on the resources to be allocated to each segment and evaluates its performance. These segments meet the quantitative thresholds that are reported.

In order to structure the Group's segments, a project was generated where a segmentation was made aimed at separating the customers by sales level for companies and by income level for individuals, likewise, it was taken into account the transactional products that the customer acquires with a Group entity.

As of December 31, 2023, the Group has five (5) operating segments: Commercial, Consumption, Housing, Treasury, and Others. These segments offer different products and services and are managed separately according to the Group's internal management and reporting structure.

- **Commercial:** Legal entities with commercial portfolio products, ordinary, construction, factoring, promotion, corporate revolving, savings accounts, checking accounts, and term deposits. The companies that make up this segment are corporate, business, and SMEs, companies with sales of more than US$50 million per year and that have a relationship with the Bank for credit products and transactional products.

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- **Consumption:** Individuals with credit card products, free investment consumption, personal revolving, vehicle loans, payment orders, savings accounts, checking accounts, and term deposits.

- **Housing:** Individuals with housing loans.

- **Treasury:** Capital Market Desk, forwards, options, spot, interbank, and fixed income products; ALM Public Debt Desk, private debt and debt reduction securities, and subsidiaries.

- **Others:** Others includes segments not listed above, comprising the cost of funds from deposits managed by the funding unit, portfolio sales, sales of foreclosed assets, other income related to allies, and information from subsidiaries.

The results of these business segments are based on the Group's internal financial reporting systems. The accounting policies applied by these segments are the same as those adopted by each Group entity.

The financing value of internal transfer prices of assets and liabilities is established using market rates, and expenses are allocated to each segment equally using several parameters.

Performance is measured on the basis of segment profit before income tax, as the Group's management believes it is relevant to evaluate certain segments related to other entities operating within the industry.

Information related to the results of each segment is presented below:

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		December 31, 2023					
		Commercial	Consumption	Housing	Treasury	Others	Total
Income (expenses) from external ordinary activities							
Net interest income	$	256.261	2.067.135	683.935	363.254	(1.501.140)	1.869.445
Net commission income		157.473	885.458	32.178	101.814	(549.688)	627.235
Net trading income (expenses)							
Operating expenses, net		(436.959)	(1.443.988)	(134.217)	(60.405)	178.975	(1.896.594)
Other income (expenses) from ordinary activities, net		35.660	(20.568)	(1.158)	26.581	473.558	514.073
Total, income (expenses) from operating segments, net	**$**	**12.435**	**1.488.037**	**580.738**	**431.244**	**(1.398.295)**	**1.114.159**
Other non-cash material items							
Impairment of value of financial assets		(31.910)	(1.283.122)	(14.560)	-	(150.785)	(1.480.377)
Operating segment income (loss) before income taxes	**$**	**(19.475)**	**204.915**	**566.178**	**431.244**	**(1.549.080)**	**(366.218)**
Taxes		6.607	(69.518)	(192.077)	(146.300)	513.345	112.057
Net income (loss) for the period	**$**	**(12.868)**	**135.397**	**374.101**	**284.944**	**(1.035.735)**	**(254.161)**
Operating segment assets		11.999.858	11.598.785	6.733.203	6.349.867	5.375.090	42.056.803
Operating segment liabilities		20.163.975	9.366.868	74.909	1.587.471	7.405.366	38.598.589

		December 31, 2022					
		Commercial	Consumption	Housing	Treasury	Others	Total
Income (expenses) from external ordinary activities							
Net interest income	$	169.795	1.901.567	616.365	175.149	(624.256)	2.238.620
Net commission income		170.845	840.167	35.156	108.772	(579.864)	575.076
Net trading income (expenses)							
Operating expenses, net		(432.046)	(1.484.766)	(165.255)	(61.699)	212.076	(1.931.690)
Other income (expenses) from ordinary activities, net		19.739	(13.318)	1.385	(2.557)	277.893	283.142
Total, income (expenses) from operating segments, net	**$**	**(71.667)**	**1.243.650**	**487.651**	**219.665**	**(714.151)**	**1.165.148**
Other non-cash material items							
Impairment of value of financial assets		(11.665)	(669.683)	(18.915)	-	(194.898)	(895.161)
Operating segment income (loss) before income taxes	**$**	**(83.332)**	**573.967**	**468.736**	**219.665**	**(909.049)**	**269.987**
Taxes		22.178	(152.760)	(124.752)	(58.463)	217.615	(96.182)

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	December 31, 2022					
	Commercial	Consumption	Housing	Treasury	Others	Total
Net income (loss) for the period	**$ (61.154)**	**421.207**	**343.984**	**161.202**	**(691.434)**	**173.805**
Operating segment assets	14.823.869	12.345.390	6.624.821	5.322.835	4.735.075	43.851.990
Operating segment liabilities	22.102.169	8.361.076	79.199	967.637	8.952.406	40.462.487

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8. Financial Risk Management

The Group assumes overall liability for the establishment and supervision of a framework for managing the various risks to which it is exposed, credit risk, liquidity risk, market risk, operational risk, money laundering risk, and issuer and counterparty risk. The Group's risk management policies are established to identify and analyze the risks it faces in order to set appropriate risk limits and controls and to monitor risks and compliance with limits. Risk management policies and systems are revised periodically to reflect changes in management and procedures and are intended to develop a strong internal control environment.

The Audit Committee of the Bank and its subsidiaries supervises the risk management process and monitors compliance with the risk management policies and is assisted in its supervisory role by Internal Audit, which conducts ongoing checks of risk management controls.

a. Credit Risk

Credit risk is the risk of financial loss faced by the Group if a customer or counterparty in a financial instrument fails to meet its contractual obligations, and arises mainly from the Group's loans, accounts receivable from customers, investment instruments, and derivative transactions. The credit risk management strategy defines the target market, and the risk tolerance levels to be assumed. The objective of the credit risk management strategy is to ensure that all the Group's lines of business are included.

For risk management reporting purposes, the Group considers and consolidates all credit risk exposure elements such as the debt service, the non-payment risk, and the sector risk.

Credit quality is considered a reliable representation of the information provided by those financial institutions in which the Group maintains cash funds.

Consolidated Credit Risk Exposure

The Group has exposures to credit risk defined as the debtor causing a financial loss by not meeting its obligations in a timely manner and for the total amount of the debt. The credit risk exposure of the Bank and its financial subsidiaries arises from their lending activities and transactions with counterparties that result in the acquisition of financial assets.

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

		December 31, 2023	December 31, 2022
Assets			
Debt instruments at fair value through profit or loss			
National and/or foreign governments	$	542.019	618.593
Financial entities		121.093	514.802
		663.112	**1.133.395**
Debt instruments at fair value through OCI			
National Government		2.096.135	1.493.289

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		December 31, 2023	December 31, 2022
Debt instruments at amortized cost			
National Government		1.567.625	1.537.409
Trading derivatives		1.709.144	904.442
Hedging derivatives		179.368	154.632
Loan portfolio			
Commercial portfolio		12.015.350	14.785.398
Consumer portfolio		19.230.146	19.716.781
Accounts receivable		892.796	275.410
Total financial assets with credit risk	$	**38.353.676**	**40.000.756**
Credit risk outside the Statement of Financial Position			
Financial guarantees and letters of credit		2.449.564	2.862.055
Credit limit		15.986.452	17.912.989
Total exposure to credit risk outside the Statement of Financial Position	$	**18.436.016**	**20.775.044**
Total maximum exposure to credit risk	$	**56.789.692**	**60.775.800**

Credit quality of cash and cash equivalents

The credit quality determined by independent risk rating agencies of the financial institutions in which the Group deposits funds is as follows:

		December 31, 2023	December 31, 2022
Banco República	$	693.450	1.549.497
Investment grade		1.138.426	534.796
Non-investment grade		744.470	881.906
Total	$	**2.576.346**	**2.966.199**

Cash and cash equivalents are maintained with Banco República and financial institutions supervised by the Financial Superintendency of Colombia.

Credit Quality of Financial Investment Assets

Below is a detail of the credit quality determined by independent rating agents of the main counterparties in debt and equity securities, in which the Group has investments at fair value through profit or loss, at amortized cost, and at fair value through other comprehensive income:

		December 31, 2023	December 31, 2022
Investments at fair value through profit or loss, representing debt			
Issued or guaranteed by the national government or foreign governments	$	542.019	618.610
Investment grade		121.093	514.785

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		December 31, 2023	December 31, 2022
		663.112	**1.133.395**
Investments at fair value through profit and loss, equity instruments			
Investment grade		19.844	18.347
		19.844	**18.347**
Investments at fair value through OCI, representing debt			
Issued or guaranteed by the national government or foreign governments		2.096.135	1.493.289
		2.096.135	**1.493.289**
Investments at fair value through OCI, equity instruments			
Investment grade		133.946	122.106
		133.946	**122.106**
Investment at amortized cost			
Investment grade		1.567.625	1.537.409
	$	**1.567.625**	**1.537.409**

Credit Quality of Derivatives

The counterparty risk rating of derivative financial instruments for trading and hedging assets is detailed below:

		December 31, 2023					
		Forwards	Cash Options	Currency Options	Swaps	Hedging Swaps	Total
Investment grade	$	1.084.590	90	37.645	444.386	179.368	1.746.079
Speculation		99.604	-	963	41.437	-	142.004
Medium risk		429	-	-	-	-	429
	$	**1.184.623**	**90**	**38.608**	**485.823**	**179.368**	**1.888.512**

		December 31, 2022					
		Forwards	Cash Options	Currency Options	Swaps	Hedging Swaps	Total
Investment grade	$	153.784	54	12.994	708.963	154.632	1.030.427
Speculation		22.717	-	1.225	4.705	-	28.647
	$	**176.501**	**54**	**14.219**	**713.668**	**154.632**	**1.059.074**

The counterparty risk rating of derivative financial instruments for trading and hedging liabilities is detailed below:

		December 31, 2023				
		Forwards	Currency Options	Swaps	Hedging Swaps	Total
Investment grade	$	781.436	56.991	454.967	234.948	1.528.342

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Speculation		22.669	629	35.831	-	59.129
	$	**804.105**	**57.620**	**490.798**	**234.948**	**1.587.471**

		December 31, 2022					
		Forwards	Cash Options	Currency Options	Swaps	Hedging Swaps	Total
Investment grade	$	145.937	768	15.572	657.774	10.024	830.075
Speculation		62.651	1	307	74.603	-	137.562
	$	**208.588**	**769**	**15.879**	**732.377**	**10.024**	**967.637**

Criteria for the Assessment, Rating, and Provisioning of Credit Risk

For credit rating purposes, the Group permanently assesses the risk incorporated into its credit assets, both at the time of granting loans and throughout the life of these, including restructuring cases. To this effect, the Group designed and adopted a CRMS (Credit Risk Management System) which consists of credit risk management policies and processes, internal models based on Scotiabank's methodology for the estimation or quantification of expected and incurred losses, a system of provisions to cover credit risk and internal control processes.

The granting of loans is based on the knowledge of the borrower, its capacity to pay, and the characteristics of the contract to be entered into, which include, among others, the financial conditions of the loan, the guarantees, the sources of payment, and the macroeconomic conditions to which it may be exposed.

In the granting process, for each of the portfolios, variables have been established that allow discriminating the borrowers that adjust to the Group's risk profile. The processes of segmentation and discrimination of loan portfolios and the potential borrowers serve as a basis for their internal rating. The methodologies and procedures implemented in the granting process allow for monitoring and controlling the credit exposure of the different portfolios and the aggregate portfolio, avoiding an excessive concentration of credit by the debtor, economic sector, economic group, risk factor, etc.

The Group conducts continuous monitoring and internal rating of credit operations in accordance with the granting process, which is based, among other criteria, on information related to the historical behavior of portfolios and loans, the particular characteristics of the debtors, their loans and collateral backing them, the debtors' credit behavior with other entities and financial information that allows knowing their financial situation and the sectorial and macroeconomic variables that affect the normal development of them.

Restructurings

The restructuring of a loan is any mechanism through which the Bank grants new conditions to the borrower, with the purpose of modifying the originally agreed contractual conditions of the loan, in order to allow the debtor to adequately service its obligation due to the present or future impairment of its capacity to pay. Restructured loans are recorded at the time of restructuring at the present value of the future cash flows specified in the agreement, discounted at the original rate of the asset before the restructuring.

In the restructurings derived from the execution of Fiscal and Financial Reorganization Programs under the terms of Law 617 of 2000, the Nation granted guarantees to the obligations contracted by local entities

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with the financial entities supervised by the Financial Superintendency of Colombia, as long as the requirements established in said Law were complied with and the fiscal adjustment agreements were executed before June 30, 2001.

Such guarantee could be up to forty percent (40%) for loans in force as of December 31, 1999, and up to one hundred percent (100%) for new loans destined for fiscal adjustment.

The characteristic of these restructurings was that the provisions constituted on the obligations subject to restructuring were reversed in the portion guaranteed by the Nation, while the portion of the obligations subject to restructuring that were not guaranteed by the Nation, maintained the rating they had as of June 30, 2001.

Portfolio Purchases

The initial recognition for acquired loans is at market value at the date of acquisition.

Portfolio Sales

The Bank ceases to recognize a loan (or group of loans) once its contractual right to cash flows has ceased. This may occur at the maturity of the loan or through the transfer of the loan. The Bank is deemed to have transferred a loan when the contractual rights to receive the contractual cash flows are transferred together with all the risks and rewards of ownership. When the loan is recognized and the consideration received on the loan is greater than the carrying amount, the gain is recorded as a gain on the sale of portfolio.

Portfolio Write-Offs

Total and partial loan write-offs are recorded when management determines that there is no realistic probability of total repayment and that they are one hundred percent (100%) provisioned after having exhausted all possible means of collection in accordance with the concepts of the Bank's judicial collection agencies and managing attorneys.

Write-offs are submitted to the Board of Directors for authorization once the debtor's total insolvency has been established; likewise, the Bank continues with the collection process in case of the debtor's eventual solvency.

If a written-off loan is later recovered, this recovery is recognized in the consolidated income statement against impairment expenses.

Consumer Portfolio

Credit Risk Exposure

In accordance with the implementation of NIIF 9, the Bank has put an expected loss model into production for the calculation of credit risk impairment in the consumer portfolio segment that meets the requirements of the aforementioned standard. The new expected loss model was built through advanced models for most of the consumer portfolio (Housing and Consumption) with the exception of SMEs, other consumption, and microcredit which, due to the availability of information and size of the portfolio, were made through intermediate models and the leasing portfolio which was made through a simplified model.

The Bank's IFRS 9 models (advanced, intermediate, and simple) meet the requirements of IFRS 9 regulations in terms of calculating an expected loss through the probability of default, the expected exposure at the time of default, and the loss-given default. These parameters are calculated taking into account the value of money over time, the expected life of the loan, and the analysis of the significant increase in risk through stages (SIR Analysis).

The advanced models were developed by the FICO consulting firm, a world leader in statistical modeling for credit risk. The intermediate and simple models were developed at Scotiabank also following strict quality controls. It should be noted that all models are validated by Scotiabank and managed by the Bank.

In the case of the portfolio acquired in the business combination, an intermediate model was used complying with the requirements of IFRS 9 regulations, which were developed at Scotiabank, also following strict quality controls.

Commercial Portfolio

Assessment and Re-rating of the Loan Portfolio

In the credit rating process, the Bank assigns the customer an Investment Grade (IG Code), used to differentiate the risk of default of a customer, which is a code that reflects the risk profile of the debtor customer according to the assessment of various factors such as a financial behavior, management, payment experience, financial hedging, and the prospects of the customer and the industry, among others.

The Bank's IFRS commercial portfolio comprises the Business, Constructor, Corporate, and SAM (Special Account Management) segments. For the calculation of provisions, a methodology based on the customers' IG is handled, which is divided into two calculations of provisions, a collective one calculated for IG's 87-30, and the individual one calculated for IG's 21. For the expected loss methodology, provisions are calculated according to a PD (Probability of Default), LGD (Loss Given Default), and *EAI* (lifetime). The formula used is the following PE = PD*LGD*EAI.

When a customer is IG 21, the provision is divided into two groups:

- Main accounts (greater than CAD$ 1 MM): Customers with balances greater than CAD$ 1 million, these customers are handled and shown individually since they are the most material customers. Their provisions are calculated using the BEEL (Best Estimated Expected Losses) form.
- Local Regulator (<CAD$ 1 MM): Customers with balances of less than CAD$ 1 million. These customers are handled collectively. For the provisions of these customers, the local provision calculated by the Commercial Reference Model to capital is taken.

Credit Risk Rating

The Bank rates credit operations based on the criteria mentioned above and classifies them in one of the following credit risk categories, taking into account the following minimum objective conditions:

		December 31, 2023		
Grade		Stages 1 and 2	Stage 3	Total
Investment grades	$	3.138.927	-	3.138.927
No investment grade		8.041.452	-	8.041.452
Monitoring list		276.244	-	276.244
Impaired loans		-	558.727	558.727
Total	**$**	**11.456.623**	**558.727**	**12.015.350**

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		December 31, 2022		
Grade		Stages 1 and 2	Stage 3	Total
Investment grades	$	3.989.889	-	3.989.889
No investment grade		9.684.286	-	9.684.286
Monitoring list		458.780	-	458.780
Impaired loans		-	652.443	652.443
Total	$	**14.132.955**	**652.443**	**14.785.398**

Guarantees

For IG 21 accounts under CAD$ 1 MM,

- **Policy for Acceptance and Handling of Guarantees**

Guarantees are additional support requested by the Bank from its customers in order to reduce the risks inherent to the lending activity. Guarantees are not considered payment instruments.

- **Policy for Requiring Additional Guarantees**

  - When the legal regulations on credit limits so provide.
  - Loans with a term of more than three (3) years must preferably have eligible collateral.
  - When they are not shared with other creditors of the customer unless they are shared to the same degree with the Bank's subsidiaries filed abroad or with its subsidiaries.

- **Formalities for Setting Up Guarantees in the Granting of Loans**

  The documents for setting up guarantees must comply with the briefing prepared for such purpose by the Legal Department.

  The guarantees at the time of granting are set up as follows:

  - Guarantees set up on immovable property estate used for housing: the value at the time of granting shall correspond to that obtained by a technical appraisal. In the case of new immovable property or immovable property less than one-year-old acquired by a financial institution to enter into leasing contracts, the value at the time of granting shall correspond to the acquisition value of the immovable property or that obtained through a technical appraisal.

  - Guarantees on immovable Property not used for housing: the value at the time of granting shall correspond to that obtained by a technical appraisal. In the case of new immovable property or immovable property less than one-year-old acquired by a financial institution to enter into leasing contracts, the value at the time of granting shall correspond to the acquisition value of the immovable property or that obtained through a technical appraisal.

  - Guarantees on machinery and/or equipment: its value is determined according to its age, i.e., machinery or equipment less than one year old shall have the value of the purchase invoice, this

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value shall be valid for one (1) year. At the end of this period, its value must be updated annually, applying the straight-line depreciation methodology and according to the useful life of the respective asset; over one year, it shall have a technical appraisal on the date of granting and this value shall be valid for one (1) year. At the end of this period, the value of the asset must be updated annually, applying the straight-line depreciation methodology and according to the useful life of the respective asset.

- Guarantees on vehicles are based on Fasecolda's value guides or, failing that, on commercial appraisals published by the Ministry of Transportation.

- Guarantees on other assets: the value of the guarantee at the time of granting corresponds to the value obtained in the technical appraisal performed.

- **Management of Guarantees**

It is the debtor's obligation to ensure that the guarantee is properly maintained. The customer's commercial and the chief operating officer must verify compliance with this rule, as follows:

- Supervise the setting up of guarantees.
- Verify the existence and validity of insurance policies.
- Verify documentation and information.

The Guarantee Control System makes the control work easier, as follows:

- Information on insurance policy expirations.
- Document information.
- The Document Management Center ensures the proper custody of guarantees.

- **Distribution of Guarantees**

A loan may be backed by its own guarantee, or it may be backed as protected by a guarantee whose owner is different from the debtor of the loan.
The assignment of guarantees is made until completing one hundred percent (100%) of the balance of the loans.

- **Open Guarantees**

When a guarantee backs several obligations, a proration is made according to the balance of each of the obligations, provided that they are of the same debtor and type of portfolio.

When an obligation has a guarantee defect, i.e., the value of the guarantee does not cover the balance of the obligation, this uncovered balance is assigned the PDI corresponding to without guarantee.

Outstanding loans that are backed by a guarantee and whose appraisals have expired have a PDI corresponding to without guarantee.

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- **Closed Guarantees**

  Only the indicated loan is covered up to one hundred percent (100%) of the balance and without exceeding the value of the legal limit of the guarantee.

b. Market Risk

Market Risk is understood as the possibility of incurring losses or a decrease in the economic value of the equity as a consequence of changes in market prices and rates (interest rates, credit spreads, stock prices, currency rates, exchange rates, commodities), the correlations between them, and their levels of volatility, for its on-balance or off-balance sheet positions.

