BAC HOLDING INTERNATIONAL CORP.
(Panama, Republic of Panama)

Separate Financial Statements

December 31, 2022

(With Independent Auditors' Report Thereon)

BAC HOLDING INTERNATIONAL CORP.
(Panama, Republic of Panama)

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KPMG
Torre PDC, Ave. Samuel Lewis y
Calle 56 Este, Obarrio
Panamá, República de Panamá

Teléfono: (507) 208-0700
Website: kpmg.com.pa

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Shareholders
BAC Holding International Corp.

Report on the Audit of the Separated Financial Statements

Opinion

We have audited the separated financial statements of BAC Holding International Corp. (the "Company"), which comprise the separated statement of financial position as of December 31, 2022, the separated statements of profit or loss, and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separated financial statements present fairly, in all material respects, the separated financial position of the Company as of December 31, 2022, and its separated financial performance and its separated cash flows for the year then ended in accordance with IFRS Standards as issued by the International Accounting Standards Board (IFRS Standards).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Separated Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the separated financial statements in the Republic of Panama, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Other Matter

On February 24, 2023, we issued our unmodified report on the consolidated financial statements of BAC Holding International Corp. and subsidiaries as of December 31, 2022, and for the year then ended. 2022 and for the year then ended.

Responsibilities of Management and Those Charged with Governance for the Separated Financial Statements

Management is responsible for the preparation and fair presentation of the separated financial statements in accordance with IFRS Standards, and for such internal control as management determines is necessary to enable the preparation of separated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Separated Financial Statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the separated financial statements, including the disclosures, and whether the separated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matter that was of most significance in the audit of the separated financial statements of the current period and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other legal information requirements

In compliance with Law 280 of December 30, 2021, which regulates the profession of certified public accountant in the Republic of Panama, we declare the following:

- That the direction, execution, and supervision of this audit work have been physically performed in the Panamanian territory for those entities or business activities within the group that perform operations that are perfected, consummated, or take effect within the Republic of Panama.

- The audit partner who has prepared this independent auditors' report is Ricardo A. Carvajal V.

- The audit work team that has participated in the audit of the Company to which this report refers to is formed by Ricardo A. Carvajal V., Partner; and Pedro Coché, Manager.

KPMG

Panama, Republic of Panama
February 24, 2023

Ricardo A. Carvajal V.

Ricardo A. Carvajal V.
Partner
C.P.A. 4378

BAC HOLDING INTERNATIONAL CORP.

(Panama, Republic of Panama)

Separate Statement of Financial Position

December 31, 2022

(In U.S. dollars)

	Note	2022	2022
Assets			
Cash - deposits in banks	4, 6	1,644,593	913,582
Investment on non-consolidated subsidiaries	7	4,010,620,455	3,989,472,731
Dividends receivable		195,071,363	3,000,000
Other assets		22,276	0
Total assets		4,207,358,687	3,993,386,313
Liabilities and Equity			
Liabilities:			
Financial obligations	4, 8	600,600,998	664,819,792
Other liabilities	9	188,611	617,398
Total liabilities		600,789,609	665,437,190
Equity:			
Common stock	10	2,865,394,737	2,865,394,737
Treasury stock		(503)	0
Retained earnings		1,228,750,321	793,600,003
Other comprehensive losses	11	(487,575,477)	(331,045,617)
Total equity		3,606,569,078	3,327,949,123
Total liabilities and equity		4,207,358,687	3,993,386,313

The separate statement of financial position must be read in conjunction with the accompanying notes which are an integral part of the separate financial statements.

BAC HOLDING INTERNATIONAL CORP.

(Panama, Republic of Panama)

Separate Statement of Profit or Loss

For the year ended Decemeber 31, 2022

(In U.S. dollars)

	Note	2022	2021
Interest income:			
Deposits in banks		365	27,650
Total interest income		365	27,650
Interest expense:			
Financial obligations		25,797,300	5,705,029
Total interest expense		25,797,300	5,705,029
Interest expense, net		(25,796,935)	(5,677,379)
Interest expense, net after provisions		(25,796,935)	(5,677,379)
Other income (expenses):			
Service charges		(4,945)	(370)
Gain on foreign currency exchange, net		1,038	0
Equity participation on non-consolidated subsidiaries		462,879,704	443,978,833
Other income (expense)		25,000	(5,048,950)
Total other income, net		462,900,797	438,929,513
General and administrative expenses:			
Salaries and employee benefits		230,629	800
Administrative		752,266	1,816,212
Occupancy and related expenses		5,398	0
Other expenses	12	784,905	220,008
Total general and administrative expenses		1,773,198	2,037,020
Income before income tax		435,330,664	431,215,114
Current income tax		180,344	273,861
Net income from operations		435,150,320	430,941,253
Profit from discontinued operations, net of income tax		0	17,333,593
Net income		435,150,320	448,274,846

The separate statement of profit or loss must be read in conjunction with the accompanying notes which are an integral part of the separate financial statements.