The Group's Market Risk Management System (MRMS) has been designed to identify, measure, control, and monitor the exposure to Market Risk of its operations. This policy explains in detail the main stages and elements that make up the MRMS, taking into account that each of them has been prepared based on the general guidelines provided in this regard in Chapter XXXI of the Basic Accounting and Financial Circular (BAFC) 100 of 1995 of the Financial Superintendency of Colombia, following the guidelines of the parent company.

The System is approved by the ALCO Committee and the Board of Directors and is constantly monitored through reports on risk exposure and approved limits. The ALCO Committee meets weekly in order to monitor market risk exposure at the Senior Management level.

Likewise, appropriate policies and limits consistent with the Group's risk appetite and in compliance with the regulatory provisions in force have been established, which are submitted at least once a year for revision and approval at the local level by the Board of Directors and BNS as the parent company.

In the event of entering into product transactions and participating in the markets, they may only be undertaken after:

- Having completed an assessment of the risks associated with the activity and determined that the activity is within the Group's risk appetite and the strategy approved by the Board of Directors; and

- Having defined and approved appropriate limits, policies, and controls over the activity.

The Bank and subsidiaries use the standard model established in Chapter XXXI of the BAFC as the official model for the calculation of the Value at Risk - VaR which is reported to the Financial Superintendency on a daily and monthly basis. the Bank has developed other market risk models for its treasury book, which allow it to identify, measure, and control the defined exposure levels, also establishing a robust limit structure according to the size of the business, as well as daily monitoring and reporting schemes to Senior Management, monthly to the ALCO committee and to the Board of Directors.

- VaR
- Open and intraday positions
- Sensitivities for investment and derivative portfolios
- Stress Testing
- Notional
- Time periods
- Balance sheet sensitivity analysis

The Bank pays particular attention to ensuring that measurement models take into account appropriate market risk factors, i.e., market rates and prices that affect the value of its asset, liability, and off-balance sheet positions.

VaR is a statistical measure that estimates the potential for loss of value of the Bank's trading positions due to adverse market movements, over a defined time horizon, and with a specified confidence level. The quality of the Bank's VaR is validated through stress and back testing. As a complement to the VaR, the Bank carries, within its limits, a VaR Stress, contemplating the highest volatilities at the historical level, and sets guidance in both limits as an early warning for timely monitoring and management.

On the other hand, the Bank measures the structural interest rate risk on the statement of financial position, for those assets and liabilities sensitive to interest rates that may be affected by adverse market movements and have an impact on the Bank's financial margin and economic value. All this is based on internal models and assumptions according to the dynamics of the business in its different products. The methodology is based on the determination of assets and liabilities sensitive to interest rates, for which the flows are contractually mapped according to their maturity or repricing date to determine the spreads by currency over time and the calculation of the sensitivity to 100PBS.

The measurement techniques implemented by the Bank are in accordance with the complexity of the risks identified so that through these techniques the exposure to market risks present in its balance sheet can be correctly quantified.

The Bank makes continuous improvements in procedures, methodologies, and internal control mechanisms that allow the entity to effectively identify, measure, control, and monitor this risk, and adopt timely decisions for adequate mitigation, in the development of its authorized operations, both for the positions of the banking book and the treasury book, whether on or off the balance sheet.

i) Structural Interest Rate Risk: Structural balance sheet risk represents the losses that may arise due to mismatches between assets and liabilities not offset by off-balance sheet positions, related to their maturity, pricing, currency, or readjustment (UVR), and interest rates. The difference in maturities and/or pricing periods may cause the reinvestment or refinancing of asset and liability transactions to be made at prices that negatively impact the budgeted interest accrual result. There is also exposure to variations in interest rates when assets and liabilities have different reference rates, particularly in variable rate transactions.

Through the Treasury and the ALCO Committee, the Bank and its subsidiaries actively manage their interest rate risk exposures within the structure of limits established at static gaps and sensitivity to 100 bps, which are approved by the Board of Directors and monitored on a monthly basis.

In the second quarter of 2023, the annual revision of limits under which some of the assumptions and calculation methodologies of some of the parameters of the interest rate risk model were updated in order to align them with the best international standards and strengthen the market risk system. As a result, and considering the business and market expectations, the limits were revised and updated.

ii) Sensitivity to Interest Rates of Investment Portfolio and Derivatives: Based on the Bank's interest rate sensitive positions, the calculation methodology uses a sensitivity of 100 bps and generates the following two indicators, over which it has established limits:

a. Net Interest Income: Quantifies the impact of an adverse change in interest rates in the short term. This impact reveals the deviation that the budgeted interest margin may sustain after one year. Net Interest Income represents the maximum pre-tax effect of an interest rate shock of +/- 100 PBS.

b. Economic Value Model: Quantifies the impact of an adverse change in interest rates on the Bank's equity, in other words, it represents the variation that the value of the share would experience in the event of a movement in the yield curve. The exposure is disaggregated by currency and represents the maximum loss before tax in the present value of the entity's assets and liabilities in the event of a parallel change of +/- 100 PBS in interest rates.

The results of both interest rate sensitivity measures are shown below:

	December 31, 2023	December 31, 2022
Net Interest Income (AI)	32.631	30.731
% NII/EBT	7,96%	12,28%
Economic Value (EV)	153,133	192.698
% EV/Equity**	7,65%	9,03%

*EBT (Profit before Tax)
**TIER 1 as of Nov 23

Key Factors that Explain the Variation in the Metrics: During 2023, methodological and market revisions were made in order to reduce gaps, align the metrics with the standards of the parent company, and reflect the Bank's behavior in relation to the current economic situation of the country, thus making the measurement more efficient and reducing the interest rate risk exposure while maintaining the same level of risk appetite.

In the fourth quarter of 2023, the exposure to interest rate risk was reduced mainly due to the sustained decrease in market curves, reduction in portfolio balances, and adoption of repricing for credit cards in line with the treatment given by the business. In addition, the Bank's management has focused on improving the composition of deposits and funding costs, prioritizing the Bank's profitability through the best possible funding structure.

The NII was also reduced, in line with the strategy of efficiency in demand deposits by reducing rates to encourage the withdrawal of volatile customers. In addition, the implementation of credit card repricing reduced the short-term liability gap, improving exposure.

Trading Portfolio Risk Management: In accordance with the provisions of Chapter XXXI of the Basic Accounting and Financial Circular 100 of 1995, relating to the rules applicable to the management of Market Risks, the Bank and its subsidiaries, through their Market Risk Management System – MRMS, have policies, metrics, limits, and specific controls for the management of the market risk to which the portfolios of the Trading desks and Asset and Liability Management (ALM) are exposed.

Among the main measures used by the Bank and its subsidiaries are the Regulatory VaR, the Internal VaR, measurements under stress conditions, and retrospective evaluations of internal models. All of the above, under a scheme of internal and regulatory limits, periodically evaluated and approved by the Board of Directors and Senior Management of the Bank and its subsidiaries.

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During 2023, the Group carried out the annual revision of limits for investment portfolios and trading and structural derivatives, in such a way that they were revised and updated according to the business growth objectives, economic perspectives, and within the risk appetite of the Bank and its subsidiaries, with the approval of their Boards of Directors.

The valuation of the Trading and ALM portfolios is performed daily based on the inputs and valuation methodologies provided by the Group's official price supplier - PRECIA. For this purpose, there are daily validation processes to ensure the correct valuation in the application. For further description, see note 6 - Estimation of fair value of financial instruments.

The calculation and management of the different metrics are performed on a daily, weekly, and monthly basis, and whenever required by market conditions. The metrics apply to all financial instruments that are part of the Trading and ALM portfolios and that are exposed to possible losses due to variations in their prices in accordance with their business model.

Below is a summary of the quantitative information of the main metrics mentioned above.

Regulatory VaR: The Bank and its subsidiaries use the calculation of the Regulatory VaR in accordance with the guidelines of the Standard Model established by the Financial Superintendency of Colombia in Chapter XXXI "Rules related to the Market Risk Management System" and according to the methodology established in Annex 1. This procedure is performed by the Market and Liquidity Risk Management on a daily and monthly basis with the closing of the financial statements. It consists of four elements that are calculated separately, and the results are shown below:

		December 31, 2023	December 31, 2022
Interest rate	$	196.124	114.607
Exchange rate		9.812	7.838
Stock price		3.814	9.526
Collective portfolios		622	20
Bank VaR		**210.372**	**131.991**
Fiduciaria Scotiabank Colpatria S.A.		8	20
Scotia Securities (Colombia) S.A.		633	470
Consolidated VaR	**$**	**211.013**	**132.481**

		December 31, 2023			December 31, 2022		
VaR Criteria		Minimum	Average	Maximum	Minimum	Average	Maximum
Bank	$	187.667	202.643	210.372	124.530	132.199	140.075
Fiduciaria Scotiabank Colpatria S.A.		8	12	16	19	23	26
Scotia Securities (Colombia) S.A.		351	504	633	327	395	470
Consolidated VaR		**188.026**	**203.159**	**211.021**	**132.617**	**140.571**	**124.876**

In the calculation of the consolidated VaR, the risk charge taken into account for each of the subsidiaries is the value at risk calculated individually under the guidelines of the Standard Model of the Financial Superintendency of Colombia in chapter XXXI.

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During the past year, an increase in the Regulatory VaR is evidenced due to a higher exposure associated with the interest rate risk.

Foreign Currency Exchange Rate Variation Risk

The Bank's foreign currency assets and liabilities are mainly held in U.S. dollars.

The following is the detail in pesos of the foreign currency assets and liabilities held by the Bank:

		December 3, 2023		
		Millions of Dollars	Other Currencies Expressed in Millions of U.S. Dollars	Total Millions of Colombian Pesos
Assets in foreign currency				
Cash and cash equivalents	$	291	2	1.119.861
Investments – Bonds		210	-	802.631
Derivative instruments		386	-	1.475.311
Credit portfolio		345	-	1.318.607
Other accounts receivable		48	-	183.458
	$	**1.280**	**2**	**4.899.868**
Liabilities in foreign currency				
Customer deposits		142	1	546.553
Derivative instruments		294	-	1.123.683
Financing		636	-	2.430.824
Accounts payable		5	-	19.110
	$	**1.077**	**1**	**4.120.170**
Net asset (liability) position in foreign currency	**$**	**203**	**1**	**779.698**

		December 31, 2022		
		Millions of Dollars	Other Currencies Expressed in Millions of U.S. Dollars	Total Millions of Colombian Pesos
Assets in foreign currency				
Cash and cash equivalents	$	106	2	519.502
Investments – Bonds		20	-	96.204
Derivative instruments		84	-	404.057
Credit portfolio		428	-	2.058.766
Other accounts payable		12	-	57.722
	$	**650**	**2**	**3.136.251**
Liabilities in foreign currency				
Customer deposits		87	1	423.298
Derivative instruments		67	-	322.283
Obligations with rediscount entities		9	-	43.292
Financing		642	-	3.088.148
Accounts payable		12	-	57.722
	$	**817**	**1**	**3.934.743**
Net asset (liability) position in foreign currency	**$**	**(167)**	**1**	**(798.492)**

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If the exchange rate had increased by 10 Colombian pesos per US$1 as of December 31, 2023, and December 31, 2022, the effect on the net position would be an increase of $2,040 and a decrease of $1,660, respectively.

On the other hand, if the exchange rate had decreased by 10 Colombian pesos per US$1 as of December 31, 2023, and December 31, 2022, the effect on net position would be a decrease of $2,040 and an increase of $1,660, respectively.

c. Liquidity Risk

In the development of the operations carried out, the Group is exposed to Liquidity Risk as a consequence of not being able to comply fully, timely, efficiently, and at reasonable prices with the financial obligations arising from its commitments, due to the insufficiency of liquid resources available for this purpose and/or the need to assume unusual funding costs.

In order to guarantee the adequate control of the Liquidity Risk exposure and provide an adequate environment for liquidity management, the Bank and its subsidiaries have implemented the Liquidity Risk Management System – LRMS through which this risk is effectively identified, measured, controlled, and monitored, which is approved by the ALCO Committee and the Board of Directors and is constantly monitored monthly through reports on the risk exposure and the approved limits. The ALCO Committee meets monthly to monitor liquidity risk exposure at the Senior Management level.

At the beginning of 2023, an annual revision of limits was carried out, under which the different assumptions used in the different monitoring and control metrics were evaluated and calibrated.

The policies are aligned with the principles governing Scotiabank's risk management, while complying with the mandates of local regulations and are under permanent revision and updating in order to ensure the validity and timeliness of its content for proper management and decision making.

Contractual Maturities of Assets: The following table shows the contractual undiscounted cash flows of financial assets at the cut-off of December 31, 2023 and 2022.

		December 31, 2023						
		1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	1 – 3 Years	3 – 5 Years	> 5 Years
Cash and cash equivalents	**$**	2.576.346	-	-	-	-	-	-
Investments		373.301	32.263	30.091	1.769.884	677.692	1.027.818	920.134
Commercial portfolio		816.505	2.142.035	1.743.294	1.484.981	3.865.623	1.495.425	364.712
Consumer portfolio		1.482.118	723.587	901.629	1.505.180	3.406.802	3.195.027	5.103.355

		December 31, 2022						
		1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	1 – 3 Years	3 – 5 Years	> 5 Years
Cash and cash equivalents	$	2.966.199	-	-	-	-	-	-
Investments		179.410	31.488	811.773	702.708	588.801	877.182	613.434

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Commercial portfolio	1.260.020	1.853.822	1.700.440	1.749.618	4.164.092	2.997.116	1.020.648
Consumer portfolio	1.421.582	789.634	961.411	1.579.267	11.037.862	3.669.819	5.289.992

Contractual Maturities of Liabilities: The following table shows the contractual undiscounted cash flows of financial liabilities, projected to maturity that are not derivatives, at the cut-off of December 31, 2023 and 2022.

		December 31, 2023						
		1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	1 – 3 Years	3 – 5 Years	> 5 Years
Term deposit certificate	**$**	1.607.720	3.137.361	2.999.399	4.474.673	2.208.853	112.158	-
Outstanding bonds and securities		-	-	-	-	300	125	9.247
Other relevant contractual liabilities		13.512.917	187.144	558.602	626.053	1.098.501	291.607	20.083

		December 31, 2022						
		1 Month	1 – 3 Months	3 – 6 Months	6 – 12 Months	1 – 3 Years	3 – 5 Years	> 5 Years
Term deposit certificate	$	1.564.526	3.205.373	3.395.652	2.883.159	2.021.776	327.211	-
Outstanding bonds and securities		-	-	-	-	300.000	-	1.049.700
Other relevant contractual liabilities		18.700.425	791.258	797.353	425.704	963.568	502.384	12.014

IRL Regulatory Measurement - Between December 2022 and December 2023, the Bank complied with the limits established by the regulation in terms of the positive IRL at 7 and 30 days, maintaining levels of high-quality liquid assets above the regulatory limit.

In 2023, the indicator (IRL) in the amount and ratio at 30 days showed a decrease as against the end of 2022. The IRL behavior was mainly influenced by: the increase in liquidity needs, due to higher projected outflows from maturities of TDCs. The IRL remains at sufficient levels to meet liquidity requirements.

In line with the aforementioned, the Bank's and Treasury's strategy has been adjusted to have responsible management of liquidity levels, complying with the policies and guidelines established locally and by Scotiabank together with the strengthening of the management of structural portfolios, high-quality liquid assets, and the funding structure of the entity.

The comparative result of the IRLr is shown below.

	December 31, 2023	December 31, 2022
7 days	410%	799%
30 days	193%	301%

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	December/22 – **December/23**		
	Minimum	Average	Maximum
7 days	294%	611%	1,098%
30 days	161%	242%	349%

The following shows the level of liquid assets as of the end of December 2023, and the expected availability for a period of 90 days in accordance with the provisions of the Financial Superintendency of Colombia. Liquid assets show coverage of almost three times the thirty-day liquidity needs at the end of December 2023.

		Liquid Assets at the Cut-Off Date (1)	Days 1 to 7 Total (2)	Days 8 to 15 Total (2)	Days 1 to 30 Total (2)	Days 31 to 90 Total (2)
Dec 31 - 23	$	3.411.586	3.132.123	2.741.424	1.996.121	(1.312.452)
Dec 31 - 22		5.896.090	5.158.117	4.855.719	3.937.967	(3.204.521)

(1) Liquid Assets correspond to the amount of the available funds, investments in debt securities at fair value, investments in open collective investment funds without a lock-up agreement, securities, or coupons transferred to the entity in the development of active operations in the money market and that have not been subsequently used in passive operations in the money market.
(2) The residual value of liquid assets for each one after discounting the modified estimated net liquidity requirement (IRLm).

Throughout 2023, the level of liquid assets remained lower than that recorded at the end of 2022; in line with the bank's strategy to reduce funding costs, we are constantly working to make more efficient use of liquidity, which has resulted in lower levels of liquid assets available for use. Nevertheless, these levels are sufficient to support liquidity needs and ensure compliance with regulatory and internal limits.

		Minimum Dec/22 – Dec/23	Average Dec/22 – Dec/23	Maximum Dec/22 – Dec/23
Total Liquid Assets	$	2.975.909	4.534.497	6.189.019
Investments		558.240	1.795.801	3.750.592
Available funds		1.860.991	2.735.697	3.462.031

NSFR Regulatory Measurement

The Liquidity indicator called Net Stable Funding Ratio – NSFR allows for monitoring the long-term liquidity of the entities through the structural management of the balance sheet.

This metric established, as of March 2023, the minimum level over the indicator at 100%. In September 2023, a regulatory change was established by EC 013 of 2023.

The Bank has complied with the minimum regulatory requirement since the implementation of the indicator. Throughout the year, the Bank has been working on the growth of stable funding sources (core), and in the fourth quarter of 2023, it has focused mainly on funding term deposits and reducing demand funding of customers with higher volatility.

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In the fourth quarter of 2023, the indicator (NSFR) showed a decrease as against the end of 2022. The behavior of the NSFR was affected mainly by lower structural funding due to demand outflow and lower loans with banks; on the other hand, the increase in required funding was due to higher levels in other assets and derivatives.

The results of the indicator are shown below:

	December 31, 2023				December 31, 2022			
	Minimum	Average	Maximum	Last	Minimum	Average	Maximum	Last
NSFR	104,4%	108,0%	113,6%	106,5%	105,5%	108,5%	111,7%	108,0%

Derivative Instruments - The Bank is exposed to liquidity risk in connection with the use of derivative instruments to meet the needs of its customers, generate revenues from trading activities, manage market and credit risks arising from its lending, funding, and investment activities, and reduce its cost of capital.

The internal and regulatory liquidity risk models reflect the inflows and outflows for derivative instruments through cash flow projections, which are considered within the defined limits and liquidity management.

The Bank maintains the implementation of continuous improvements in procedures, methodologies, and internal control mechanisms that allow the entity to effectively identify, measure, control, and monitor this risk, and adopt timely decisions for adequate mitigation in the development of its authorized operations, for the positions of the banking book and the treasury book, whether on or off the balance sheet.

d. Operational Risk Management

The Bank manages the operational risk included in the Comprehensive Risk Management System (CRMS) External Circular 018 of 2021 of the Financial Superintendency of Colombia, the foregoing through the definition of policies, methodologies, procedures, controls, and information systems, maintaining adequate risk management by identifying the risks and controls of the Strategic Core, Support, and Control Processes associated with the different areas; as a result of this exercise, the inherent risk (before applying the controls) is measured as medium with a tendency to high, and the residual risk (after applying the mitigating controls), as low with a tendency to medium. From the point of view of materiality, the control measures for potential risks associated with the processes that have generated the greatest impact have been strengthened.

In relation to Third Party Risk Management (TPRM), through which processes and procedures are established in order to assess the risk exposure of outsourced services, during 2023, as the TPRM program has matured, relevant improvements have been implemented to continue evolving in the management of third party risks and thus not only comply with the policy but also with the guidelines required by local regulations, including the following: Improvements in control evaluations related to the Regulatory Compliance, AML, Privacy, Information Security and Control (IS&C), among others, in order to have greater clarification of the required information and eliminate redundancies, as well as the incorporation of new evaluations related to Technological Resilience and Artificial Intelligence. Simplification of the risk analysis with the incorporation of new workflows associated with certain risk categories, as well as the implementation of the "Blue Project", optimizing the supplier risk assessment time by more than 78%.

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Likewise, through the strengthening of independent monitoring, opportunities for improvement were identified and follow-up activities were implemented through the establishment of action and monitoring plans, especially for those contracts with a higher level of risk exposure.

At the cut-off date of December 2023, the Bank had 487 active contracts, where 62% were classified with medium inherent risk, 34% with low risk, and 4% with high and very high risk, which, after the risk assessment by the different risk frameworks, it was determined that they are within the Bank's risk appetite. Although within the assessment by the different risk frameworks, some control deficiencies or risk alerts were identified, these were considered tolerable, and they have action plans being followed up by the corresponding Control Function in order to remedy the identified gaps.