BAC HOLDING INTERNATIONAL CORP.

(Panama, Republic of Panama)

Separate Statement of Comprehensive Results

For the year ended Decemeber 31, 2022

(In U.S. dollars)

	2022	2021
Net income	435,150,320	448,274,846
Other comprehensive results:		
Items that will not be reclassified to the consolidated income statement		
Employee benefits plan - change in actuarial effect	(815,019)	(3,105,206)
Net change in fair value of common stocks	28,217	(760,292)
Items that are or can be reclassified to the consolidated income statement		
Foreign currency translation	51,291,530	(52,345,795)
Valuation for investments FVOCI:		
Net amount transferred to income statement	(7,312,068)	(55,872,312)
Net change in fair value	(199,722,520)	54,997,755
Net change in cash flow hedges	0	(1,153,704)
Net change in derivatives at fair value	0	1,722,868
Other comprehensive results	(156,529,860)	(56,516,686)
Comprehensive income	278,620,460	391,758,160

The separate statement of comprehensive income must be read in conjunction with the accompanying notes which are an integral part of the separate financial statements.

BAC HOLDING INTERNATIONAL CORP.
(Panama, Republic of Panama)

Separate Statement of Changes in Equity

For the year ended Decemeber 31, 2022

(In U.S. dollars)

	Attributable to the Bank's owners				
	Common stock	Treasury stock	Retained earnings	Other comprehensive losses	Total equity
Balance as of January 1, 2021	2,865,394,737	0	1,666,257,570	(279,663,595)	4,251,988,712
Net income	0	0	448,274,846	0	448,274,846
Other comprehensive results:					
Foreign currency translation	0	0	0	(52,345,795)	(52,345,795)
Valuation of FVOCI securities:					
Net amount transferred to income statement	0	0	0	(55,872,312)	(55,872,312)
Net change in fair value	0	0	0	54,997,755	54,997,755
Employee benefits plan - change in actuarial effect	0	0	0	(3,105,206)	(3,105,206)
Net change in foreign currency of common stocks	0	0	0	(760,292)	(760,292)
Net change in cash flow hedges	0	0	0	(1,153,704)	(1,153,704)
Net change in derivatives at fair value	0	0	0	1,722,868	1,722,868
Total other comprehensive results	0	0	0	(56,516,686)	(56,516,686)
Total comprehensive results	0	0	448,274,846	(56,516,686)	391,758,160
Other changes in equity:					
Transactions with the Bank's owners:					
Declared dividends	0	0	(288,411,489)	0	(288,411,489)
Paid dividends	0	0	(572,665,052)	0	(572,665,052)
Spin-off movement	0	0	(459,855,872)	5,134,664	(454,721,208)
Total transactions with the Bank's owners	0	0	(1,320,932,413)	5,134,664	(1,315,797,749)
Balance as of December 31, 2021	2,865,394,737	0	793,600,003	(331,045,617)	3,327,949,123
Balance as of January 1, 2022	2,865,394,737	0	793,600,001	(331,045,617)	3,327,949,121
Net income	0	0	435,150,320	0	435,150,320
Other comprehensive results:					
Foreign currency translation	0	0	0	51,291,530	51,291,530
Valuation of FVOCI securities:					
Net amount transferred to income statement	0	0	0	(7,312,068)	(7,312,068)
Net change in fair value	0	0	0	(199,722,520)	(199,722,520)
Employee benefits plan - change in actuarial effect	0	0	0	(815,019)	(815,019)
Net change in foreign currency of common stocks	0	0	0	28,217	28,217
Total other comprehensive results	0	0	0	(156,529,860)	(156,529,860)
Total comprehensive results	0	0	435,150,320	(156,529,860)	278,620,460
Transactions with the Bank's owners:					
Transactions between the Bank and the non-controlling interest					
Repurchase of fractions of shares	0	(503)	0	0	(503)
Total transactions with the Bank's owners	0	(503)	0	0	(503)
Balance as of December 31, 2022	2,865,394,737	(503)	1,228,750,321	(487,575,477)	3,606,569,078

The separate statement of changes in equity must be read in conjunction with the accompanying notes which are an integral part of the separate financial statements.

BAC HOLDING INTERNATIONAL CORP.

(Panama, Republic of Panama)

Separate Statement of Cash Flows

For the year ended Decemeber 31, 2022

(In U.S. dollars)

	Note	2022	2021
Cash flows from operating activities:			
Net Income		435,150,320	448,274,846
Adjustments to reconcile net income to cash by operating activities:			
Interest expense, net		25,796,935	5,677,379
Equity participation on non-consolidated subsidiaries		(462,529,810)	(443,978,833)
Income tax expense		180,344	273,861
Changes in operating assets and liabilities:			
Other assets		22,276	0
Dividends receivable		3,000,000	0
Other liabilities		(400,782)	773,593
Discontinued operations		0	(12,283,573)
Cash generated by operations:			
Interest received		365	(27,650)
Interest paid		(15,438,549)	(2,823,915)
Dividends received		90,267,307	202,256,143
Income tax paid		(216,892)	10
Net cash provided by operating activities		75,831,514	198,141,861
Cash flows from investment activities:			
Capital contribution in subsidiary		(100,000)	0
Net cash used in investment activities		(100,000)	0
Cash flows from financing activities:			
Payment of other financial obligations		(75,000,000)	0
Proceeds from financial obligations		0	661,928,748
Payment of financial obligations		0	(5,000,000)
Dividends		0	(861,072,697)
Acquisition of treasury shares		(503)	0
Net cash used in financing activities		(75,000,503)	(204,143,949)
Net decrease in cash		731,011	(6,002,088)
Cash at beginning of the period		913,582	6,915,670
Cash at the end of the period	6	1,644,593	913,582

The separate statement of cash flows must be read in conjunction with the accompanying notes which are an integral part of the separate financial statements.

Table of Contents to the Notes to the Separate Financial Statements

(1) Organization

BAC Holding International Corp. ("Parent Company") has been incorporated under the Companies Law of the Republic of Panama since 1972. BAC Holding International Corp. ("the Company") is an entity listed on the Colombian Stock Exchange ("BVC") and the Panama Stock Exchange ("Latinex"), with fiscal domicile in Colombia.

As of December 31, 2021, the Company was wholly owned by Banco de Bogotá, S.A., an authorized bank in the Republic of Colombia, which in turn is a subsidiary of Grupo Aval Acciones y Valores, S.A., an entity domiciled in the Republic of Colombia.

On March 25, 2022, Banco de Bogotá S.A., perfected the spin-off of 75% of its shareholding in the Company in favor of the shareholders of said entity, through Sociedad Beneficiaria Bogotá, S.A.S.

On March 28, 2022, Grupo Aval Acciones y Valores, S.A., perfected the spin-off of 51.6% of the Company's shares in favor of its shareholders. The shares, spun off in favor of the shareholders of Grupo Aval, were received as a result of the completion of the spin-off held by Banco de Bogotá, S.A. on March 25, 2022.

To perfect the previous operations, a merger was carried out between the Company and two entities created exclusively to carry out the transaction, Sociedad Beneficiaria Bogotá, S.A.S. and Sociedad Beneficiaria Aval, S.A.S. The Company acted as absorbing company. More detail in Note 17.

The Company owns 100% of the shares of BAC Credomatic, Inc., which provides a wide variety of financial services to corporations and individuals, mainly in Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, and Panama; through its indirect subsidiary BAC International Bank, Inc., a banking entity domiciled in the Republic of Panama.

The Company acquired in May 2020 96.60% of the common shares of Multi Financial Group Inc. (MFG), a Panamanian banking institution. In June 2020, 2.97% of the non-controlling interest was acquired, for a total interest of 99.57%.

The Company carried out a partial spin-off of its operations on September 29, 2021, through which it transferred to Multi Financial Holding Inc., an entity created simultaneously with said spin-off, the shares it owned in Multi Financial Group Inc. on that date. More information on this operation is disclosed in Note 17.

(2) Basis of Preparation of the Separate Financial Statements

(a) Compliance with International Financial Reporting Standards ("IFRS")

The separate financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB").

The separate financial statements were authorized by the Company's Board of Directors for issuance on February 24, 2023.