Regarding the regulation for compliance with the registration of operational risk events (External Circular 018 of 2021 of the Financial Superintendency of Colombia), the loss standard is strengthened to guarantee the correct identification, collection, and treatment of loss events, thus complying with the high-quality event base, a specific criterion for the Bank to calculate on its own the Internal Loss Indicator (ILI), which is part of the solvency margin calculation, in the following years. In this aspect, financial entities are currently in a transition period, so the ILI is being taken according to the estimates of the Financial Superintendency of Colombia until 2025. The Bank continues to develop different actions at the level of technological systems, strategy adjustments, and modification of processes to mitigate operational risk, including strategies to strengthen controls to reduce the risk of fraud and associated monetary losses.

Operational Risk Event Analysis

The following are the operational losses:

		December 31, 2023	December 31, 2022
Loss			
Fraud	$	45.946	38.027
Operational Risk		2.647	22.156
Fines and penalties		4.507	16.518
Recoveries		(3.054)	(1.236)
	$	**50.046**	**75.465**

The gross accumulated losses at the cut-off of December 2023 are distributed as follows: 90% related to fraud events, 5% to operational events, and 5% corresponding to fines, penalties, and litigation. In comparison with the losses of the year 2022, a decrease of 35% was achieved, which is based on the strengthening and monitoring of the controls implemented in the business units, in addition to the timely identification and management of events to mitigate economic losses.

In order to mitigate the events that generate the highest percentage of losses (fraud), authentication processes and monitoring rules were strengthened, as well as the sending of anti-fraud campaigns through #CriminalMente, generating greater knowledge to our customers of the types of fraud and key points to avoid becoming victims of fraud or fraud itself, mainly by social engineering.

The entity has as its main initiatives for fraud mitigation, the revision and implementation of digital identity tools, facial biometrics, and bidirectional messaging for unusual transactions, which will allow, to a large extent, greater mitigation of this risk. Similarly, the Biocatch initiative was implemented to evaluate the

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behavior between the user and the device, facilitating the identification of events with a high fraud index in a timelier manner.

Business Continuity

During the year 2023, the Organizational Continuity and Resilience program was updated and strengthened, through the support provided to 79 managers with the process of updating the Business Impact Analysis (BIA) and their Business Continuity Plans (BCP) in accordance with the policy guidelines. In addition, as part of the strengthening of the program, the following tests were carried out:

- Independent testing of 51 managers against the different unavailability scenarios defined in the policy for processes classified as critical and immediate (absence of personnel 17, natural disaster 5, civil disturbance 5, infrastructure failure 3, unavailability of third-party services 4, technological unavailability 9, unavailability at the work site 7, IT security 1).

- Homologation with the suppliers included in the TPRM database, allowing a correct segmentation and classification of these suppliers, updating the BIA of suppliers, in order to have a broader vision of the suppliers involved in the critical and immediate processes.

- Challenge to 23 suppliers classified as critical and immediate suppliers affecting channels and services on the documentation and results of the Continuity tests.

- Evaluation of the indicators that made it possible to determine the entity's level of maturity in relation to business continuity, resulting in a medium level of maturity, for which management worked on strengthening the tests performed in different scenarios of unavailability, likewise, the risk profile associated with PCN is under construction.

- Identification and reporting to the areas (1st line) of 32 applications that support critical or immediate processes with a technological recovery time (RTO) not aligned with the operative one, for which 17 applications support critical processes and 15 support processes classified as immediate, requesting the areas to document recovery strategies in case of unavailability of the applications.

- End to End evaluation of critical and immediate processes implementing the BETH3 methodology, obtaining results focused on the recovery strategies of each of the business units.

- Evaluation and follow-up of DBR tests, led by the technology team, achieving greater participation by the business units.

Cybersecurity

During 2023, follow-up and monitoring activities were carried out on the main IT and cybersecurity risks, allowing the generation of recommendations and independent points of view on the management of these risks by the front-line areas at the level of the IT Senior Vice-Presidency and the business areas.

The annual monitoring of the different metrics, including the security risk index (SRI), allows us to analyze that as regards the security indicator SRI Protect, the annual generality is of medium risk since the metric remained above the early alert threshold caused mainly by the zero-day vulnerabilities in servers and computer equipment that were maintained during the year and the severity in the qualification of these vulnerabilities established by the new vulnerability management tool. Within this indicator, a new component called Data Protection was also included, which measures the number of serious letters issued for the country due to non-compliance with policies by collaborators regarding information leakage issues. For the SRI Protect, it is worth mentioning that the Bank consistently obtained the best result within all Scotiabank entities at a global level.

The SRI Identify risk index analysis shows a beginning of the year with the metric above the early alert threshold, but from March onwards, it stabilizes and remains at low-risk levels during the rest of the year. This is due to the improvement in each of its components, especially in the detection of devices and risk assessments.

The SRI Respond and Recover had no relevant changes during the year, maintaining its par value. By the end of the period, around October, there were changes in its composition at the global level, which meant that no more information was provided for this indicator at the country level as of November.

In relation to the monitoring of the technological availability hours indicator, the respective follow-up was carried out, identifying that in the last semester, the total hours of unavailability for each month remained below the defined technological risk appetite (9.6 hours). During the closing of each quarter, the casuistry of incidents was analyzed by the second line, and recommendations were issued for technology to consider them and generate the respective changes and feedback within its management.

Finally, with respect to cyber threats, the year 2023 was impacted by the constant ransomware attacks in the country against suppliers of public and private entities that have impacted the continuity of the provision of their services. For the Bank, these attacks had no effect or impact, and specific monitoring actions were taken as a preventive measure. In addition, we continue to monitor the impact of the improper use of new artificial intelligence and the impact it may have on financial institutions. As of this date, no significant internal events have been reported in terms of cyber incidents.

Model Risks

The Risk Analytics team of Enterprise Risk Management manages the model risk associated with the probability of making erroneous decisions derived from the use of statistical tools. Within the framework of non-financial risk management, the initial assessment and monitoring of the models implemented in the Bank is performed. The following were the activities developed:

- Validation of 33 models, the Retail DS&S and AML & Compliance Management used as an independent questioning of the development process of the models through the conceptual revision of the methodology, the model testing, and the verification of processes, as well as a revision of the assessment in use; the above to mitigate the model risk that may originate, among other things, from improper specifications, incorrect parameter assumptions, hypotheses or false assumptions, in accordance with the Bank's risk appetite.

- Updating the inventory by the fourth quarter of 2023 with the objective of maintaining adequate governance in the monitoring, recording, and reporting of the Bank's models.

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- Continuous monitoring of 26 models to identify the need for modifications and improvements in case this performance deteriorates over time due to changing new data, market conditions, or business line activities. The extent of ongoing monitoring depends on the type of model and its risk rating.

- Implementation of the Model Risk Management Policy in the different units of the bank and its subsidiaries and training on the policy was carried out, the process of identifying additional models was guided, achieving the closure of the comments made by the audit and closing the remediation plan.

Visits to Supervisory Bodies

In the month of August 2023, Internal Audit, in its role as the third line of defense, conducted an independent revision of the Bank and its subsidiaries (Scotia Securities and Fiduciary) with the purpose of providing its opinion on the design and operating effectiveness of the internal controls of the Operational Risk Management System. This revision ended in September with positive results and recommendations related to the strengthening of the high-quality base of events and the formulation of the residual risk matrices.

Participation in Meetings and Submission of Reports

As required, Enterprise Risk Management participates in periodic meetings with the parent company to address issues related to operational risk management and its different programs. In addition, monthly risk committees are held to inform senior management of relevant events and the Operational Risk evolution, within the framework of regulatory compliance associated with the CRMS.

e. Money Laundering and Terrorist Financing Risk Management System (ML/TF-RMS)

The Money Laundering and Terrorist Financing Risk Management System (ML/TF-RMS) meets and incorporates the characteristics of the entity and Scotiabank as well as the regulatory requirements, best practices, and international recommendations, especially those issued by the Financial Action Task Force – FATF.

Money Laundering and Terrorist Financing Risk Profile

The Bank's Money Laundering and Terrorist Financing (ML/FT) Residual Risk profile has behaved within the acceptance levels approved by the Board of Directors, taking into account that there were no situations that affected the normal performance of the ML/TF-RMS. In order to determine this profile, control evaluations were conducted, and the results of the revisions carried out by the control bodies and the monitoring of operations were taken into account.

Policies and Procedures

During the year 2023, changes and modifications were made to the Institutional Policy for the Prevention of ML/TF Risk and the corresponding Manual of Procedures; in addition, modifications and/or additions were made to the AML-ML/TF-RMS Manual of Procedures, which compiles the instructions and procedures on ALD / ATF Policies and Penalties.

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Detection of Unusual and Suspicious Transactions

As part of the transaction monitoring process, the annual revision of monitoring rules and adjustments to the tools used in the monitoring case analysis process was carried out. Transactional monitoring alerts were handled in accordance with the established procedures.

Training

Different training and communication activities were developed for all the Bank's officers, with the purpose of generating awareness and specifying the roles and responsibilities in relation to the prevention and control of the risk of ML/TF and Sanctions. These training activities were supported by different methodologies and were developed according to the target group.

External Reports and Requirements from the Authorities

The requirements of the competent authorities were met within the agreed deadlines, and reports were sent to the UIAF, in accordance with the guidelines issued by the regulator.

f. Issuer and Counterparty Risk Management System (SARiC)

Exposure to counterparty risk (RiC in its initials in Spanish) is understood as the contingency to which the entity is exposed as a consequence of the noncompliance of one or several transactions by its counterparties (or customers), events in which it will have to meet the noncompliance with its own resources or materialize a loss in its balance sheet.

This risk may arise in the development of transactions on its own account when the counterparty of the transaction fails to comply with its obligations. Similarly, when one of its customers on behalf of whom it carries out transactions fails to comply with its payment or guarantee delivery obligations with respect to the transactions entered into in the development of the commission contract.

On the other hand, in accordance with the regulations in force (Decree 2555 of 2010), the value of all risks that Scotia Securities contracts and maintains with the same issuer or group of related issuers may not exceed 30% of its technical equity. Therefore, the entity has implemented a daily control on the concentration by the issuer, which contemplates the revision of positions in securities and/or bank deposits by the issuer.

Scotia Securities Colombia has adopted the guidelines of the Financial Superintendency of Colombia regarding the Counterparty Risk Management System SARiC, regulated in Chapter XXVII of the Basic Accounting and Financial Circular. Likewise, the Broker structures its RiC and issuer risk management through the Counterparty Risk Management, SARiC, Manual, which defines the identification, measurement, control, and monitoring stages for the management of said risk, as well as the procedures and policies in accordance with the development of the Broker's transactions, based on the local regulatory provision and the Group's guidelines.

During the year 2023, Scotia Securities (Colombia) S.A. Sociedad Comisionista de Bolsa maintained a strict monitoring of transactions with customers and counterparties, in accordance with the guidelines and controls established in the SARiC Manual. Thus, during this period there were no events that led to customers not complying with their contractual obligations.

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g. Capital Management

The Bank and its subsidiaries comply with the minimum regulatory requirements imposed by the Financial Superintendency of Colombia.

As of December 31, 2023 and 2022, the solvency ratio and technical equity are as follows:

	December 31, 2023		December 31, 2022	
	Solvency Margin	Technical Equity	Solvency Margin	Technical Equity
Scotiabank Colpatria S.A.	11,81%	3.192.585	11,54%	3.277.997
Fiduciaria Scotiabank Colpatria S.A.	33,74%	24.364	36,04%	24.292
Scotia Securities (Colombia) S.A.	292,00%	42.925	266,00%	38.480

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9. Analysis of Changes in Financing During the Year

Reconciliation of Reconciliation of movements in liabilities, cash from financing activities:

		December 31, 2023					
		Financial Obligations	Outstanding Investment Securities	Ordinary Shares	Share Issue Premium	Profit or Loss for the Period and Retained Earnings	Total
Balance as of December 31, 2022	$	4.210.736	1.373.919	322.079	695.428	461.174	7.063.336
Changes in financing cash flows							
Capitalization		-	-	36.239	213.761	-	**250.000**
Lease additions		2.719	-	-	-	-	**2.719**
Other lease movements		(65.961)					**(65.961)**
New financings		281.236.952	-	-	-	-	**281.236.952**
Repayments of financings		(279.486.819)	-	-	-	-	**(279.486.819)**
Total changes in financing cash flows		**1.686.891**	**-**	**36.239**	**213.761**	**-**	**1.936.891**
Exchange difference	$	(387.286)	-	-	-	-	**(387.286)**
Related to liabilities							
Interest paid		(485.016)	(187.532)	-	-	-	**(672.548)**
Interest expense on leases, bonds, and financial obligations		483.304	187.219	-	-	-	**670.523**
Total other changes related to liabilities		**(1.712)**	**(313)**	**-**	**-**	**-**	**(2.025)**
Total other changes related to shareholders' equity		**-**	**-**	**-**	**-**	**(338.565)**	**(338.565)**
Balance as of December 31, 2023	$	**5.508.629**	**1.373.606**	**358.318**	**909.189**	**122.609**	**8.272.351**

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		December 31, 2022					
		Financial Obligations	Outstanding Investment Securities	Ordinary Shares	Share Issue Premium	Profit or Loss for the Period and Retained Earnings	Total
Balance as of December 31, 2021	**$**	**3.879.006**	**1.410.952**	**322.079**	**695.428**	**475.398**	**6.782.863**
Changes in financing cash flows							
Issuance of bonds		-	250.000	-	-	-	**250.000**
Payment of bonds		-	(300.000)	-	-	-	**(300.000)**
Additions and cancellations of leases		(31.413)	-	-	-	-	**(31.413)**
New financings		107.716.748	-	-	-	-	**107.716.748**
Financing repayments		(107.765.964)	-	-	-	-	**(107.765.964)**
Total changes in financing cash flows		**(80.629)**	**(50.000)**	**-**	**-**	**-**	**(130.629)**
Exchange difference	**$**	**391.002**	**-**	**-**	**-**	**-**	**391.002**
Related to liabilities							
Interest paid		(125.625)	(150.608)	-	-	-	**(276.233)**
Interest expense on leases, bonds, and financial obligations		146.982	163.575	-	-	-	**310.557**
Total other changes related to liabilities		**21.357**	**12.967**	**-**	**-**	**-**	**34.324**
Total other changes related to shareholders' equity		**-**	**-**	**-**	**-**	**(14.224)**	**(14.224)**
Balance as of December 31, 2022	$	**4.210.736**	**1.373.919**	**322.079**	**695.428**	**461.174**	**7.063.336**

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10. Cash and Cash Equivalents

The following is a detail of cash and cash equivalents:

		December 31, 2023	December 31, 2022
Legal currency			
Cash	$	742.263	872.260
Banco de la República (1)		693.450	1.549.496
Banks and other financial institutions		20.793	22.942
Exchange		224	81
		1.456.730	**2.444.779**
Foreign currency			
Cash		2.208	9.646
Banks and other financial institutions (1)		1.117.408	511.774
		1.119.616	**521.420**
Total cash and cash equivalents	**$**	**2.576.346**	**2.966.199**

(1) The decrease in the balance of the Banco de la República account in legal currency is mainly due to the delivery of resources to create interest-bearing deposits in foreign currency, as well as the implementation of strategies that seek to optimize the efficiency of the reserve requirement based on the concentration levels in deposits, to ensure adequate performance of the liquidity levels and to take advantage of the present market conditions. In the case of foreign currency, the increase is explained by the aforementioned movement of interest-bearing deposits.

Deposits in cash and Banco de la República may be used in full (100%), as part of the legal reserve required by the Board of Directors of Banco de la República. Calculation of the proportionality in the use of these deposits is made on the deposits subject to reserve requirements.

As of December 31, 2023, and 2022, the legal reserve required in Colombia is 8.00% for deposits in checking and savings accounts, 3.50% for certificates of deposit of less than 18 months, and 0.00% for those over 18 months. The legal reserve required to meet liquidity requirements for deposits in checking and savings accounts is $1,131 and $1,484, respectively, and the legal reserve required to meet liquidity requirements for certificates of deposit of less than 18 months is $371 and $277, respectively.

There are no restrictions on cash and cash equivalents, except for the legal reserve required in Colombia.

11. Investment Financial Assets

The balance of financial assets in debt securities and investments in equity instruments and derivatives comprises the following:

		December 31, 2023	December 31, 2022
Investments at fair value through profit or loss			
Debt instruments (1)	$	663.112	1.133.395
Equity instruments		19.844	18.347
		682.956	**1.151.742**

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		December 31, 2023	December 31, 2022
Investments at amortized cost		**1.567.625**	**1.537.409**
Investments at fair value through OCI			
Debt instruments (2)		2.096.135	1.493.289
Equity instruments		133.946	122.106
		2.230.081	**1.615.395**
Total investment financial assets	**$**	**4.480.662**	**4.304.546**

(1) The Bank, given the volatility of the market during 2023, decided to significantly reduce its portfolio in trading TES.
(2) The increase corresponds to the purchase of Yankee securities - issued by the national government denominated in foreign currency, in accordance with the strategy of margin generation and treasury balance positioning.

Cash flows generated by investment assets are considered operating cash flows.

Interest received from investment assets, as of December 31, 2023 and 2022, was $166,464 and $44,993, respectively.

Dividends received from investments in equity instruments, as of December 31, 2023 and 2022, were $5,688 and $5,680, respectively.

The following is a summary of the financial investment assets by maturity date:

		December 31, 2023							
		Up to three months		More than three months and not more than one year		More than one year			
		Up to one month	More than one month and not more than three months	More than three months and not more than six months	More than six months and not more than one year	Between one and three years	More than three years and not more than five years	More than five years	Total
Investments at fair value through profit or loss	$	121.808	321.580	-	27.552	43.324	873	167.819	682.956
Investments at fair value through other comprehensive income		-	-	-	129.844	309.993	592.509	1.197.735	2.230.081
Investments at amortized cost		239.914	9.341	636.255	473.365	130.346	78.404	-	1.567.625
	$	**361.722**	**330.921**	**636.255**	**630.761**	**483.663**	**671.786**	**1.365.554**	**4.480.662**

		December 31, 2022							
		Up to three months		More than three months and not more than one year		More than one year			
		Up to one month	More than one month and not more than three months	More than three months and not more than six months	More than six months and not more than one year	Between one and three years	More than three years and not more than five years	More than five years	Total
Investments at fair value through profit or loss	$	514.652	1.112	94.980	203.975	1.132	107.359	228.532	1.151.742
Investments at fair value through other comprehensive income		-	6.789	-	-	397.263	636.625	574.718	1.615.395
Investments at amortized cost		162.026	9.334	762.698	602.662	689	-	-	1.537.409
	$	**676.678**	**17.235**	**857.678**	**806.637**	**399.084**	**743.984**	**803.250**	**4.304.546**

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12. Trading and Hedging Derivatives

The details of the fair value of derivative instruments are as follows:

		Derivative Assets			
		December 31, 2023		December 31, 2022	
		Trading (1)	Hedging (2)	Trading	Hedging
Interest rate contracts					
Swaps	$	448.726	4.810	696.168	15.911
Foreign exchange contracts					
Forward		1.184.623	-	176.096	-
Currency swaps		37.097	174.558	17.500	138.721
Spot transactions		90	-	54	-
Currency options		38.608	-	14.219	-
Securities contracts					
Securities forward		-	-	405	-
Total	$	**1.709.144**	**179.368**	**904.442**	**154.632**

		Derivative liabilities			
		December 31, 2023		December 31, 2022	
		Trading (1)	Hedging (2)	Trading	Hedging
Interest rate contracts					
Swaps	$	454.017	45.484	701.688	-
Foreign exchange contracts					
Forward		803.813	-	208.450	-
Currency swaps		36.781	189.464	30.689	10.024
Spot transactions		-	-	769	-
Currency options		57.620	-	15.879	-
Securities forward		292	-	138	-
Total	$	**1.352.523**	**234.948**	**957.613**	**10.024**

(1) Trading Derivatives

The fair value of derivative instruments has positive or negative variations as a result of fluctuations in foreign currency exchange rates, interest rates, or other risk factors depending on the type of instrument and underlying.

(2) Hedging Derivatives

a. Cash Flow Hedges

Hedging with Derivatives: these instruments are used to hedge items such as deposits of highly probable forecasted transactions and loans. Hedging instruments used by the Bank include interest rate swaps and currency swaps.

As of December 31, 2023, they correspond to:

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- Interest Rate Hedges in Pesos: on demand deposits and 90-day TDCs sensitive to the movement of the IBR.

- Hedging of funding in dollars: in order to avoid exchange rate exposure and avoid volatility in the income.

- USD bond hedging from the asset side: Margin enhancement, through structural portfolio strategies.