(b) Basis of measurement

The separate financial statements have been prepared on a historical cost basis, except for the following accounts in the separate statement of financial position.

- Investments at fair value; and
- Assets held for sale.

Initially, the Company recognizes financial instruments at fair value on the date they are settled. Investments in securities are recorded when they are traded and loans at amortized cost when they are settled.

(c) Functional and presentation currency

The separate financial statements are presented in US dollars, which is also the Company's functional currency. Information presented in US dollars is expressed in units, unless otherwise indicated.

(d) Use of estimates and judgments

Preparation of the separate financial statements require the Company's management to make judgments, estimates and assumptions affecting the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Final results may differ from these estimates. These also require the Company's management to apply its judgment when applying the Company's accounting policies.

The information on the most significant areas of estimation of uncertainty and critical judgments in applying the accounting policies that have the most important effect on the amounts recognized in the separate financial statements is disclosed in Note 6.

(3) Summary of Significant Accounting Policies

The Company has applied the policies to the separate financial statements in a manner consistent with those of the separate financial statements as of December 31, 2021, which are detailed below:

(a) Unconsolidated subsidiaries (See note 7)

Subsidiaries

Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has rights to, variable return from its involvement with the investee and has the ability to affect those returns through its power over the investee.

(3) Summary of Significant Accounting Policies, continued

To determine the control, the potential voting rights that are currently executable or convertible are considered. The subsidiaries' financial statements are not included in the separate financial statements.

Changes in the ownership of the subsidiaries that do not result in a change of control

Transactions with non-controlling interest that do not result in a loss of control are accounted for as equity transactions; that is, as transactions with the owners. Any difference between the carrying value of the interest and the amount of the transaction is recorded as an adjustment in retained earnings.

Loss of control

When the Company ceases to have control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any non-controlling interest and other components of equity. Any resulting gain or loss is recognized in the separate statement of income. Any retained interest in the former subsidiary is measured at fair value when control is lost.

(b) Foreign currencies

Assets and liabilities maintained in foreign currency are converted to the functional currency at the exchange rate in effect on the reporting date. Gains or losses resulting from the conversion of foreign currency are reflected in other revenues or other expense accounts in the separate statement of income.

All non-monetary items of the Company are recorded in the functional currency at the time of the transaction.

(c) Financial assets and liabilities

Financial assets are classified on the date of initial recognition, based on the nature and purpose of the financial asset's acquisition.

Classification

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost (AC), fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVPL). IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows.

At initial recognition, financial assets are classified as measured at: AC, FVOCI or FVPL.

A financial asset is measured at amortized cost and not at FVPL, if it meets both of the following conditions:

1. The asset is kept within a business model to collect contractual cash flows; and

2. The contractual terms of the financial asset establish specific dates for cash flows that represent solely payments of principal and interest on the outstanding balance.

(3) Summary of Significant Accounting Policies, continued

A debt instrument is measured at FVOCI only if it meets both of the following conditions and has not been designated at FVPL:

1. The asset is kept within a business model whose objective is achieved by collecting contractual cash flows and selling financial assets and;

2. The contractual terms of the financial asset establish specific dates for cash flows that represent solely payments of principal and interest on the current outstanding balance.

During the initial recognition of investments in equity instruments not traded, the Company may elect to irrevocably register subsequent changes in fair value as part of other comprehensive profit and loss in equity. This election is made on an instrument by instrument basis.

All financial assets not classified as measured at AC or FVOCI as described above, are measured at FVPL.

In addition, in the initial recognition, the Company may irrevocably designate a financial asset that meets the measurement requirements at AC or FVOCI to be measured at FVPL, if doing so eliminates or significantly reduces an accounting mismatch that may occur if not done. For now, the Company do not use this option.

An embedded derivative where the main contract is a financial contract covered under IFRS 9 is not separated and instead the hybrid financial instrument is jointly assessed for classification.

Business Model Assessment

The Company assess the objectives of the business models that hold the financial assets at portfolio level to better represent how each subsidiary manages the business and how management information is reported. The information considered includes:

- the policies and objectives stated for each portfolio of financial assets and the operation of these policies in practice. These include, whether management's strategy is to collect income from contractual interest; hold a profile of specific interest performance or coordinate the duration of the financial assets with the liabilities being financed or the expected outgoing cash or through cash flows from the sale of assets;

- how they are evaluated or reported to key management personnel of the Company on portfolio performance.