Hedged Item

The following table summarizes the notional amounts of derivatives and the carrying amounts of cash liabilities and deposits designated as hedging instruments.

		December 31, 2023	December 31, 2022
Hedged items Liabilities			
Funding USD	$	1.254.131	946.257
Demand deposits		271.528	-
TDCs		388.530	348.250
Total	**$**	**1.914.189**	**1.294.507**

		December 31, 2023
Hedged items Assets		
USD bonds	$	568.921
Total	**$**	**568.921**

Hedging Instrument

The following table summarizes the remaining term to maturity of the notional amounts of the derivatives designated as hedging instruments.

Assets

		December 31, 2023 Remaining Term to Maturity		
Nominal Amount		Between one year and five years	More than five years	Total
Cash flow hedges				
Interest rate risk – swaps	$	199.638	369.283	568.921
Total	**$**	**199.638**	**369.283**	**568.921**

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Liabilities

Nominal Amount		December 31, 2023			
		Up to one year	Between one year and five years	More than five years	Total
Cash flow hedges					
Interest rate risk - swaps	$	206.150	182.380	271.527	660.057
Foreign exchange rate risk/Interest rate risk – swaps		282.513	971.619	-	1.254.132
Total	**$**	**488.663**	**1.153.999**	**271.528**	**1.914.189**

Nominal Amount		December 31, 2022		
		Up to one year	Between one year and five years	Total
Cash flow hedges				
Interest rate risk - swaps	$	-	348.250	348.250
Foreign exchange rate risk/Interest rate risk – swaps		496.835	449.422	946.257
Total	**$**	**496.835**	**797.672**	**1.294.507**

The following tables show the average rate or price of significant hedging instruments:

Assets

	December 31, 2023	
	Fixed Interest Rate (1)	Exchange Rate (2)
Cash flow hedges		
Interest rate risk - swaps	N/A	N/A
Exchange rate difference/interest rate risk - swaps COP-USD	13,88%	4.632,22

(1) Weighted average interest rates of all relationships. Effective Annual Rates (30/360).
(2) Weighted average agreed-upon exchange rate of all relationships.

Liabilities

	December 31, 2023		December 31, 2022	
	Fixed Interest Rate (1)	Exchange Rate2)	Fixed Interest Rate (1)	Exchange Rate (2)
Cash flow hedges				
Interest rate risk - swaps	9,17%	N/A	8,59%	N/A
Exchange rate difference/interest rate risk - swaps COP-USD	13,69%	4.459,86	12,61%	4.288,19

(1) Weighted average interest rates of all relationships. Effective Annual Rates (30/360).
(2) Weighted average agreed-upon exchange rate of all relationships.

As of December 31, 2023, and December 31, 2022, the ineffectiveness recognized in the period amounted to $937 and $361, respectively.

Invoice Hedging

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The hedging instrument in this case is the purchase of dollars in the SPOT market, according to the flow schedule projected for the payments that are the hedged item.

	December 31, 2023	
Hedging Instrument	Amount 2023	Average Purchase Rate
Cash in U.S. dollars	$18.309.000	4.850

As of December 31, 2023, there were no open or unpaid invoice hedging transactions.

b. Fair Value Hedge

The hedged risk is the fixed interest rate of an asset. In this case, the Bank has within its portfolio fixed rate TES, which consists of the base rate (monetary policy rate which will be designated as the hedged item) plus a credit spread of the issuer (Republic of Colombia). For hedging purposes, an IRS swap is used where the bank receives IBR (variable rate) and pays a fixed rate at the maturity of the hedged bond, the result is a synthetic investment where the bank is left with an asset (TES) based on the IBR plus a credit spread (through the contracted swap), reducing the exposure to credit risk, thus protecting the margin generated between the purchase TIR of the paper and its variable funding rate (being an asset eligible for money market transaction, the funding of the security is tied to the monetary policy intervention rate in force).

This strategy allows a lower exposure of the securities purchased as part of the bank's structural and liquidity buffer portfolio to the interest rate basis risk, generating a lower impact on other comprehensive income since the market value of the bonds corresponding to the monetary policy movement remains in the income statement and is mitigated by the contracting of the hedging instrument (swap).

Interest Rate Base Risk Hedge on TES

		December 31, 2023				
			Carrying Amount Hedging Instrument			
Hedging Instrument		Notional Amount	Assets	Liabilities	Change in Fair Value	Ineffective ness
Swaps – IRS	$	265.000	1.407	-	13.705	807

Hedged Item

		December 31, 2023			
		Carrying Amount Hedging Instrument			
Hedged Item		Assets	Liabilities	Change in Fair Value	Cumulative Amount
TES fixed rate	$	265.000	-	14.512	14.512

TES Hedged Item

Maturity Year		Par Value
2028	$	160.000
2030		25.000

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2031	50.000
2032	30.000

13. Loan Portfolio and Finance Lease Transactions

As of December 31, 2023 and 2022, the consumer portfolio groups the housing portfolio and the commercial portfolio groups the commercial mortgage loans. Balances were reclassified for a comparable presentation.

The following is the detail of the portfolio by type of segment:

		December 31, 2023	December 31, 2022
Commercial portfolio	$	12.015.350	14.785.398
Impairment of commercial portfolio		(238.436)	(204.035)
Consumer portfolio		19.230.146	19.716.781
Impairment of consumer portfolio		(1.160.146)	(939.205)
Total	**$**	**29.846.914**	**33.358.939**

Impairment Movement for Loan Portfolio

The following is the detail of the impairment of the commercial and consumer portfolio:

Beginning balance as of December 31, 2022	**$**	**(1.143.240)**
Expenses for portfolio impairment		(1.478.290)
OCI portfolio impairment		(79.346)
Write-offs		1.187.060
Sale of the current portfolio and others		115.234
Balance as of December 31, 2023	**$**	**(1.398.582)**
Beginning balance as of December 31, 2021	**$**	**(1.083.940)**
Expenses for portfolio impairment		(894.375)
OCI portfolio impairment		(61.502)
Write-off		879.917
Sale of the current portfolio and others		16.660
Balance as of December 31, 2022	**$**	**(1.143.240)**

a. Consumer Portfolio

Provision for loan portfolio impairment

		December 31, 2023			December 31, 2022		
		Capital	Impairment	Total	Capital	Impairment	Total
Cards	$	4.249.237	(366.785)	3.882.452	4.229.329	(310.759)	3.918.570
Revolving + Overdraft + Prestacheque		1.086.386	(97.709)	988.677	1.170.231	(82.006)	1.088.225
Codensa		1.670.175	(112.545)	1.557.630	1.772.873	(85.750)	1.687.123
Mortgage + Employees		6.822.089	(96.411)	6.725.678	6.703.574	(70.457)	6.633.117

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Commercial mortgage	493.743	(9.483)	484.260	529.286	(10.968)	518.318
Installment + Unlinked + Others	4.023.306	(395.114)	3.628.192	4.311.278	(317.733)	3.993.545
Payment orders	44.784	(2.957)	41.827	72.722	(6.149)	66.573
Restructured	380.380	(52.944)	327.436	194.042	(20.075)	173.967
Vehicle + SME	460.046	(26.198)	433.848	733.446	(35.308)	698.138
Total	**$ 19.230.146**	**(1.160.146)**	**18.070.000**	**19.716.781**	**(939.205)**	**18.777.576**

Segmentation by Stage of Credit Losses in Loans

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Cards	$ 129.548	138.767	98.470	366.785
Revolving + Overdraft + Prestacheque	26.016	29.967	41.726	97.709
Codensa	36.667	43.840	32.038	112.545
Mortgage + Employees	12.471	42.662	41.278	96.411
Commercial mortgage	1.077	3.700	4.706	9.483
Installment + Unlinked + Others	147.506	138.697	108.911	395.114
Payment orders	1.797	713	447	2.957
Restructured	3.659	30.820	18.465	52.944
Vehicle + SME	2.215	3.689	20.294	26.198
Total	**$ 360.956**	**432.855**	**366.335**	**1.160.146**

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Cards	$ 125.433	108.403	76.923	310.759
Revolving + Overdraft + Prestacheque	30.284	25.090	26.632	82.006
Codensa	30.513	28.251	26.986	85.750
Mortgage + Employees	13.113	25.573	31.771	70.457
Commercial mortgage	1.689	5.125	4.154	10.968
Installment + Unlinked + Others	161.391	89.581	66.761	317.733
Payment orders	4.417	1.264	468	6.149
Restructured	2.953	10.596	6.526	20.075
Vehicle + SME	5.248	6.993	23.067	35.308
Total	**$ 375.041**	**300.876**	**263.288**	**939.205**

The following table presents the changes in credit loss movements for the year:

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2022	**$ 375.041**	**300.876**	**263.288**	**939.205**
Remeasurements	(961.287)	(617.563)	1.171.658	(407.192)
Changes in models and methodologies (Covid-19)	(136.457)	13.277	23.650	(99.530)

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		December 31, 2023			
		Stage 1	Stage 2	Stage 3	Total
Impairment for new loans		817.521	856.521	598.278	2.272.320
Release for cancellations and payments		(254.136)	(698.867)	(906.664)	(1.859.667)
Transfer to:					
Stage 1		407.603	343.302	314.977	1.065.882
Stage 2		111.876	224.135	133.294	469.305
Stage 3		795	11.174	54.288	66.257
Total impairment movement		**(14.085)**	**131.979**	**1.389.481**	**1.507.375**
Write-offs		-	-	(1.145.531)	(1.145.531)
Recoveries		-	-	(140.903)	(140.903)
Balance as of December 31, 2023	**$**	**360.956**	**432.855**	**366.335**	**1.160.146**

		December 31, 2022			
		Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	$	**361.623**	**286.242**	**273.031**	**920.896**
Remeasurements		(1.269.433)	(526.937)	1.064.894	(731.476)
Changes in models and methodologies (Covid-19)		(25.102)	50.536	(13.870)	11.564
Impairment for new loans		775.119	342.979	283.856	1.401.954
Release for cancellations and payments		(146.935)	(458.107)	(868.333)	(1.472.835)
Transfer to:					
Stage 1		514.106	277.511	269.592	1.061.209
Stage 2		163.921	313.588	205.849	683.358
Stage 3		1.202	15.064	100.810	117.076
Total impairment movement		**13.418**	**14.634**	**1.042.798**	**1.070.850**
Write-offs		-	-	(844.712)	(844.712)
Recoveries		-	-	(207.809)	(207.829)
Balance as of December 31, 2022	**$**	**375.041**	**300.876**	**263.288**	**939.205**

Key Inputs and Assumptions

The intermediate model is based on a portfolio rolling model between delinquency strips by product, under this understanding, the key controls include:

- An accounting reconciliation process for reporting balances by arrears period, write-off amount, and recovery amount.

- An auditable process for model run parameters such as average product rate and expected remaining life of the portfolio.

Macroeconomic scenarios are included in the model to calculate the level of expected credit losses through factors of adjustment to the level of losses in optimistic, pessimistic, and base scenarios, which are weighted according to the economic expectation.

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		Impairment	Base Scenario	Optimistic Scenario	Pessimistic Scenario	Pessimistic Scenario FL
Consumption (Stages 1 and 2)	$	793.811	789.313	758.875	833.782	931.158

Carrying Amount of Exposures by Risk Rating

The following is the exposure by risk contribution by the probability of default (PD) by class of credit:

Credit Cards

PD Category		Stage 1	Stage 2	Stage 3	Total
Very low	$	4.586	135.361	96.389	236.336
Low		36.889	2.344	693	39.926
Medium		40.174	703	731	41.608
High		34.246	338	657	35.241
Very high		13.653	21	-	13.674
Total	**$**	**129.548**	**138.767**	**98.470**	**366.785**

Revolving

PD Category		Stage 1	Stage 2	Stage 3	Total
Very low	$	349	29.032	40.609	69.990
Low		6.486	575	263	7.324
Medium		7.014	217	462	7.693
High		8.936	128	354	9.418
Very high		3.231	15	38	3.284
Total	**$**	**26.016**	**29.967**	**41.726**	**97.709**

Codensa

PD Category		Stage 1	Stage 2	Stage 3	Total
Very low		475	35.554	24.174	60.203
Low	$	4.745	2.909	4.376	12.030
Medium		6.403	3.849	2.458	12.710
High		9.925	1.001	608	11.534
Very high		15.119	527	422	16.068
Total	**$**	**36.667**	**43.840**	**32.038**	**112.545**

Total Mortgage

PD Category		Stage 1	Stage 2	Stage 3	Total
Very low	$	1.016	33.056	22.912	56.984

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Low		6.847	13.252	22.703	42.802
Medium		4.170	50	192	4.412
High		1.177	2	40	1.219
Very high		338	2	137	477
Total	**$**	**13.548**	**46.362**	**45.984**	**105.894**

Loans

PD Category		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Very low	$	35	127.517	126.353	253.905
Low		501	25.756	42	26.299
Medium		40.863	16.509	35	57.407
High		44.140	112	74	44.326
Very high		67.423	336	1.319	69.078
Total	**$**	**152.962**	**170.230**	**127.823**	**451.015**

Vehicle + SME

PD Category		**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Very low	$	1	425	786	1.212
Low		38	30	25	93
Medium		43	1	-	44
High		21	-	-	21
Very high		6	-	-	6
Loans without PD		2.106	3.233	19.483	24.822
Total	**$**	**2.215**	**3.689**	**20.294**	**26.198**

Non-Impaired Past Due Loans

		Portfolio Balance by Delinquency Strips December 2023		
Product		**31-60**	**61-90**	**>90**
Mortgage	$	130.322	99.833	291.949
Loans		125.786	112.798	287.416
CD bank		107.049	60.335	2.858.310
Codensa		64.701	47.623	46.074
Total	**$**	**427.858**	**320.589**	**3.483.749**

		Portfolio Balance by Delinquency Strips December 2022		
Product		**31-60**	**61-90**	**>90**
Mortgage	$	103.358	54.404	217.155
Loans		113.338	71.194	180.225
CD bank		78.047	46.338	117.551
Codensa		21.771	16.597	49.413
Total	**$**	**316.514**	**188.533**	**564.344**

b. Commercial Portfolio

December 31, 2023			December 31, 2022		
Capital	Impairment	Total	Capital	Impairment	Total

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Commercial	$	12.015.350	(238.436)	**11.776.914**	14.785.398	(204.035)	**14.581.363**

Impairment Movement

		December 31, 2023			
		Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2022	$	**34.329**	**62.255**	**107.451**	**204.035**
Remeasurements		(27.596)	22.918	74.273	69.595
Impairment for new loans		48.458	-	13.035	61.493
Release for cancellations and payments		(24.115)	(18.066)	-	(42.181)
Transfer to:					
Stage 1		(6.753)	6.753	-	-
Stage 2		9.610	(9.610)	-	-
Total impairment movement		**(396)**	**1.995**	**87.308**	**88.907**
Write-offs		-	-	(41.529)	(41.529)
Recoveries		-	-	(31.971)	(31.971)
Other movements		6.193	12.801	-	18.994
Balance as of December 31, 2023	**$**	**40.126**	**77.051**	**121.259**	**238.436**

		December 31, 2022			
		Stage 1	Stage 2	Stage 3	Total
Balance as of December 31, 2021	$	**22.208**	**64.621**	**76.215**	**163.044**
Remeasurements		(7.274)	27.508	101.642	121.876
Impairment for new loans		37.295	-	9.364	46.659
Release for cancellations and payments		(15.947)	(20.878)	-	(36.825)
Transfer to:					
Stage 1		(1.399)	1.399	-	-
Stage 2		2.961	(2.961)	-	-
Total impairment		**15.636**	**5.068**	**111.006**	**131.710**
Write-offs		-	-	(35.205)	(35.205)
Impairment recoveries		-	-	(44.565)	(44.565)
Other movements		(3.515)	(7.434)	-	(10.949)
Balance as of December 31, 2022	**$**	**34.329**	**62.255**	**107.451**	**204.035**

Key Inputs and Assumptions

The calculations of the Bank's provisions are products of complex models with a number of variable underlying assumptions. Some of the key variables include:

- Changes in the risk ratings of the borrower or instrument reflecting changes in its credit standing.

- Changes in transaction volumes.

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- Changes in the future-oriented macroeconomic environment reflected in the variables used in the models, such as GDP growth, unemployment rates, commodity prices, and housing price indices, which are most closely related to credit losses in the relevant portfolio.
- Changes in macroeconomic scenarios and the probability weights assigned to each scenario; and
- Borrower migration between the three stages which may result from changes in any of the above inputs and assumptions.

The following table provides a comparison between the estimated credit losses for the Stage 1 and 2 portfolios and the impairment under the optimistic and pessimistic scenarios:

		Impairment	Base Scenario	Optimistic Scenario	Pessimistic Scenario	Pessimistic Scenario FL
Credit losses	$	117.177	113.758	113.072	123.589	124.532

Non-Impaired Past Due Loans

	Portfolio Balances by Delinquency Strips December 2023			
	31-60 Days	61-90 Days	More than 91 Days	Total
$	27.647	20.954	1	**48.602**

Portfolio by Maturity Period

		December 31, 2023						
Segment		Up to one month	More than one month and not more than three months	More than three months and not more than one year	More than one year and not more than five years	More than five years	Interest	Total
Commercial	$	506.612	2.240.990	3.274.329	5.643.428	155.396	194.595	12.015.350
Consumption		1.604.633	794.673	2.627.893	8.345.869	5.527.162	329.916	19.230.146
	$	**2.111.245**	**3.035.663**	**5.902.222**	**13.989.297**	**5.682.558**	**524.511**	**31.245.496**

		December 31, 2022						
Segment		Up to one month	More than one month and not more than three months	More than three months and not more than one year	More than one year and not more than five years	More than five years	Interest	Total
Commercial	$	1.687.896	1.629.078	2.328.048	7.795.664	1.230.882	113.830	14.785.398
Consumption		1.472.259	917.326	3.086.782	8.510.576	5.288.244	441.594	19.716.781
	$	**3.160.155**	**2.546.404**	**5.414.830**	**16.306.240**	**6.519.126**	**555.424**	**34.502.179**

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Interest generated by the Bank's portfolio: The effective annual interest on average monthly balances generated by the Bank's portfolio was as follows:

Segment		From January 1 to December 31, 2023	From January 1 to December 31, 2022
Commercial	$	14,64%	9,06%
Consumption		24,21%	19,57%
The housing includes monetary correction		10,40%	9,64%

Effective annual placement rates: As of December 31, 2023 and 2022, the Bank had published the following placement rates for the different types of portfolio.

a) Commercial loans range from 12.27% to 14.96% effective annually depending on the company.

b) UVR housing loans plus 9.81% effective annually or 18.92% effective annually for peso loans.

c) Loans for public housing with UVR plus 10.41% effective annually or 14.30% effective annually for peso loans.

d) Consumer loans:

Type of Credit	December 31, 2023	December 31, 2022
Credit card	37.52% effective annual interest rate for purchases	41.45% effective annual interest rate for purchases
Revolving credit limit	From 35.75% effective annual interest rate up to 37.55% effective annual interest rate	41.45% effective annual interest rate

Interest accrued from the loan portfolio as of December 31, 2023 and 2022, was $5,112,346 and $3,882,511, respectively.

Interest received from the loan portfolio as of December 31, 2023 and 2022, was $4,968,461 and $3,726,528, respectively.

Portfolio Sale

As of December 31, 2023, and December 31, 2022, the Bank sold portfolios obtaining income of $113,351 and $70,460, respectively, broken down as follows:

Witten-off Portfolio Sale

The following are the sales of the commercial and consumer portfolio of the Bank during the years 2023 and 2022:

		December 31, 2023		December 31, 2022	
		Gross Capital Balance	Selling Price	Gross Capital Balance	Selling Price
Commercial	$	143.000	16.996	17.905	5.617
Consumption		1.243.177	69.658	754.705	62.832
			86.654		**68.449**

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Current Portfolio Sale

The following is a detail of the sale of the commercial portfolio as of December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
		Commercial	Commercial
Carrying amount of portfolio, interest, and others	$	33.026	91.092
Provision for principal, interest, and others		(32.882)	(15.003)
Net carrying amount		144	76.089
Less selling Price		26.842	78.100
Income	**$**	**26.697**	**2.011**

c. Finance Lease Receivables

The Bank offers asset-based financing and utilizes a wide variety of industrial equipment and commercial companies to offer financial programs tailored to the needs of manufacturers, dealers, and distributors of assets.

The finance lease receivables are included in the loan portfolio. The Bank's net investment in the finance lease receivables was as follows:

		December 31, 2023		
		Gross investment in finance lease receivables	Future financial income	Present value of accounts receivable from minimum lease payments
One year or less	$	82.522	92.587	175.109
One to five years		236.028	224.685	460.713
More than five years		367.352	288.576	655.928
Final balance	**$**	**685.902**	**605.848**	**1.291.750**

		December 31, 2022		
		Gross investment in finance lease receivables	Future financial income	Present value of accounts receivable from minimum lease payments
One year or less	$	90.706	100.059	190.765
One to five years		273.039	249.098	522.137
More than five years		412.429	295.954	708.383
Final balance	**$**	**776.174**	**645.111**	**1.421.285**

14. Other Accounts Receivable, Net

The following is the detail of other accounts receivable, net:

		December 31, 2023	December 31, 2022
Commissions	$	20.559	15.634
Deposits (1)		205.751	44.013
Abandoned accounts		62.023	56.716
Transfers to the Treasury Management		11.971	12.336
Crédito Fácil (2)		483.934	2.022
Central Counterparty Risk Office		35.518	68.505

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		December 31, 2023	December 31, 2022
VISA redemption and incentives		3.182	16.293
Labor advances		12.374	11.998
Derivative default		4.831	1.955
Other miscellaneous		52.653	45.938
Impairment		(5.221)	(3.134)
Total	$	**887.575**	**272.276**

(1) This corresponds to cash deposits delivered as collateral to the Central Counterparty Risk Office and collateral deposits in margin call correspondents for derivative instruments with foreign counterparties. The increase is due to cash collateral payments supporting swap transactions with offshore counterparties.

(2) This corresponds to credit card consumption collections pending to be transferred by Codensa S.A. ESP to the Bank as a result of the business collaboration contract for promotion, origination, invoicing, collection, and operation of services, the balance is for three months as of December 31, 2023, and two days as of December 31, 2022.

15. Non-current Assets Held for Sale

The following is the movement in non-current assets held for sale:

		December 31, 2023	December 31, 2022
Beginning balance	$	**27.238**	**16.835**
Additions		23.935	30.744
Reclassification towards other assets		(2.497)	(5.536)
Reclassification towards investment properties		(19.567)	(3.639)
Cost of assets sold		(9.285)	(11.166)
		19.824	**27.238**
Adjustment to the lower of the fair value and the carrying amount		(553)	(175)
	$	**19.271**	**27.063**

Marketing

The Bank carries out the following actions for the marketing of non-current assets held for sale:

- The marketing is carried out by the Management of foreclosed assets, through the publication of the assets on the Bank's web page, for the knowledge of the general public. This publication is made with the information of the assets for sale and photographic records, providing the possibility of direct contact by the interested parties with the officers of the responsible area of the Bank via e-mail, for further information, contactability, organization of schedules, and handling of proposals.

- Lists of the Bank's properties are created to be delivered to the potential interested parties; this information is distributed to the Office Managers and Zone Managers so that they will be aware of and distribute this list, and the assets can be offered according to the portfolio of customers managed by each of them.

- This commercial listing is sent periodically to all potential customers who, at some time, have been interested in the assets the Bank sells.

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- Each of the immovable properties has a sales ad published indicating that the property is owned by the Bank and providing the contact telephone number, so that the interested parties may contact the Bank to initiate negotiations.

- Agreements are generated with real estate agencies to promote sales and support the various areas of the Bank with possible proposals for the delivery of assets, providing advice on sale times, and maintenance expenses, among others; periodic visits are made to all the assets in the different regions where they are located, in order to strengthen the marketing processes of immovable properties and support the efforts aimed at achieving the urban standard applicable to immovable properties in order to verify their best use.

- Auctions (virtual or in person) are held where the Bank's properties are made available to the general public so that interested parties may openly participate in the acquisition of such properties; these auctions, as well as the marketed goods, are public knowledge and are informed through the Bank's web page, in the mass media.

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16. Properties and Equipment, Net

The following is the detail and movements of properties and equipment:

		Land	Buildings and Remodeling	Equipment and Furniture	Improvements in Leased Properties	Constructions in Progress	Finance Leases	Total
Balance as of December 31, 2022	**$**	**111.763**	**153.203**	**101.810**	**2.987**	**15.963**	**164.660**	**550.386**
Acquisitions		-	148	20.049	-	3.304	2.720	26.221
Fee adjustment		-	-	-	-	-	15.211	15.211
Sales		(2.848)	(2.858)	-	-	-	-	(5.706)
Withdrawals		-	(363)	(4.716)	-	-	(24.560)	(29.639)
Transfers of constructions in progress		-	14.909	-	485	(15.394)	-	-
Depreciation		-	(7.548)	(24.053)	-	-	(26.788)	(58.389)
Amortization		-	-	-	(1.164)	-	-	(1.164)
Impairment		-	-	(6)	-	-	-	(6)
Balance as of December 31, 2023	**$**	**108.915**	**157.491**	**93.084**	**2.308**	**3.873**	**131.243**	**496.914**
Balance as of December 31, 2021	**$**	**111.388**	**160.202**	**110.642**	**5.040**	**470**	**185.697**	**573.439**
Acquisitions		-	177	30.918	-	16.424	3.048	50.567
Fee adjustment		-	-	-	-	-	12.907	12.907
Sales		(806)	(1.727)	-	-	-	-	(2.533)
Withdrawals		-	-	(15.453)	(215)	-	(11.753)	(27.421)
Transfers of constructions in progress		-	293	509	129	(931)	-	-
Transfers to other assets		(340)	433	1.144	-	-	-	1.237
Reclassification of investment property		1.521	1.346	-	-	-	-	2.867
Depreciation		-	(7.521)	(25.888)	-	-	(26.860)	(60.269)
Amortization		-	-	-	(1.967)	-	-	(1.967)
Impairment		-	-	(62)	-	-	-	(62)
Adjustment for change in contract terms		-	-	-	-	-	1.621	1.621
Balance as of December 31, 2022	**$**	**111.763**	**153.203**	**101.810**	**2.987**	**15.963**	**164.660**	**550.386**

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As of December 31, 2023 and 2022, there are no mortgages or title reservations on the items of properties and equipment, nor have they been assigned as mortgage guarantee.

As of December 31, 2023 and 2022, as a result of the sale of immovable properties that in the IFRS transition balance sheet used fair value as the attributed cost, $5,114 and $3,070 were reclassified from the first-time adoption to retained earnings, respectively.

Sale of Properties and Equipment

As of December 31, 2023 and 2022, the sales of properties and equipment are broken down as follows:

		December 31, 2023	December 31, 2022
Cost of assets sold or withdrawn	$	10.785	18.200
Gain on the sale of assets		2.556	1.306
Proceeds from the sale	**$**	**13.341**	**19.506**

Impairment of Properties and Equipment

As of December 31, 2023 and 2022, the group evaluated the internal and external indicators such as significant changes in the legal, economic, technological, or market environments with an unfavorable impact on the value of the group's assets, and identified some indicators that reflected a significant measure of impairment of fixed assets represented in immovable property, for which it proceeded to calculate the recoverable amount, and as a result, the values of $6 and $62 for impairment were recognized, respectively. No evidence of impairment was identified for movable properties.

Decommissioning

As of December 31, 2023 and 2022, the Bank had made provisions for the decommissioning of $3,982 and $4,361, respectively. See Note 24.

17. Investment Properties, Net

The following is the detail of investment properties:

		December 31, 2023	December 31, 2022
Cost	$	150.907	153.922
Impairment		(15.355)	(19.373)
Depreciation		(5.281)	(4.659)
Total	**$**	**130.271**	**129.890**

The following is the movement of investment properties:

		Land	Buildings	Total
Cost				
Balance as of December 31, 2022	$	**47.538**	**106.384**	**153.922**
Sales		(10.631)	(12.770)	(23.401)
Reclassification of other assets		-	819	819

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		Land	Buildings	Total
Reclassification of non-current assets		12.176	7.391	19.567
Balance as of December 31, 2023		**49.083**	**101.824**	**150.907**
Balance as of December 31, 2021	$	**57.335**	**117.198**	**174.533**
Sales		(8.276)	(22.423)	(30.699)
Reclassification of non-current assets held for sale		(1.521)	(1.550)	(3.071)
Reclassification of property, plant, and equipment		-	3.639	3.639
Reclassification of other assets		-	9.520	9.520
Balance as of December 31, 2022	**$**	**47.538**	**106.384**	**153.922**
Depreciation				
Balance as of December 31, 2022	$	**-**	**(4.659)**	**(4.659)**
Movement in depreciation		-	(1.171)	(1.171)
Recovery from sales		-	549	549
Balance as of December 31, 2023		**-**	**(5.281)**	**(5.281)**
Balance as of December 31, 2021	$	-	**(5.263)**	**(5.263)**
Movement in depreciation		-	(1.184)	(1.184)
Reclassification of property, plant, and equipment		-	204	204
Reclassification of other assets		-	461	461
Recovery from sales		-	1.123	1.123
Balance as of December 31, 2022	**$**	-	**(4.659)**	**(4.659)**
Impairment				
Balance as of December 31, 2022	$	**(6.789)**	**(12.584)**	**(19.373)**
Reclassification of non-current assets held for sale		-	(174)	(174)
Adjustment		-	5.228	5.228
Recovery from sales		2.633	233	2.866
Provision recorded as expenses		(2.890)	(1.012)	(3.902)
Balance as of December 31, 2023		**(7.046)**	**(8.309)**	**(15.355)**
Balance as of December 31, 2021	$	**(9.131)**	**(9.226)**	**(18.357)**
Reclassification of non-current assets held for sale		-	(1.835)	(1.835)
Reclassification of other assets		-	1.383	1.383
Recovery from sales		1.832	716	2.548
Reversal of value impairment losses		668	141	809
Provision recorded as expenses		(158)	(3.763)	(3.921)
Balance as of December 31, 2022	**$**	**(6.789)**	**(12.584)**	**(19.373)**
Carrying amount				
Balance as of December 31, 2023		**42.037**	**88.234**	**130.271**
Balance as of December 31, 2022	$	**40.749**	**89.141**	**129.890**

The fair value of investment properties as of December 31, 2023 and 2022, amounts to $179,867 and $183,602, respectively.

As of December 31, 2023 and 2022, there are no restrictions on the availability of these assets.

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18. Intangible Assets and Goodwill, Net

The details of intangible assets are as follows:

		Computer Software (1)	Other Intangible Assets	Total Intangible Assets	Goodwill
Cost					
Balance as of December 31, 2022	$	837.728	63.065	900.793	112.974
Acquisitions		184.186	25	184.211	-
Derecognition of intangible assets		(13.910)	-	(13.910)	-
Impairment		(4.914)	(2.012)	(6.926)	-
Balance as of December 31, 2023		**1.003.090**	**61.078**	**1.064.168**	**112.974**
Balance as of December 31, 2021	$	656.034	61.252	717.286	112.974
Acquisitions		181.976	1.813	183.789	-
Derecognition in accounts		(282)	-	(282)	-
Balance as of December 31, 2022	$	837.728	63.065	900.793	112.974
Accumulated amortization					
Balance as of December 31, 2022	$	(353.156)	(57.410)	(410.566)	-
Amortization expenses		(120.811)	(1.131)	(121.942)	-
Derecognition of intangible assets		6.431	-	6.431	-
Balance as of December 31, 2023		**(467.536)**	**(58.541)**	**(526.077)**	**-**
Balance as of December 31, 2021	$	(258.636)	(56.280)	(314.916)	-
Amortization expenses		(94.712)	(1.130)	(95.842)	-
Derecognition in accounts		192	-	192	-
Balance as of December 31, 2022	$	(353.156)	(57.410)	(410.566)	-
Impairment					
Balance as of December 31, 2022		-	-	-	-
Expenses due to impairment		(12.414)	(2.012)	(14.426)	-
Derecognition due to impairment		12.414	2.012	14.426	-
Balance as of December 31, 2023		-	-	-	-
Carrying amount					
As of December 31, 2023		**535.554**	**2.537**	**538.091**	**112.974**
As of December 31, 2022	$	484.572	5.655	490.227	112.974

(1) This corresponds to the software acquired and formed for the development of the different technological projects developed by the Bank.

Therefore, the Technology team of CFC Codensa conducted an analysis of the intangible assets, determining which assets could be assigned to the Bank to the extent that they are useful for its operation, and which definitely should be impaired. Accordingly, in the month of September, intangible assets were impaired for $6,927. The remaining intangible assets, as well as the fixed assets and advance payments, were delivered to the Bank on December 29, 2023, in a sale transaction of the assets at their book value, which amounted to $15,364.

Impairment Analysis of the Cash-Generating Unit:

The analysis performed by the Bank to identify the cash-generating unit (CGU) concluded that it corresponds to the group of assets and liabilities of the consumption and mortgage operating segment, which represents the lowest level over which the Bank controls goodwill. This considering that the purpose of the business combination was the assignment of the Consumer Banking business of Small and Medium-sized Companies of Citibank Colombia S.A., as well as the placement of mortgage products to these clients.

In the evaluation of the impairment of the goodwill acquired from the business combination of consumer banking, credit cards, and small and medium-sized companies of Citibank Colombia S.A., as of December 31, 2024, the value in use was calculated as the recoverable amount, mainly considering the following variables:

- Three-year valuation horizon (Stable flow as from the 4th year) with value in perpetuity.
- Double-digit long-term growth, associated with the behavior of the inflation rate for future years.
- The valuation is made by discounting free cash flows at a rate of 14.20%, which represents the Bank's funding cost.

The Bank used the following economic assumptions:

- Starting in 2023, portfolio growth is expected thanks to a gradual economic reactivation, which is generated mainly by the progressive decrease in unemployment in Colombia caused by Covid-19.
- The Colombian economy presented an unanticipated recovery, exceeding the GDP perspective. For the next few years, it is expected to continue with an average growth rate of 3%.
- The above, together with the higher inflation due to indexation effects, caused Banco de la República to raise rates faster. They were expected to stabilize towards the second half of 2023, placing the intervention rate at approximately 9%.

Additionally, the financial analysis of the results of the cash-generating unit was carried out, resulting in the following factors:

- An average asset growth of 14% is expected for the Consumer segment in the coming years, due to the economic recovery that began back in 2021, which would generate a reactivation of consumer loans thanks to the management of the different placement channels.
- Financial income is projected taking into account a greater contribution from personal loan and mortgage credit products, which will be aligned with the risk appetite that the Bank currently has.
- Commissions associated with the portfolio and transactions are increased, as well as commissions related to insurance premiums given the strategic alliance made with Cardiff.
- The credit cost projection is expected to have an indicator with an upward trend with stabilization by 2024.
- Regarding financial expenditure, it is intended to remain stable or improve in the medium term, seeking to attract demand deposits, such as payroll or transactional liabilities.

Finally, no decreases in the value of long-lived assets were identified and no significant changes were recognized in legal factors or the business environment that could affect the net asset value of the cash-generating unit.

The methodology and assumptions used for the valuation of the CGU to which the goodwill is assigned were revised by management, and based on the revision, it is concluded that, as of December 31, 2003, no impairment of goodwill was identified that should be recognized in the financial statements.

Below is a summary of the analysis carried out:

Cash Generator	Goodwill	Net Assets	Recoverable Amount	Excess
Consumer segment	112.974	7.234.128	7.650.261	416.132

19. Income Taxes

Components of the Income Tax Expenses: Income tax expenses for the years ended December 31, 2023 and 2022, comprise the following items:

		December 31, 2023	December 31, 2022
Current tax expenses			
Income tax (1)	$	7.093	89.227
Occasional income tax		688	47
Change in prior years' estimates		(10.416)	(33.669)
Subtotal	**$**	**(2.635)**	**55.605**
Deferred tax (income) expenses		(109.422)	40.577
Total income tax expenses		**(112.057)**	**96.182**

(1) The bank is part of the Scotiabank group, therefore, once the calculation of the minimum consolidated tax of 15% has been made, there is no place to settle the aforementioned tax.

Reconciliation of the Nominal Tax Rate and the Effective Rate

The tax provisions in force applicable to the Group stipulate that in Colombia:

- Starting in 2021, the Economic Growth Law reduces the presumptive income to 0% of the net assets of the last day of the immediately preceding fiscal period.

- In accordance with the Social Investment Law 2155 of 2021, the audit benefit is extended for the years 2022 and 2023 for taxpayers who increase their net income tax of the taxable year in relation to the net income tax of the immediately preceding year at least by 35% and 25%, with which the income tax return will become final within 6 or 12 months following the filing date, respectively.

- With the Economic Growth Law 2010 of 2019, the term of finality of the income and complementary tax returns of taxpayers that determine or offset tax losses or are subject to the transfer pricing regime, will be 5 years.

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- Excesses of presumptive income can be offset in the following 5 taxable periods.

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

Through the Tax Reform for equality and Social Justice, Law 2277 of December 13, 2022, a tax reform was adopted. This provision introduces some modifications regarding income tax, which we present below:

- The general income rate remains at 35% for national companies and their similar entities, permanent establishments of foreign entities, and foreign legal entities, with or without residence in the country that are required to file an annual income and complementary tax return.

- For financial institutions, insurance companies, reinsurance companies, brokerage firms, agricultural brokerage firms, agricultural, agro-industrial and other commodity exchanges, and stock market infrastructure providers, a surcharge of 5 additional points of the general income tax rate is established during the taxable periods 2023 to 2027, being the total rate of 40% if they have a taxable income equal or higher than 120,000 UVT (UVT - Tax Value Unit) ($5,089,440,000-year 2023). The surcharge will be subject to an advance payment of 100%.

- A minimum tax is established for residents in Colombia, and an additional tax is set in case the purged income tax with certain adjustments is less than 15% of the accounting profit before taxes with certain adjustments. Thus, taxpayers must (i) determine the purged tax of the Colombian taxpayer, or the purged tax of the group, in case it is part of a business group, (ii) determine the purged profit of the Colombian taxpayer or the group in case it is part of a business group, and (iii) determine the purged tax rate of the Colombian taxpayer, or the group, in case it is part of a business group. If the effective rate (purged tax/purged profit) is lower than 15%, the tax of the taxpayer or the group to be added in case it is part of a corporate group must be calculated.

- Economic and Social Zones, ZESE, during the period that their income rate is zero (0%), taxpayers whose purged profit is equal to or less than zero, those who are governed by the provisions of Art 32 of the E.T. (Concessions), industrial and commercial companies of the state, or mixed economy companies that exercise monopolies of luck, chance, and liquors, hotels and theme parks provided that they are not required to submit country by country reports, are exempted from this rule.

- The amount of the summation of some income not constituting income, special deductions, exempt income, and tax discounts are limited to 3% per year of the ordinary net income.

- Article 158-1 is repealed, eliminating the possibility of deducting costs and expenses associated with investments in CTeI, i.e., these investments will only be eligible for a tax discount. The possibility of taking 30% of the investments in Science, Technology, and Innovation (CTeI) that have the approval of the National Council of Tax Benefits (NCTB) as a tax discount remains; the previous rule established a 25% discount.

- The possibility of taking 50% of the ICA effectively paid before filing the income tax return as a tax deduction is eliminated. The 100% accrued and paid prior to the filing of the income tax return will be deductible.

- 100% of the taxes, rates, and contributions effectively paid in the taxable year, which have a causal relationship with the generation of income (except income tax) will continue to be deductible; 50% of

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the tax on financial transactions (GMF) will be deductible, regardless of whether or not it has a causal relationship with the income-generating activity.

- Payments for memberships to social clubs, labor expenses of housing support personnel, or other activities unrelated to the income-producing activity, and personal expenses of partners, participants, shareholders, customers, and/or their relatives, all of which shall be considered income in kind for their beneficiaries, shall not be deductible.

- It is established that the non-deductible amounts for sentences arising from administrative, judicial, or arbitration proceedings correspond to the amounts that have a punitive nature, are penalties, or are compensation for damages. (Paragraph 3 of Article 105 of the E.T.)

- The occasional income tax rate is established at 15%.

- A withholding tax rate of 10% is established for dividends received by national companies that do not constitute income or occasional income (formerly 7.5%), which will be transferable to the resident individual or the foreign investor. The exceptions established in the regulations in force remain. Dividends and shares received by permanent establishments of national foreign companies that do not constitute income or occasional income will be taxed at the special rate of 20%.

- It was provided that the tax on taxed dividends will be determined (i) by applying the income rate corresponding to the year in which they are decreed (35%) and (ii) the rate corresponding to the non-taxed dividend will be applied on the remainder, depending on the beneficiary (if it is a resident individual or an unliquidated succession of a deceased resident, the table of Article 241 of the E.T. will be applied).

- Dividends decreed against income for 2016 and prior years will retain the treatment in effect at that time, and those corresponding to income for 2017, 2018, and 2019 that are decreed as of 2020 will be governed by the rates set forth in the 2010 Law.

In accordance with IAS 12 paragraph 81 section (c), the following is the detail of the reconciliation between the total income tax expense of the bank and its subsidiaries calculated at the tax rates currently in force and the tax expenses effectively recorded in the profit or loss for the period, for the periods ended December 31, 2022 and 2022.