- the risks that affect the performance of the portfolios (and the financial assets held within) and the way those risks are managed;

(3) Summary of Significant Accounting Policies, continued

- How managers of the business are compensated (for example, whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and,

- The frequency, value, and timing of sales in prior years, the reasons for those sales and expectations about future sales activity. However, the information on sales activity cannot be considered in isolation, but rather as part of an assessment of how Company objectives established for managing financial assets is achieved and how cash flows are realized.

Assessment of whether contractual cash flows are solely payments of principal and interest

For purposes of this assessment, “principal” is defined as the fair value of the financial asset at initial recognition. “Interest” is defined as compensation for the time value of money and credit risk associated with holding the current principal for a period of time and for other basic risk from loan agreements and other associated costs (e.g. liquidity risk and administrative costs), as well as the profit margin.

When evaluating whether contractual cash flows are solely payments of principal and interest, the Company considered the contractual terms of the instrument. This includes an assessment to determine whether the financial asset contains a contractual term that could change the timing or amount of the contractual cash flows in such a way that it does not meet this condition. In making this assessment the Company considers:

- Contingent events that will change the amount and timing of cash flows;

- Hedging conditions;

- Prepayment and extension terms;

- Terms that limit the Company in achieving cash flows for specific assets (e.g. unfunded asset agreements); and

- Terms that change the considerations on the value of money over time (e.g. periodic revision of interest rates).

A prepayment feature is consistent with the criteria solely payments principal and interest, if the prepayment amount substantially represents unpaid amounts of principal and interest on the amount of outstanding principal, which may include fair compensation for early termination of the contract.

In addition, a prepayment feature is consistent with these criteria, if a financial asset is acquired or originates from a premium or discount to the contractual per amount and the prepayment amount substantially represents the contractual par amount, plus accrued, but unpaid, contractual interest (which may include fair compensation for early termination) and the fair value of the prepayment feature is insignificant in the initial recognition.

(3) Summary of Significant Accounting Policies, continued

Impairment of Financial Assets

The Company assesses the impairment of financial assets with an Expected Credit Losses model (ECL). This model requires the application of considerable judgment regarding how changes in economic factors impact on ECL, which is determined on a weighted average basis.

The impairment model applies to the following financial assets that are not measured at FVPL.

- Fixed and variable income debt instruments;

The Company recognizes a provision for impairment of financial assets at AC and FVOCI in an amount equal to the expected impairment losses in a period of twelve months after the reporting date or during the remaining life of the financial instrument. Expected losses during the remaining life of the loan are the losses expected from all possible impairment events during the expected life of the financial instrument, while expected losses in a twelve-month period are the portion of expected losses arising from impairment events resulting from impairment events that are possible during the twelve months following the date of the report.

Impairment requirements are complex and require estimated judgments and significant assumptions by management, particularly in the following areas:

- Assess whether the credit risk has increased significantly from initial recognition; and,

- Incorporate prospective information in the measurement of expected impairment losses.

Reserves for losses are recognized in an amount equal to the ECL during the life of the asset, except in the following cases, in which the amount recognized is equal to ECL for the 12 months following the measurement date:

- Investments in debt instruments determined to represent low credit risk to the reporting date; and,

- Other financial assets (other than short term accounts receivable) on which the credit risk has not increased significantly since initial recognition.

(3) Summary of Significant Accounting Policies, continued

Measuring ECL

Expected credit losses (ECL) are the estimated weighted probability of credit losses measured as follows:

- Financial assets with no credit impairment at the reporting date: the present value of all contractual cash payments in arrears (for example: the difference between Company cash flow debt in accordance with the contract and cash flows that the Company expects to receive);

- Impaired financial assets to the reporting date: the difference between the gross book value and the present value of estimated future cash flows;

Definition of impairment

The Company considers a financial asset to be impaired when:

- It is highly unlikely that the debtor will fully pay its credit obligations to the Company, without recourse for the Company to take such actions as enforcing the guarantees (if any); or

- The debtor is more than 90-days past-due on any material credit obligation. Overdrafts are considered in arrears once the client has exceeded the established limit, or the established limit is less than the outstanding balance.

- For fixed income financial instruments, the following concepts, among others, are included:

  - Downgrade of the issuer's credit risk rating;

  - Contractual payments are not made on the due date or in the term period stipulated;

  - There is a virtual certainty of default;

  - Issuer is likely to go bankrupt or a bankruptcy petition is filed or similar action;

  - The financial asset stops trading in an active market given its financial difficulties;

To assess whether a debtor is impaired, the Company considers indicators such as:

- Qualitative, e.g. noncompliance with contractual clauses;

- Quantitative, e.g. arrears or non-payment of another obligation from the same issuer to the Company; and,

- Based on data developed internally and obtained from external sources.