			December 31, 2023			December 31, 2022
Income (loss) before income tax		**$**	**(366.218)**		**$**	**269.987**
Tax expenses calculated in accordance with the nominal rates of 40% and 38%	40%		(146.487)	38%		102.595
More or (less) taxes related to the following items:						
Dividends received do not constitute income or occasional income	1%		(2.123)	(1%)		(2.159)
Tax-exempt income	0%		(99)	(5%)		(13.306)
Other non-taxed income	2%		(7.082)	(1%)		(1.505)
Tax on financial transactions	(4%)		14.425	4%		10.801
Non-deductible expenses	(10%)		34.481	21%		55.654
Other items	(1%)		3.819	0%		(926)
Occasional income at 15% and 10%, respectively	0%		688	0%		47

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			December 31, 2023			December 31, 2022
Effect on the deferred tax at the expected rates at which the differences are expected to be reversed	0%		737	5%		13.404
Reimbursement of tax provision	3%		(10.416)	(12%)		(33.669)
Unearned deferred tax assets on tax loss	0%		-	0%		-
Tax discount - ICA tax	0%		-	(12%)		(32.675)
Tax discount - investment in innovation and technology	0%		-	(1%)		(1.741)
Tax discount – Others	0%		-	(1%)		(338)
Total income tax expenses	**31%**	**$**	**(112.057)**	**36%**	$	96.182

Movement in Deferred Tax Balances

Deferred Taxes due to Temporary Differences:

Differences between the carrying amount 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 in effect for the years in which the asset is expected to be realized or the liability is expected to be settled.

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The following is the movement in deferred taxes:

						Balance as of December 31, 2023		
		Net balance as of January 1, 2023	Recognized in Income	Recognized in Other Comprehensive Income	Adjustments and/or Reclassifications	Net	Deferred Tax Assets	Deferred Tax Liabilities
Valuation of investments in debt securities	$	94.347	(986)	(79.012)	(80)	14.269	14.269	-
Unrealized exchange difference		40.866	(77.070)	-	-	(36.204)	-	(36.204)
Equity instruments		(15.365)	136	(1.147)	-	(16.376)	-	(16.376)
Financial derivatives		(38.022)	28.739	1.973	-	(7.310)	-	(7.310)
Provisions for assets		-	65	-	-	65	65	-
Cost of movable properties, furnishings, and computer equipment		7.598	(173)	-	-	7.425	7.425	-
Cost of immovable properties, land, and buildings		(32.610)	(1.910)	-	-	(34.520)	-	(34.520)
Inv tech and innovation		(7.297)	207	-	-	(7.090)	-	(7.090)
Deferred charges		(29.472)	3.903	-	-	(25.569)	-	(25.569)
Prepaid expenses		101	-	-	-	101	101	-
Tax credits		914	(914)	-	-	-	-	-
Loan portfolio		(224.637)	(31.731)	27.771	-	(228.597)	-	(228.597)
Covid portfolio		(130)	-	-	-	(130)	-	(130)
Foreclosed assets		(71.239)	(3.411)	-	-	(74.650)	-	(74.650)
Other differences in assets		4.851	(171)	-	-	4.680	4.680	-
Actuarial calculation		2.458	31	-	-	2.489	2.489	-
Deferred income		(555)	-	-	-	(555)	-	(555)
Provisions for liabilities		12.160	(3.346)	-	-	8.814	8.814	-
Other differences in liabilities		7.288	-	-	-	7.288	7.288	-
IFRS 16		8.224	(561)	-	-	7.663	7.663	-
Other adjustments and reclassifications		7.987	(379)	-	-	7.608	4.573	3.035
Business combination adjustments		13.264	-	-	-	13.264	13.264	-
Business combination amortization		(3.987)	36	-	-	(3.951)	-	(3.951)
Tax loss		-	196.958	-	-	196.958	196.958	-
Tax assets (liabilities)	$	**(223.256)**	**109.422**	**(50.415)**	**(80)**	**(164.328)**	**267.589**	**(431.917)**

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		Net balance as of January 1, 2022	Recognized in Income	Recognized in Other Comprehensive Income	Adjustments and/or Reclassifications	Recognized in Equity	Balance as of December 31, 2022		
							Net	Deferred Tax Assets	Deferred Tax Liabilities
Valuation of investments in debt securities	$	19.048	2.117	73.187	-	(6)	94.347	94.347	-
Unrealized exchange difference		(4.085)	42.908	-	-	2.043	40.866	40.866	-
Equity instruments		(7.714)	(543)	(4.989)	(138)	(1.981)	(15.365)	-	(15.365)
Financial derivatives		(2.213)	(20.376)	(14.204)	-	(1.229)	(38.022)	-	(38.022)
Cost of movable properties, furnishings, and computer equipment		4.398	2.820	-	-	380	7.598	7.598	-
Cost of immovable properties, land, and buildings		(29.647)	(1.691)	-	-	(1.272)	(32.610)	-	(32.610)
Inv tech and innovation		(6.537)	(760)	-	-	-	(7.297)	-	(7.297)
Deferred charges		(31.015)	1.518	-	-	25	(29.472)	-	(29.472)
Prepaid expenses		96	-	-	-	5	101	101	-
Tax credits		868	46	-	-	-	914	914	-
Loan portfolio		(205.412)	(40.798)	20.828	-	745	(224.637)	-	(224.637)
Covid portfolio		25.422	(25.552)	-	-	-	(130)	-	(130)
Foreclosed assets		(66.956)	(4.283)	-	-	-	(71.239)	-	(71.239)
Other differences in assets		5.120	(208)	-	-	(61)	4.851	4.851	-
Actuarial calculation		2.819	(361)	-	-	-	2.458	2.458	-
Deferred income		(555)	-	-	-	-	(555)	-	(555)
Provisions for liabilities		8.271	3.273	-	-	616	12.160	12.160	-
Other differences in liabilities		7.288	-	-	-	-	7.288	7.288	-
IFRS 16		7.067	748	-	-	409	8.224	8.224	-
Other adjustments and reclassifications		7.904	83	-	-	-	7.987	19.697	(11.710)
Business combination adjustments		13.264	-	-	-	-	13.264	13.264	-
Business combination amortization		(2.007)	482	-	-	(2.462)	(3.987)	-	(3.987)
Tax assets (liabilities)	$	**(254.576)**	**(40.577)**	**74.822**	**(138)**	**(2.788)**	**(223.256)**	**211.768**	**(435.024)**

(*) In accordance with the provisions of Decree 2617 of December 29, 2022, the company decided to record the adjustment due to the rate change which was recorded in the accumulated profit or loss of previous financial years. The rate adjustment generated an expense of $2,788, determined in accordance with the new rates, in accordance with Law 2277 of December 13, 2022.

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Tax Credits

Law 1819 of December 29, 2016, in Article 123, creates a transition regime for the compensation of tax losses and excesses of presumptive income, and excesses of the minimum base generated before 2017. As of December 31, 2022, the following is the detail of the tax losses and excesses of presumptive income that have not been used and on which the subsidiary Scotia Securities recorded deferred tax assets as follows:

		December 31, 2022
Tax losses expiring on:		
No expiration date	$	-
December 31, 2030		1.164
December 31, 2031		855
December 31, 2033		318
December 31, 2034		275
Total	**$**	**2.612**

Tax Losses Pending to be Used

As of December 31, 2023 and 2022, the following is the detail of the tax losses that have not been used by the Bank:

		December 31, 2023
Tax losses expiring on:		
December 31, 2035	$	492.395
Total	**$**	**492.935**

Effect of current and deferred taxes on each component of other comprehensive income, in equity:

The effects on other comprehensive income are detailed below:

		December 31, 2023			December 31, 2022		
		Amount Before Taxes	Deferred Tax	Net	Amount Before Taxes	Deferred Tax	Net
Comprehensive net income	$			**(254.161)**	-	-	**173.805**
Items that can be subsequently reclassified to profit or loss for the period		**(7.378)**	**1.973**	**(5.405)**	**37.925**	**(14.204)**	**23.721**
Cash Flow hedges		(7.378)	1.973	(5.405)	37.925	(14.204)	23.721
Items that will not be reclassified to profit or loss for the period		**133.656**	**(52.388)**	**81.268**	**(223.988)**	**89.026**	**(134.962)**
Changes in the fair value of financial instruments		213.002	(80.159)	132.843	(162.486)	68.198	(94.288)
Financial instruments portfolio		(79.346)	27.771	(51.575)	(61.502)	20.828	(40.674)
Total movement in comprehensive income		**126.278**	**(50.415)**	**75.863**	**(186.063)**	**74.822**	**(111.241)**
Total with comprehensive movement	$			**(178.298)**			**62.564**

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Current Income Tax Assets and Liabilities

The balances of accounts receivable and/or payable for current income tax are as follows:

		December 31, 2023	December 31, 2022
Assets			
Positive income tax balance	$	680.464	251.425
		680.464	**251.425**

For financial statement presentation purposes, the Bank offset deferred tax assets and liabilities as established in paragraph 74 of IAS 12 and current tax assets and liabilities as established in paragraph 71 of IAS 12, considering the application of the tax provisions in force in Colombia on the legal right to offset current tax assets and liabilities.

Uncertainties in Open Tax Positions

As of December 31, 2023 and 2022, the Group has no tax uncertainties that could generate a provision for this item, taking into account that the income and complementary taxes process is regulated under the current tax framework. For this reason, there are no risks that could involve an additional tax liability.

Transfer Pricing

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

Although the 2023 transfer pricing study is in the process of being prepared, no significant changes are anticipated in relation to the previous year's study.

Deferred Tax with Respect to Investments in Partner Companies

In compliance with paragraph 39 of IAS 12, the Bank did not record any deferred tax liabilities related to temporary differences in investments in partner companies to the extent that it can control the timing of the reversal of such differences, and this is not expected to occur in the foreseeable future.

Temporary differences for the indicted items as of December 31, 2023 and 2022, amounted to $(16,483) and $0, respectively.

20. Other Assets, Net

The following is the detail of the other assets:

		December 31, 2023	December 31, 2022
Advance payments	$	107.904	104.728
Art and cultural assets		2.844	2.844
Foreclosed assets (1)		126.783	128.236
Miscellaneous		42.900	42.487

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		December 31, 2023	December 31, 2022
Impairment		(20.428)	(29.668)
Total	**$**	**260.003**	**248.627**

(1) The following is the detail of the foreclosed assets:

		December 31, 2023	December 31, 2022
Rights and interest in immovable properties	$	119.076	120.019
Investments		641	641
Machinery and others		7.066	7.576
Total	**$**	**126.783**	**128.236**

21. Deposits and Liabilities

Deposits received by the Bank from customers in the development of transactions are detailed below:

		December 31, 2023	December 31, 2022
Deposits in a bank current account	$	1.987.552	2.029.744
Term deposit certificates		14.974.901	13.645.216
Savings deposits		11.435.124	16.570.420
Others		744.350	625.714
Total	**$**	**29.141.927**	**32.871.094**

Temporality of Term Certificates

The following is the temporality classification of term deposit certificates:

		December 31, 2023	December 31, 2022
Issued for less than 6 months	$	2.661.376	2.668.230
Issued equal to 6 months and less than 12 months		3.205.806	2.364.614
Issued equal to 12 months and less than 18 months		4.465.285	3.728.665
Issued equal to 18 months or more		4.642.434	4.883.707
Total	**$**	**14.974.901**	**13.645.216**

According to each funding modality, the effective annual interest on the average daily balances generated by these liabilities as of the end of December 31, 2023 and 2022, was as follows:

	December 31, 2023	December 31, 2022
Current accounts	3,45%	2,14%
Term deposit certificates in legal currency	13,74%	8,14%
Ordinary savings deposits	9,18%	5,18%

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Interest accrued on customer deposits as of December 31, 2023 and 2022, was $3,077,795 and $1,842,267, respectively.

Interest paid for customer deposits as of December 31, 2023 and 2022, was $2,935,006 and $1,576,838, respectively.

22. Financial Obligations

The following is a detail of financial obligations:

Short-Term Financial Obligations

		December 31, 2023	December 31, 2022
Commitments to transfer investments in simultaneous transactions	$	888.668	266.335
Commitments originating from short positions of simultaneous transactions		80.389	69.777
Commitments to sell investments in open repo transactions (1)		1.451.944	-
Foreign banks (2)		560.917	1.686.322
Financiera de Desarrollo Territorial S.A. FINDETER		10.405	-
Fund for the Financing of the Agricultural Sector FINAGRO		25.753	5.539
Total	**$**	**3.018.076**	**2.027.973**

(1) The Bank uses the funding lines in transactions with Banco de la República due to the increase in foreign currency positions.
(2) The decrease in obligations with foreign banks is due to lower demand for funding in foreign currency, mainly in USD due to better local funding conditions in pesos, the above as part of the Bank's strategy.

Short-Term Financial Obligations - Effective Interest Rates

Below is a summary of the average annual effective interest rates charged on financial obligations:

	December 31, 2023		December 31, 2022	
	Minimum %	Maximum %	Minimum %	Maximum %
Interbank funds	12,16%	12,47%	11,25%	12,60%
Repo and simultaneous transactions	6,24%	9,30%	4,51%	5,44%

Repo, simultaneous, and interbank transactions are carried out at market conditions.

Long-Term Financial Obligations

		December 31, 2023	December 31, 2022	Current Interest Rate
Foreign banks	$	1.868.910	1.400.172	Between 6,07% and 6,91%
Financiera de Desarrollo Territorial S.A. FINDETER		267.057	272.442	Between 16,08% and 16,21%
BANCOLDEX		46.975	112.013	Between 16,89% and 17,46%
Fund for the Financing of the Agricultural Sector FINAGRO		150.114	205.256	Between 15,18% and 15,66%
Finance leases		150.307	185.128	
Employee savings plan		7.190	7.752	

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Total	**$**	**2.490.553**	2.182.763

(1) The following is the movement of financial obligations:

		December 31, 2023	December 31, 2022
Beginning balance as of January 1	$	**4.210.736**	3.879.006
Disbursements		281.236.952	107.716.748
New leases		2.719	3.048
Increases due to adjustments to the rent fee		15.210	14.307
Interest accrued on loans		471.196	133.464
Interest accrued on leases		12.108	13.518
Interest paid		(485.016)	(125.625)
Loan cancellations		(279.486.819)	(107.780.389)
Lease payments		(56.612)	(37.118)
Lease derecognition		(24.559)	2.775
Adjustment for exchange differences		(387.286)	391.002
Final balance as of December 31	**$**	**5.508.629**	**4.210.736**

Interest accrued on financial obligations as of December 31, 2023 and 2022, was $483,304 and $133,464, respectively. Interest paid for financial obligations as of December 31, 2023 and 2022, was $485,016 and $125,625, respectively.

Maturity by Timelines of Short-Term Financial Obligations

		December 31, 2023				
		Up to one month	More than one month and not more than three months	More than three months and not more than six months	More than six months and not more than one year	Total
Commitments to transfer investments in simultaneous transactions	$	888.668	-	-	-	888.668
Commitments originating from short positions of simultaneous transactions		80.389	-	-	-	80.389
Commitments to sell investments in open repo transactions		1.451.944	-	-	-	1.451.944
Foreign banks		156.277	158.871	197.811	47.958	560.917
Fund for the Financing of the Agricultural Sector FINAGRO		13.825	11.928			25.753
Financiera de desarrollo territorial S.A. FINDETER		4.671	-	5.734	-	10.405
Short-term total	$	**2.595.774**	**170.799**	**203.545**	**47.958**	**3.018.076**

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		December 31, 2022				
		Up to one month	More than one month and not more than three months	More than three months and not more than six months	More than six months and not more than one year	Total
Commitments to transfer investments in simultaneous transactions	$	266.335	-	-	-	266.335
Commitments originating from short positions of simultaneous transactions		69.777	-	-	-	69.777
Foreign banks		147.500	705.192	693.773	139.857	1.686.322
FINAGRO		5.539	-	-	-	5.539
Short-term total	**$**	**489.151**	**705.192**	**693.773**	**139.857**	**2.027.973**

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Long-Term Financial Obligations

		December 31, 2023									
		Current Portion					Non-Current Portion				
		Up to three months		More than three months and not more than one year			More than one year				
		Up to one month	More than one month and not more than three months	More than three months and not more than six months	More than six months and not more than one year	Total current portion	Between one and three years	More than three years and not more than five years	More than five years	Total non-current portion	Long-term total
Foreign banks	$	43.192	112.210	225.525	206.204	587.131	1.150.542	131.237	-	1.281.779	1.868.910
FINDETER		-	17.399	53.994	67.800	139.193	68.057	59.807	-	127.864	267.057
BANCOLDEX		252	1.313	584	24.978	27.127	17.865	239	1.744	19.848	46.975
FINAGRO		15.116	-	10.366	46.678	72.160	57.384	72	20.498	77.954	150.114
Finance leases		2.002	4.040	6.150	12.631	24.823	55.257	63.692	6.535	125.484	150.307
Employee savings plan		252	410	573	1.315	2.550	2.975	1.665	-	4.640	7.190
	$	**60.814**	**135.372**	**297.192**	**359.606**	**852.984**	**1.352.080**	**256.712**	**28.777**	**1.637.569**	**2.490.553**

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		December 31, 2022									
		Current Portion					Non-Current Portion				
		Up to three months		More than three months and not more than one year			More than one year				
		Up to one month	More than one month and not more than three months	More than three months and not more than six months	More than six months and not more than one year	Total Current Portion	Between one and three years	More than three years and not more than five years	More than five years	Total non-current portion	Long-term total
Foreign banks	$	14.195	89.675	30.191	289.453	423.514	708.481	268.177	-	976.658	1.400.172
FINDETER		-	-	1.378	4.059	5.437	153.513	113.492	-	267.005	272.442
BANCOLDEX		284	1.477	512	12.576	14.849	94.550	635	1.979	97.164	112.013
FINAGRO		1.002	-	74.343	18.960	94.305	108.736	2.215	-	110.951	205.256
Finance leases		2.014	4.064	6.186	12.704	24.968	55.546	63.963	40.651	160.160	185.128
Employee savings plan		251	311	584	1.191	2.337	3.719	1.696	-	5.415	7.752
	$	**17.746**	**95.527**	**113.194**	**338.943**	**565.410**	**1.124.545**	**450.178**	**42.630**	**1.617.353**	**2.182.763**

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23. Employee Benefits

The following is the detail of the balances of the liabilities for employee benefits:

		December 31, 2023	December 31, 2022
Employee benefit			
Short-term benefit (1)	$	68.173	73.393
Long-term benefit (2)		7.742	7.355
Post-employment benefit (3)		1.311	1.166
Total	**$**	**77.226**	**81.914**

(1) Short-term benefits: They consist of:

		December 31, 2023	December 31, 2022
Severance pay	$	20.587	19.086
Interest on severance pay		2.429	2.215
Vacations		29.136	28.903
Extra-legal bonuses		7.466	6.905
Total salaries to be paid		458	955
Bonuses		8.097	4.555
Others		-	10.774
Total	**$**	**68.173**	**73.393**

(a) The balance of the year 2022 was due to additional provisions for discretionary bonuses.

(2) Long-term benefits include the seniority bonus and vacation bonus: The Bank provides its employees with long-term extralegal seniority bonuses throughout their working life depending on the number of years of service, every five (5), ten (10), fifteen (15), and twenty (20) years, etc., calculated as days of salary. As regards the vacation bonus, the bank grants a benefit corresponding to 15 days of salary.

(3) Post-employment benefits: This corresponds to retirement pensions. The actuarial calculation as of December 31, 2023, was made considering a discount rate of 11.00%, the pension increase rate of 4.00%, and the inflation rate of 3.00%.

The following is the movement of the seniority bonus during 2023:

		December 31, 2023	December 31, 2022
Defined benefit obligation at the beginning of the period	$	**4.968**	**6.010**
Service costs for the current period		605	748
Past service costs		-	32
Interest cost		540	483
Benefits paid directly by the Bank		(733)	(664)
Increase due to transfer of business (1)		(1)	(3)
Remeasurements			
a. Effect of the change in financial assumptions		88	(1.103)
b. Effect of changes in experience		(301)	(535)

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		December 31, 2023	December 31, 2022
Defined benefit obligation at the end of the period	$	**5.166**	**4.968**

Actuarial Assumptions

The variables used to calculate the projected long-term benefit obligation are shown below:

	2023	2022
Discount rate	11,00%	11,00%
Salary increase rate	9,59%	4,00%
Inflation rate	3,00%	3,00%

The employee turnover rate is calculated based on an average of the general turnover rate for the last three years.

The expected life of the employees is calculated based on mortality tables RV-08 ("Valid Annuitants"), this mortality table was created using the experience gathered in the period between 2005 and 2008 by the administrators of the General Pension System of the Occupational Accident System and life insurance companies.

The discount rate is assigned according to the duration of the plan; thus, plans with a longer time horizon have a higher rate than one with a short term; therefore, for longer time horizons, the TES curve will have a higher interest rate.

Sensitivity Analysis

The sensitivity analysis of the long-term benefit liability of the different variables:

	2023	2022
Discount Rate		
a. Discount rate -50 bp decrease	5.626	5.379
b. Discount rate +50 bp increase	5.376	5.220
c. Rate of salary increase -50 bp decrease	4.115	3.796

		December 31, 2023	December 31, 2022
1	Hypotheses used to determine long-term benefit obligations		
	Discount rate	11,00%	11,00%
	Salary increase rate	9,59%	4,00%
	Long-term inflation rate	3,00%	3,00%
2	Hypotheses used to determine the cost of long-term benefits		
	Discount rate	11,00%	7,50%
	Salary increase rate	4,00%	4,00%
	Long-term inflation rate	3,00%	3,00%

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Payments of Expected Future Benefits

Payments of future benefits expected over the next 10 years, reflecting services, as the case may be, are expected to be paid as follows:

		Expected Payment
For year 1	$	952
For year 2		756
For year 3		1.046
For year 4		988
For year 5		880
For the next 5 years		4.835

On December 22, 2016, the Ministry of Commerce, Industry, and Tourism issued Decree 2131, by which preparers of financial information are required to disclose, in the notes of the financial statements, the calculation of pension liabilities under their responsibility, in accordance with the parameters established in Decree No. 1625 of 2016.

As of December 31, 2023, the amount of the actuarial calculation in accordance with the parameters established in Decree No. 1625 of 2016 is $1,158, and the difference with the retirement pension liability determined based on actuarial assumptions defined in International Accounting Standard 19 "Employee Benefits" is a lower value of $153.

24. Provisions

The following is the detail of the provisions:

		December 31, 2023	December 31, 2022
Labor lawsuits and litigation in the process (1)	$	6.353	6.483
Decommissioning		3.982	4.361
Other provisions (2)		2.763	7.546
Total	**$**	**13.098**	**18.390**

(1) As of December 31, 2023, and December 31, 2022, the Group had 530 and 617 lawsuits against it, respectively, including ordinary civil, labor, and administrative lawsuits. The claims amount to $180,078 and $141,756, respectively, recorded in contingent accounts and for which a provision has been constituted, which is determined based on the probability of occurrence of the event.

(2) The most relevant variation corresponds to provisions related to operating risk, both in the Bank and in the Trust.

The movement of the provisions is shown below:

		December 31, 2023			
		Lawsuits and Litigation in Process	Decommissioning	Other Provisions	Total
Balance as of December 31, 2022	**$**	**6.483**	**4.361**	**7.546**	**18.390**
Provisions created during the period		3.504	148	7.146	10.798

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Provisions used during the period		(2.684)	(527)	(9.724)	(12.935)
Provisions released during the period		(950)	-	(2.205)	(3.155)
Balance as of December 31, 2023	**$**	**6.353**	**3.982**	**2.763**	**13.098**

		December 31, 2022			
		Lawsuits and Litigation in Process	Decommissioning	Other Provisions	Total
Balance as of December 31, 2021	**$**	**3.964**	**4.817**	**8.812**	**17.593**
Provisions created during the period		15.885	176	23.186	39.247
Provisions used during the period		(12.806)	(632)	(24.210)	(37.648)
Provisions released during the period		(560)	-	(242)	(802)
Balance as of December 31, 2022	**$**	**6.483**	**4.361**	**7.546**	**18.390**

25. Accounts Payable and Other Liabilities

The details of accounts payable and other liabilities are as follows:

		December 31, 2023	December 31, 2022
Taxes payable	$	53.385	51.692
Dividends and Surplus		841	849
Suppliers and services payable		111.469	111.994
Withholdings and labor contributions		84.854	89.376
Settled deposit insurance to be paid		51.367	51.721
Various creditors		18.787	24.945
Accounts payable forward and swaps, offshore (1)		31.247	80.342
ACH transfers (2)		62.536	50.174
Loyalty programs		8.629	13.770
Credit to be applied to obligations		29.472	28.158
Income received in advance Cardif AXA		26.325	28.756
Commissions and fees (3)		9.115	18.672
Miscellaneous		105.471	84.728
Total	**$**	**593.498**	**635.177**

(1) This mainly corresponds to the decrease in swap transactions performed with the central counterparty office at the end of the month of December, which are adjusted at the time of maturity of the transaction.
(2) The increase is mainly due to rejections and disbursements that at the end of December 2023 were pending transfer to other banks.
(3) The decrease is mainly generated by bank guarantees and structuring commissions.

26. Outstanding Investment Securities

The following is a detail of outstanding investment securities:

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	Loan Value	Year of Placement		December 31, 2023	December 31, 2022
2014 issuance by public offering Series FS issues 150.000 bonds with a par value of $1.000 (in pesos) each	150.000	2014	$	151.226	151.412
2016 issuance by public offering Series FS issues 150.000 bonds with a par value of $1.000 (in pesos) each	150.000	2016		150.935	151.076
2017 issuance by public offering Series FS issues 125.000 bonds with a par value of $1.000 (in pesos) each	125.000	2017		126.253	126.453
2019 issuance by private offering for 450.000 bonds with a par value of $1.000 (in pesos) each	450.000	2019		455.726	455.512
2020 issuance by private offering for 224.700 bonds with a par value of $1.000 (in pesos) each	224.700	2020		230.270	230.270
2022 issuance of perpetual bonds	250.000	2022		259.196	259.196
Total			$	**1.373.606**	**1.373.919**

(1) The 2014 issuance of subordinated bonds that were placed in one series: FS Series by public offering for $150,000 for a term of ten (10) years, the opening date was December 11, 2014, and maturity is December 11, 2024, at a CPI rate plus spread of 4.58% payable semiannually in arrears, and issuance consists of 10 bonds.

(2) The 2016 issuance of subordinated bonds that were placed in one series: FS Series by public offering for $150,000 for a term of ten (10) years, the opening date was June 16, 2016, and maturity is June 16, 2026, at a CPI rate plus spread of 4.61% payable semiannually in arrears, and issuance consists of 30 bonds.

(3) The 2017 issuance of subordinated bonds that were placed in one series: FS Series by public offering for $125,000 for a term of ten (10) years, the opening date was December 5, 2017, and maturity is December 5, 2027, at a CPI rate plus spread of 3.89% payable semiannually in arrears, and issuance consists of 38 bonds.

(4) The 2019 issuance of subordinated bonds that were placed by public offering for $450,000 for a term of ten (10) years, the opening date was June 28, 2019, they accrue fixed interest of 10.00% payable semiannually in arrears, and the principal will be fully redeemed at maturity.

(5) The 2020 issuance of subordinated bonds that were placed by public offering for $224,700 for a term of ten (10) years, they accrue fixed interest of 10.00% payable semiannually in arrears, and the principal will be fully redeemed at maturity.

(6) During 2022, perpetual bonds were issued.

As of December 31, 2023 and 2022, expenses of $187,219 and $163,575 were incurred for these bonds, including monetary correction at an effective annual rate on average daily balances of 13.87% and 12.75%, respectively.

Interest paid on the subordinated bonds as of December 31, 2023 and 2022, was $187,532 and $150,608, respectively.

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The following is a detail of the maturities of the outstanding investment securities as of December 31, 2023 and 2022:

		December 31, 2023	December 31, 2022
Year			
2024		150.000	150.000
After 2024		1.199.700	1.199.700
	$	**1.349.700**	**1.349.700**

27. Equity

		December 31, 2023	December 31, 2022
Capital stock			
Authorized capital (1)	$	432.150	350.000
Capital to be subscribed		(73.832)	(27.921)
Subscribed and paid-in capital (2)	$	**358.318**	**322.079**

(1) On May 26, 2023, an Extraordinary General Meeting of the Bank was held and the Board of Directors of the Bank was authorized to approve the regulations for the subscription of ordinary shares, Article 7 of the company bylaws was amended to increase the authorized capital from $350,000 to $432,150, represented in 67,000,000,000 shares with a par value of 6.45 pesos.

As of December 31, 2022, the Bank's authorized capital was $350,000, represented in 54,263,565,891 shares, with a par value of six pesos and forty-five cents ($6.45 legal tender) each.

(2) In 2023, Multiacciones S.A.S. made a capitalization of $250,000, represented in 5,618,410,945 ordinary shares of the Bank at a price of $44.4965 per share, distributed in $36,239 as capital and $213,761 as share issue premium, thus increasing its interest to 55.9817%.

As of December 31, 2023 and 2022, the total subscribed and paid-in shares were 55,553,196,622 and 49,934,785,677, respectively.

The main shareholders and their equity stake are described below:

	December 31, 2023		December 31, 2022	
	Number of Shares	Shareholding %	Number of Shares	Shareholding %
Grupo mercantil Colpatria S.A.				
Mercantil Colpatria S.A.	12.444.335.299	22,40	12.444.335.299	24,92
Vince Business Corp	9.863.115.465	17,76	9.863.115.465	19,75
Banderato Colombia S.A.S	906.756.185	1,63	906.756.185	1,82
Acciones y Valores Colpatria S.A.	-	-	937.957.387	1,88
Acciones y Valores Nuevo Milenio S.A.	1.160.195.835	2,09	-	-
Compañía de Inversiones Colpatria S.A.	-	-	222.238.448	0,45
Subtotal	**24.374.402.784**	**43,88**	**24.374.402.784**	**48,82**
Scotiabank				
Multiacciones S.A.	31.099.603.688	55,98	25.481.192.743	51,03
Other minority shareholders	79.190.150	0,14	79.190.150	0,15

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	December 31, 2023		December 31, 2022	
	Number of Shares	Shareholding %	Number of Shares	Shareholding %
Subtotal	**31.178.793.838**	**56,12**	**25.560.382.893**	**51,18**
Total	**55.553.196.622**	**100**	**49.934.785.677**	**100**

There are no shares with preferential rights, privileges, and restrictions for the distribution of dividends.

Reserves

		December 31, 2023	December 31, 2022
Reserves			
Legal Reserve			
Appropriation of earnings	$	1.726.555	1.635.624
Occasional reserves			
Charity and donations		1.500	1.500
Tax provisions		1.750	1.750
Total reserves	**$**	**1.729.805**	**1.638.874**

Legal Reserve: In accordance with the legal regulations in force, the Bank must build up a legal reserve by appropriating ten percent (10%) of the net income of each year until reaching fifty percent (50%) of the subscribed capital stock; however, it may be reduced below the above percentage to offset losses in excess of retained earnings.

Occasional Reserves: Occasional reserves are determined at the General Shareholders' Meeting for distribution of dividends in cash or shares, future capitalizations, or the specific use in donations defined by the Shareholders' Meeting.

Reserve for Tax Provisions: These correspond to the reserve built up until December 31, 2015, for excess of tax depreciation over accounting depreciation. In accordance with Article 290 of the Tax Statute, these reserves may be released when the depreciation requested for tax purposes is lower than that recorded in the income statement.

Earnings Distribution Project

On March 27, 2023, at the Bank's Ordinary General Meeting, the shareholders approved the earnings distribution project for the amount of $151,352 as follows: Legal reserve built-up for $90,931 to maintain, in retained earnings, the value of $60,421, reserve released for $1,500, and reserve built-up for donations of $1,500.

On March 23, 2022, at the Bank's Ordinary General Meeting, the shareholders approved the earnings distribution project for the amount of $189,045 as follows: Cash dividends of $1.48 for each of the outstanding shares, 49,934,785,677 shares for the amount of $73,903; legal reserve built-up for $113,642, and a reserve for donations for $1,500.

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Other Comprehensive Income

		December 31, 2023	December 31, 2022
Differences in the loan portfolio (1)	$	176.919	228.494
Gains or Losses on financial instruments (2)		37.125	(89.913)
Cash Flow and foreign currency hedges		23.844	23.444
	$	**237.888**	**162.025**

(1) In accordance with the provisions of the Financial Superintendency of Colombia, the Bank recorded, in Other Comprehensive Income, the adjustment resulting from the difference between the impairment of the loan portfolio of the separate financial statement and that of the consolidated financial statement.

(2) The variation presented in the comprehensive income of financial instruments is given by the valuation of debt and equity instruments. The latter, particularly, by the valuation of the investments in ACH COLOMBIA S.A. and Credibanco, for an amount of $10,246.

28. Income from Commissions and Other Services, Net

The following is the net income from commissions:

		December 31, 2023	December 31, 2022
Commission income			
Banking services	$	234.429	253.880
Affiliated establishments (1)		537.204	484.185
Fiduciary rights		43.282	34.604
Collection management		55.446	49.467
Credit card handling fees		313.200	330.005
Miscellaneous (2)		72.612	50.890
Total	**$**	**1.256.173**	**1.203.031**
Commission expenses			
Banking services	$	(57.964)	(48.901)
Fees		(110.824)	(95.618)
Placement of products		(82.744)	(99.573)
Use of transactional channels		(113.874)	(173.218)
Cencosud business cost		(43.370)	(57.671)
Collection management		(18.887)	(30.429)
Mandate contract, Codensa		(6.071)	(5.205)
Miscellaneous (2)		(195.204)	(117.340)
Total	**$**	**(628.938)**	**(627.955)**
Commission income, net	**$**	**627.235**	**575.076**

(1) There is an increase due to an increase in transactions directly related to the use of the portfolio, mainly credit cards.
(2) The increase in these commissions corresponds to the charge for foreign transactions with credit cards.

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

29. Employee Benefits Expenses

The following is the detail of employee benefits expenses:

		December 31, 2023	December 31, 2022
Salaries	$	(238.771)	(220.493)
Comprehensive salary		(138.781)	(131.395)
Bonuses (1)		(57.208)	(42.433)
Pension contributions		(53.637)	(47.599)
Vacations		(26.395)	(31.234)
Family Benefit fund contributions		(26.131)	(23.895)
Legal bonus		(22.180)	(20.557)
Extra-legal bonus		(53.881)	(41.508)
Severance pays		(22.277)	(20.569)
Other employee benefits		(46.800)	(56.782)
Total	**$**	**(686.061)**	**(636.465)**

(1) During 2023, an increase in this item was recorded, which is mainly explained by the offer of a closed retirement plan that was freely and voluntarily accepted by the employees to whom it was offered.

30. Other Income

The details of other income are as follows:

		December 31, 2023	December 31, 2022
From the sale of properties and equipment	$	2.556	1.306
From the sale of investment properties		191	-
Dividends and stakes		5.688	5.680
Exchange difference, net (1)		228.855	-
Recovery of written-off portfolio		105.478	153.365
Portfolio sale (2)		113.351	70.460
Other miscellaneous		57.954	52.331
Total	**$**	**514.073**	**283.142**

(1) The exchange difference is reported as net. As of December 31, 2023, the income is due to the effect of the behavior of the market representative exchange rate, which shows a negative variation of 988.15 pesos with respect to December 31, 2022; additionally, as of December 2023, there is an active position of USD 203 compared with the year 2022.
(2) The movement of this item is detailed in note 13.

31. Other Expenses

The details of other expenses are as follows:

		December 31, 2023	December 31, 2022
Taxes and fees (1)	$	(299.960)	(258.834)
Exchange difference (2)		-	(94.461)
Leases		(11.962)	(14.166)
Insurance		(120.045)	(121.191)
Maintenance and repairs		(119.657)	(118.076)
Property and equipment depreciation		(58.389)	(60.269)
Property and equipment amortization		(1.164)	(1.967)

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Amortization of intangible assets		(121.942)	(95.842)
Publicity, advertising, and public relations		(145.788)	(135.201)
Temporary		(25.193)	(20.385)
Public Utilities		(54.621)	(51.480)
Transportation		(24.114)	(40.566)
Loss on the sale of non-financial assets		(2.744)	(2.634)
Miscellaneous		(201.184)	(275.756)
Total	$	**(1.186.763)**	**(1.290.828)**

(1) The details of taxes and fees are as follows:

		December 31, 2023	December 31, 2022
Taxes and fees			
Assumed taxes	$	(8.577)	(11,228)
Tax on financial transactions		(73.010)	(56,899)
Industry and commerce		(100.813)	(69,062)
Discountable sales tax		(104.392)	(106,263)
Other taxes		(13.168)	(15,382)
Total	$	**(299.960)**	**(258,834)**

(2) See note 30

32. Contingencies

Legal Contingencies: As of December 31, 2023 and 2022, the Group had administrative and judicial proceedings against it; those claims were valued based on analyses and concepts issued by the attorneys in charge, and the following contingencies were determined:

- **Labor Proceedings:** As of December 31, 2023 and 2022, labor proceedings had been recorded for $14,053 and $12,993, respectively. Proceedings with a risk rating of less than 50.00% have not been provisioned.

- **Civil Proceedings:** As of December 31, 2023 and 2022, the result of the valuation of the claims for civil proceedings amounted to $165,981 and $13,148, respectively. There are proceedings with a risk rating of less than 50.00% amounting to $164,604 and $166,438, respectively, which have not been provisioned.

- **Administrative and other Proceedings:** Claims for administrative and judicial tax proceedings initiated by national tax authorities establish, in some cases, penalties that the Bank would incur in the exercise of its activity as a National and Territorial tax collecting entity; and in other cases, determine higher taxes in its condition as taxpayer. As of December 31, 2023 and 2022, the amount of the different claims amounted to $45, respectively. These proceedings have a 100% risk rating, for this reason, they are fully provisioned.

- Additionally, at the closing of December 31, 2023, the Bank has legal proceedings against administrative acts issued by the DIAN, with a rating of less than 50% of probability issued by independent experts, which should not be provisioned.

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of December 31, 2023 and 2022, there are no contingencies or proceedings against Scotia Securities (Colombia) S.A. Sociedad Comisionista de Bolsa.

33. Credit Commitments

In the development of its normal operations, the Bank grants a guarantee to its customers in which it irrevocably undertakes to make payments to third parties in the event that the customers fail to comply with their obligations with such third parties, with the same credit risk of the financial assets in the loan portfolio. The granting of guarantees and letters of credit is subject to the same loan disbursement approval policies regarding the credit quality of the customers, and guarantees are obtained as deemed appropriate under the circumstances.

The following is the detail of credit commitments on lines of credit not used:

		December 31, 2023	December 31, 2022
Guarantees	$	2.427.924	2.843.949
Letters of credit not used		21.640	18.106
Overdraft limits		208.645	212.123
Credit card limits not used		12.493.482	13.226.205
Credit openings		1.918.731	2.095.652
Non-disbursed approved loans		1.365.594	2.379.009
Total	$	**18.436.016**	**20.775.044**

The following is a detail of commitments by type of currency:

		December 31, 2023	December 31, 2022
Currency			
COP	$	17.576.267	19.800.316
USD		850.078	960.675
EUR		66	14.053
YEN		9.605	-
Total	$	**18.436.016**	**20.775.044**

34. Related Parties

The Bank considered the participation of the related parties in the generation of earnings, the existence of the relationship with related parties, such as shareholders, members of the Board of Directors, and directors of the Bank, subordinated entities, and entities of the same parent company, are clear examples of persons and entities that influence or may have an effect on the profit or loss and the financial position of the Bank. It was also considered that the previously related parties may carry out transactions that other parties, without a relationship, could not, therefore, the balances of assets and liabilities resulting from the reconciliation of balances are recorded, as well as the revenues and expenses in each period, corresponding to transactions with related parties.

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Shareholders: Shareholders who individually own more than 10% of the Bank's capital stock and those whose individual shareholding is less than this percentage, but in respect of which there are transactions in excess of 5% of the technical equity.

Key Management Personnel: Those persons who have authority and responsibility for planning, directing, and controlling the Bank's activities directly or indirectly, including any director or manager of the Bank. Legal Representatives are also included. Members of the Board of Directors, the President, and the Vice Presidents.

Subsidiary Entities: The entities where the Bank has control are Fiduciaria Scotiabank Colpatria S.A., Scotia Securities (Colombia) S.A., Comisionista de Bolsa, Crédito Fácil Codensa S.A. Compañía de Financiamiento - en liquidación.

Other Non-Subsidiary Related Entities: The Bank recognizes, as non-subsidiary related entities, those companies that are part of the corporate group and maintain relationships through transactions such as transfers of resources, services, or obligations.

Transactions with Related Parties: The Bank may enter into transactions, agreements, or contracts with related parties, with the understanding that any such transactions are carried out at fair values, taking into account market conditions and rates.

There were no transactions between the Bank and its related parties during the years ending December 31, 2023 and 2022:

- Loans that entail for the borrower an obligation that does not correspond to the essence or nature of the loan agreement.

- Loans with interest rates different from those that are ordinarily paid or charged to third parties under similar term conditions, risk, etc.

- Transactions whose characteristics differ from those carried out with third parties.

The balances of assets and liabilities with related parties are listed below:

		December 31, 2023		
		The Bank Nova Scotia	Mercantil Colpatria	Other Entities of Colpatria Group and BNS (1)
Assets				
Correspondents	$	4.233	-	-
Forward transactions		1.371.430	-	41
Loan portfolio		-	78	3.891
Accounts receivable		348	108	12.268
Total assets	**$**	**1.376.011**	**186**	**16.200**
Liabilities				
Deposits and liabilities	$	-	8.582	239.646
Credit lines (2)		-	-	1.613.584
Interest on interest rate - bonds		-	5.483	26.970
Forward transactions		984.094	-	-
Other accounts payable		4.702	-	-
Bonds		-	267.603	661.097
Other liabilities		-	-	5.827

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		December 31, 2023		
		The Bank Nova Scotia	Mercantil Colpatria	Other Entities of Colpatria Group and BNS (1)
Total liabilities	**$**	**988.796**	**281.668**	**2.547.124**

		December 31, 2022		
		The Bank Nova Scotia	Mercantil Colpatria	Other Entities of Colpatria Group and BNS (1)
Assets				
Correspondents	$	2.492	-	-
Forward transactions		683.120	-	27
Loan portfolio		-	18	22.451
Accounts receivable		774	91	12.613
Total assets	**$**	**686.386**	**109**	**35.091**
Liabilities				
Deposits and liabilities		-	8.090	407.393
Credit lines (2)		-	-	2.853.917
Interest on interest rate – bonds		-	5.269	29.764
Forward transactions		528.721	-	-
Other accounts payable		11.169	-	2.691
Bonds		-	267.603	661.097
Total liabilities	**$**	**539.890**	**280.962**	**3.954.862**

		December 31, 2023		
		The Bank Nova Scotia	Mercantil Colpatria	Other Entities of Colpatria Group and BNS (1)
Revenues and expenses				
Forward	$	4.449.358	-	-
Other income		7.797	-	330
Interest and commissions		2	488	147.091
Total income	**$**	**4.457.157**	**488**	**147.421**
Interest and commissions	$	18.809	29.296	277.340
Forward		3.446.324	633	-
Other expenses		32.853	-	19.039
Total expenses	**$**	**3.497.986**	**29.929**	**296.379**

		December 31, 2022		
		The Bank Nova Scotia	Mercantil Colpatria	Other Entities of Colpatria Group and BNS (1)
Revenues and expenses				
Forward	$	1.958.972	-	1.981
Other income		34.639	-	76
Interest and commissions		-	1	209.949
Total income	**$**	**1.993.611**	**1**	**212.006**
Interest and commissions	$	14.558	27.140	130.959
Forward		2.127.361	-	-
Other expenses		42.228	-	37.973

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		December 31, 2022		
		The Bank Nova Scotia	Mercantil Colpatria	Other Entities of Colpatria Group and BNS (1)
Total expenses	**$**	**2.184.147**	**27.140**	**168.932**

(1) The other Companies of the group include Acciones y Valores Colpatria S.A., Acciones y Valores Nuevo Milenio S.A., AXA Colpatria Capitalizadora S.A., AXA Colpatria Seguros de Vida S.A., AXA Colpatria Seguros S.A., Colpatria Medicina Prepagada S.A., Constructora Colpatria S.A., Constructora San Isidro S.A., Constructora San Isidro S.A., GSG Gestiones y Servicios Globales S.A.S., Multiacciones S.A.S., Olimpia IT S.A., Scotiabank Caribean Treasury Limited, Scotiabank Chile, Scotiabank Costa Rica, Scotiabank Peru, Scotiabank Dominican Republic, Scotia Servicios Corporativos Scotia S.A. de C.V., Scotiabank Inverlat S.A., Servicios Regionales Tecnología Scotiabank Limitada, Scotiabank Uruguay S.A..

(2) These correspond to the financing of foreign currency and working capital transactions for USD 422,177,664 and USD 593,305,230, as of December 31, 2023, and December 31, 2022, respectively; these transactions are negotiated at market rates.

The average rate of the operations in effect as of December 31, 2023 and 2022, is 0.61% and 0.51% and has the final maturity on August 31, 2027, and March 25, 2026, respectively.

Key Management Personnel: All transactions between members of the Board of Directors, legal representatives, and key management personnel are considered transactions between related parties. Some members of the Bank's key management personnel are also members of the key management personnel of subsidiaries.

Compensation of key management personnel includes salaries and short-term benefits such as bonuses and vacations.

For the years ending December 31, 2023 and 2022, employee benefits for key management personnel consist of:

		December 31, 2023	December 31, 2022
Salaries	$	12.885	12.627
Bonuses		5.112	13.972
Other benefits		188	57
Total	**$**	**18.185**	**26.656**

The Conglomerates Law

Law 1870 of 2017 regulates the new framework for Financial Conglomerates in Colombia and creates new instruments for their supervision, understanding, and consolidation.

On February 7, 2019, by resolution of the Financial Superintendency of Colombia (SFC for its initials in Spanish), Scotiabank Colpatria S.A. was identified as part of a Financial Conglomerate in Colombia and Bank of Nova Scotia (BNS), as the Financial Holding Company of this conglomerate.

Now, taking into account that BNS is domiciled and incorporated abroad in accordance with the provisions of Article 7 of Law 1870, on December 24, 2019, with Resolution 1257 of SFC, an equivalence accreditation was carried out between the supervision exercised by the SFC in Colombia and OSFI (Office of the Superintendent of Financial Institutions) in Canada, excluding Scotiabank from the application of the provisions set forth in Title I of Law 1870.

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35. Approval of Financial Statements

The consolidated financial statements and attached notes were authorized for issuance by the Board of Directors and the Legal Representative, in accordance with minute No. 733 of February 20, 2023, to be submitted to the General Shareholders' Meeting for approval, which may approve or modify them.

36. Subsequent Events

Between December 31, 2023, and the date of the statutory auditor's report, there were no subsequent events in Scotiabank Colpatria S.A. and its subsidiaries that had an impact on these Consolidated Financial Statements.

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES

Consolidated Statement of Financial Position

(Expressed in millions of Colombian pesos)

	Note	December 31, 2023	December 31, 2022
ASSETS			
Cash and cash equivalents	10	$ **2,576,346**	**2,966,199**
Financial investment assets		**4,480,662**	**4,304,546**
At fair value through profit or loss		682,956	1,151,742
Debt instruments	11	663,112	1,133,395
Equity instruments	11	19,844	18,347
At fair value through other comprehensive income		2,230,081	1,615,395
Debt instruments	11	2,096,135	1,493,289
Equity instruments	11	133,946	122,106
At amortized cost	11	1,567,625	1,537,409
Trading derivatives	12	**1,709,144**	**904,442**
Hedging derivatives	12	**179,368**	**154,632**
Loan portfolio and financial leasing transactions	13	**29,846,914**	**33,358,939**
Consumer portfolio		19,230,146	19,716,781
Commercial portfolio		12,015,350	14,785,398
Less: Impairment of portfolio and financial leasing operations		(1,398,582)	(1,143,240)
Other accounts receivable, net	14	**887,575**	**272,276**
Current income tax, net	19	**680,464**	**251,425**
Non-current assets held for sale, net	15	**19,271**	**27,063**
Property and equipment, net	16	**496,914**	**550,386**
Investment properties, net	17	**130,271**	**129,890**
Intangible assets, net	18	**538,091**	**490,227**
Goodwill	18	**112,974**	**112,974**
Deferred income tax, net	19	**138,806**	**80,364**
Other assets, net	20	**260,003**	**248,627**
TOTAL ASSETS		$ **42,056,803**	**43,851,990**

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES

Consolidated Statement of Financial Position

(Expressed in millions of Colombian pesos)

	Note		December 31, 2023	December 31, 2022
LIABILITIES AND SHAREHOLDERS' EQUITY				
Customer deposits and liabilities	21	$	29,141,927	32,871,094
Financial obligations	22		5,508,629	4,210,736
Outstanding investment securities	26		1,373,606	1,373,919
Trading derivatives	12		1,352,523	957,613
Hedging derivatives	12		234,948	10,024
Employee benefits	23		77,226	81,914
Provisions	24		13,098	18,390
Accounts payable and other liabilities	25		593,498	635,177
Deferred income tax, net	19		303,134	303,620
TOTAL LIABILITIES		$	**38,598,589**	**40,462,487**
EQUITY ATTRIBUTABLE TO THE CONTROLLING COMPANY'S SHAREHOLDERS				
Issued capital	27		358,318	322,079
Reserves	27		1,729,805	1,638,874
Share issue premium			909,189	695,428
Other comprehensive income	27		237,888	162,025
First-time adoption			86,522	91,636
Net income			(250,035)	174,538
Retained earnings			372,644	286,636
TOTAL CONTROLLING EQUITY			**3,444,331**	**3,371,216**
NON-CONTROLLING INTEREST			**13,883**	**18,287**
TOTAL EQUITY			**3,458,214**	**3,389,503**
TOTAL LIABILITIES AND EQUITY		$	**42,056,803**	**43,851,990**

Notes 1 to 37 are an integral part of the consolidated financial statements.

Diana Patricia Ordoñez Soto Legal Representative (*)	Fernanda Pérez Hernández Accountant (*) Professional Card 166341-T	José Boris Forero Cardoso Tax Auditor of Scotiabank Colpatria S.A. Professional Card 69813-T KPMG S.A.S Member (See my report of February 27, 2024)

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Clemencia Paredes Tejada
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Clemencia Paredes Tejada

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES

Consolidated Statement of Income

(Expressed in millions of Colombian pesos)

	Note		For the years ended on December 31, 2023	December 31, 2022
Interest and valuation income		$	**5,652,183**	**4,391,444**
Loan portfolio and financial leasing			5,112,346	3,882,511
Valuation of financial assets at fair value, net			117,693	140,192
Gain on sale of investments, net			82,173	8,767
Valuation of debt financial assets at amortized cost, net			158,197	64,509
Valuation and settlement of derivatives, net			-	225,116
Other interest, net			181,774	70,349
Interest and valuation expense			**(3,782,738)**	**(2,152,824)**
Customer deposits			(3,077,795)	(1,842,267)
Financial obligations and outstanding investment securities			(670,523)	(310,557)
Valuation and settlement of derivatives, net			(34,420)	-
INTEREST AND VALUATION INCOME, NET			**1,869,445**	**2,238,620**
Impairment of loan portfolio and accounts receivable, net	13 and 14		**(1,480,377)**	**(895,161)**
INTEREST AND VALUATION INCOME, NET AFTER IMPAIRMENT			**389,068**	**1,343,459**
Income from commissions and other services	28		**1,256,173**	**1,203,031**
Expenses on commissions and other services	28		**(628,938)**	**(627,955)**
INCOME FROM COMMISSIONS, NET	28		**627,235**	**575,076**
Impairment of non-financial assets			**(23,770)**	**(4,397)**
Employee benefits expense	29		**(686,061)**	**(636,465)**
Other income	30		**514,073**	**283,142**
Other expenses	31		**(1,186,763)**	**(1,290,828)**
PROFIT OR LOSS BEFORE INCOME TAX			**(366,218)**	**269,987**
Income tax	19		**112,057**	**(96,182)**
NET INCOME			**(254,161)**	**173,805**
NET INCOME ATTRIBUTABLE TO:				
Shareholders of the controlling company			(250,035)	174,538
Non-controlling interest			(4,126)	(733)
NET INCOME		$	**(254,161)**	**173,805**

Notes 1 to 37 are an integral part of the consolidated financial statements.

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES

Consolidated Statement of Other Comprehensive Income
(Expressed in millions of Colombian pesos)

		For the years ended on	
		December 31, 2023	December 31, 2022
NET INCOME	$	**(254,161)**	173,805
ITEMS THAT MAY BE SUBSEQUENTLY RECLASSIFIED INTO NET INCOME		**110,616**	(82,894)
Hedge accounting			
(Loss) Gain on cash flow hedging derivatives, net		(7,378)	37,925
Deferred tax on cash flow hedging derivatives, net		1,973	(14,204)
Investments at fair value through OCI			
Gain (Loss) on investments in debt securities, net		197,530	(179,802)
Deferred tax on investments in debt securities, net		(81,509)	73,187
ITEMS THAT WILL NOT BE RECLASSIFIED INTO NET INCOME		**(34,753)**	(28,347)
Investments at fair value through OCI			
Gain on investments in equity instruments, net		15,472	17,316
Deferred tax on investments in equity instruments, net		1,350	(4,989)
Loan portfolio			
Loan portfolio impairment adjustment for consolidated financial statement purposes		(79,346)	(61,502)
Deferred tax on loan portfolio impairment adjustment for consolidated financial statement purposes		27,771	20,828
OTHER COMPREHENSIVE NET INCOME, NET OF TAXES		**75,863**	(111,241)
TOTAL OTHER COMPREHENSIVE NET INCOME	$	**(178,298)**	62,564
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Shareholders of the controlling company		(174,172)	63,297
Non-controlling interest		(4,126)	(733)
TOTAL OTHER COMPREHENSIVE NET INCOME	$	**(178,298)**	62,564

Notes 1 to 37 are an integral part of the consolidated financial statements.

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES

SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES

Consolidated Statement of Changes in Equity

(Expressed in millions of Colombian pesos)

For the years ended on December 31, 2023 and 2022	Issued Capital	Reservas: Legal Reserve	Reservas: Occasional Reserves	Share Issue Premium	Total Other Comprehensive Income	First-Time Adoption	Net Income	Retained Earnings	Total Equity attributable to the Controlling Company's Shareholders	Non-Controlling Interest	Total Equity
BALANCE AS OF DECEMBER 31, 2022	$ 322,079	1,635,624	3,250	695,428	162,025	91,636	174,538	286,636	3,371,216	18,287	3,389,503
Net income	-	-	-	-	-	-	(250,035)	-	(250,035)	(4,126)	(254,161)
OCI realization to retained earnings BVC investment	-	-	-	-	1,818	-	-	-	1,818	-	1,818
Other comprehensive income, net of taxes	-	-	-	-	74,045				74,045		74,045
Total comprehensive income	-	-	-	-	75,863	-	(250,035)	-	(174,172)	(4,126)	(178,298)
Transfer of prior period income	-	-	-	-	-	-	(174,538)	174,538	-	-	
Release of reserve for donations	-	-	(1,500)	-	-	-	-	1,500	-	-	
Dividends decreed 2022	-	-	-	-	-	-	-	-	-	(278)	(278)
Establishment of a reserve for donations	-	-	1,500	-	-	-	-	(1,500)	-	-	
Establishment of a legal reserve	-	90,931	-	-	-	-	-	(90,931)	-	-	
OCI realization to retained earnings BVC investment	-	-	-	-	-	-	-	(1,818)	(1,818)	-	(1,818)
Capitalization	36,239	-	-	213,761	-	-	-	-	250,000	-	250,000
Capitalization Costs	-	-	-	-	-	-	-	(895)	(895)	-	(895)
Fair value as attributed cost of properties and equipment	-	-	-	-	-	(5,114)	-	5,114	-	-	
BALANCE AS OF DECEMBER 31, 2023	$ 358,318	1,726,555	3,250	909,189	237,888	86,522	(250,035)	372,644	3,444,331	13,883	3,458,214

For the years ended on December 31, 2023 and 2022	Issued Capital	Reservas: Legal Reserve	Reservas: Occasional Reserves	Share Issue Premium	Total Other Comprehensive Income	First-Time Adoption	Net Income	Retained Earnings	Total Equity attributable to the Controlling Company's Shareholders	Non-Controlling Interest	Total Equity
BALANCE AS OF DECEMBER 31, 2021	$ 322,079	1,521,982	1,750	695,428	273,266	94,706	222,107	253,291	3,384,609	11,416	3,396,025
Net income	-	-	-	-	-	-	174,538	-	174,538	(732)	173,806
Other comprehensive income, net of taxes	-	-	-	-	(111,241)	-	-	-	(111,241)	-	(111,241)
Total comprehensive income	-	-	-	-	(111,241)	-	174,538	-	63,297	(732)	62,565
Transfer of prior period income	-	-	-	-	-	-	(222,107)	222,107	-	-	-
Dividends decreed 2021	-	-	-	-	-	-	-	(73,903)	(73,903)	-	(73,903)
Establishment of a reserve for donations	-	-	1,500	-	-	-	-	(1,500)	-	-	-
Establishment of a legal reserve	-	113,642	-	-	-	-	-	(113,642)	-	-	-
Other equity movements	-	-	-	-	-	-	-	-	-	(232)	(232)
Capitalization	-	-	-	-	-	-	-	-	-	7,835	7,835
Fair value as attributed cost of properties and equipment	-	-	-	-	-	(3,070)	-	3,070	-	-	-
Deferred tax rate change decree 2617 of 2022	-	-	-	-	-	-	-	(2,787)	(2,787)	-	(2,787)
BALANCE AS OF DECEMBER 31, 2022	$ 322,079	1,635,624	3,250	695,428	162,025	91,636	174,538	286,636	3,371,216	18,287	3,389,503

Notes 1 to 37 are an integral part of the consolidated financial statements.

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SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

(Expressed in millions of Colombian pesos)

	Note		For the years ended on December 31, 2023	December 31, 2022
Cash flows from operating activities				
Net income		$	**(254,161)**	**173,805**
Adjustments to reconcile the net income with the cash used in operating activities				
Impairment for loan portfolio and leasing transactions, net	13		1,478,290	894,375
Impairment of accounts receivable, net	14		2,087	786
Impairment of non-current assets held for sale, net	15		730	175
Impairment of investment properties, net	17		3,902	3,921
Impairment (recovery) of other assets, net			4,706	(3,477)
Impairment of intangible assets	18		14,426	-
Impairment of properties and equipment	16		6	62
Depreciation of investment properties	17		1,171	1,184
Depreciation of properties and equipment	16		58,389	60,269
Amortization of properties and equipment	16		1,164	1,967
Amortization of intangible assets	18		121,942	95,842
Gain on sale of investments, net			(82,173)	(8,767)
Gain on valuation of investments, net			(275,890)	(204,701)
Loss (gain) on valuation of derivative instruments, net			34,420	(225,116)
Gain on sale of portfolio, net	13 and 30		(113,351)	(70,460)
Gain on sale of properties and equipment, net	30		(2,556)	(1,305)
Loss on sale of non-current assets available for sale, net	31		2,744	2,634
Gain on sale of investment properties, net	17		(191)	-
(Gain) loss on foreign exchange difference, net	30 and 31		(228,855)	94,461
Expenses incurred on interest on customer deposits, financial obligations, and outstanding investment securities	21, 22, and 26		3,748,318	2,152,824
Income of interest on loan portfolio and financial leasing	13		(5,112,346)	(3,882,511)
(Recovery) income tax expense	19		(112,057)	96,182
			(709,285)	**(817,850)**
Changes in operating assets and liabilities:				
Decrease in investment financial assets	11		417,277	363,173
Decrease in derivatives, net	12		1,151	183,866
Decrease (increase) in loan portfolio and leasing transactions			1,820,774	(4,814,750)
(Increase) decrease in other accounts receivable, net			(617,386)	136,787
Increase in non-current assets held for sale			(23,935)	(30,744)
Increase in other assets			(147,076)	(221)
(Decrease) increase in customer deposits			(3,764,414)	1,814,396
(Decrease) increase in employee benefits			(4,688)	10,440
Decrease in provisions			(5,292)	(140)
(Decrease) increase in accounts payable			(312,829)	118,954
Interest received from the loan portfolio	13		4,968,461	3,726,528
Interest received from investment assets	11		166,464	44,993
Interest paid on deposits and liabilities	21		(2,935,006)	(1,576,838)
Interest paid on financial obligations	22		(485,016)	(125,625)
Interest paid on bonds	26		(187,532)	(150,608)
Income tax (paid) recovered	19		(426,325)	161,977
Dividends received in cash from investments in equity instruments	11		5,688	5,680
Net cash used in operating activities			**(2,238,969)**	**(949,982)**

SCOTIABANK COLPATRIA S.A. AND SUBSIDIARIES

Consolidated Statement of Cash Flows

(Expressed in millions of Colombian pesos)

	Note	For the years ended on December 31, 2023	December 31, 2022
Cash flows from investing activities			
Proceeds from the sale of properties and equipment	16	13,341	19,506
Acquisition of properties and equipment	16	(26,221)	(50,567)
Proceeds from the sale of investment properties		29,664	35,428
Additions of intangible assets	18	(184,211)	(183,789)
Net cash used in investing activities		**(167,427)**	**(179,422)**
Cash flows from financing activities			
Acquisition of financial obligations	9	281,239,671	107,734,103
Payment of financial obligations	9	(279,486,819)	(107,780,389)
Payment of rental fees		(56,612)	(37,118)
Dividends paid in cash		(287)	(73,880)
Capitalization	2 and 27	250,000	7,835
Capitalization costs		(895)	-
Bond issuance		-	250,000
Bond payments		-	(300,000)
Net cash provided by (used in) financing activities		**1,945,058**	**(199,449)**
Effect of foreign exchange difference on cash and cash equivalents		71,485	(23,490)
Decrease, net in cash and cash equivalents		(389,853)	(1,352,343)
Cash and cash equivalents at the beginning of the period		**2,966,199**	**4,318,542**
Cash and cash equivalents at the end of the period		**$ 2,576,346**	**2,966,199**

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Bogotá, June 10, 2024
Number of pages including this one: 125

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