Inputs used in the assessment of whether financial instruments are impairment, and their importance may vary over time to reflect changes in circumstances.

(3) Summary of Significant Accounting Policies, continued

Financial liabilities

Financial liabilities are measured at amortized cost using the effective interest method, except when there are financial liabilities measured at FVPL.

Recognition, disposal and measurement

The Company regularly recognizes the purchase or sale of financial instruments on the date of each negotiation, which is the date on which the Company commits to buy or sell a financial instrument. Financial assets and liabilities are initially recognized at fair value.

Transaction costs are attributed to expenses in the separate statement of income when incurred for financial assets and liabilities at fair value with changes in the separate statement of income, and they are recorded as part of the initial value of the instrument for assets and liabilities at AC and FVOCI. Transaction costs are incremental costs incurred to acquire assets or sell financial liabilities. These include fees, commissions and other concepts paid to agents, brokers, advisors and intermediaries, rates established by regulatory agencies and stock markets, as well as taxes and other rights.

Financial assets are derecognized from the separate statement of financial position when the payments derived from them are received, the rights to receive cash flows from the investments has expired or have been transferred and the Company has transferred substantially all of the risks and benefits derived from their ownership.

After initial recognition, all financial assets and financial liabilities classified at amortized cost are measured based on the amortized cost method. Accrued interest is recorded in the interest income or expense account.

The Company writes off a financial liability when its contractual obligations have been paid or canceled, or have expired.

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the separate statement of financial position if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

(d) Recognition of the most significant income and expenses

Interest income and expenses

Interest income and expenses are recognized in the separate statement of income using the effective interest method. The effective interest rate is the discount rate that equals exactly the estimated cash flows receivable or payable throughout the expected life of the financial instrument or when appropriate (in a shorter period) with the net carrying value of the financial asset or liability. To calculate the effective interest rate, the Company will estimate cash flows considering all of the contractual conditions of the financial instrument, but not considering future credit losses.

(3) Summary of Significant Accounting Policies, continued

The calculation of the effective interest rate includes all commissions and points paid or received that are 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.

Fees and commissions

Fees and commissions that are part of the effective interest rate in a financial asset or liability instrument are included in the measurement of the effective interest rate.

Other fees and commissions received relating mainly to transaction and service fees are recognized as income when the transaction or service is completed.

(e) Cash and cash equivalents

The Company considers all highly liquid time deposits with maturities of 90 days or less as cash equivalents. Cash and cash equivalents consist of cash, demand deposits at banks, certain securities and deposits that generate interests, with original maturities of 90 days or less.

(f) Income tax

The income tax expense for the year includes current and deferred taxes. Taxes are recognized in profit or loss, except to the extent that they refer to items recognized directly in equity.

The current tax expense is calculated based on the laws enacted on the balance sheet date in the countries where the parent company and its subsidiaries operate, and where they generate positive taxable bases. The Company's management periodically assesses the positions assumed in tax returns regarding situations in which applicable tax regulation is subject to interpretation, and when necessary, recognizes provisions for the amounts expected to be paid to the tax authorities.

Deferred taxes are recognized for the temporary differences that arise between the tax bases of assets and liabilities and their carrying amounts in the separate financial statements. However, deferred tax liabilities are not recorded if they arise from the initial recognition of goodwill; deferred taxes are not recognized if they arise from an asset or liability in a transaction, other than a business combination, that at the time of the transaction does not affect the accounting results nor taxable income or loss. Deferred tax is determined using tax rates (and laws) enacted on the balance sheet date and expected to be applicable when the corresponding deferred tax asset is realized, or the liability is settled.

Deferred tax assets are recognized only to the extend that it is probable that future tax benefits will be available with which to offset the temporary differences.

(3) Summary of Significant Accounting Policies, continued

Deferred taxes are recognized over temporary differences that arise from investments in subsidiaries and associates, except for those deferred tax liabilities for which the Company can control the date on which the temporary differences will be reversed, and it is likely that they will not be reversed in the near future. Deferred tax assets are recognized in deductible temporary differences that arise from investments in subsidiaries only to the extent that it is likely that the temporary differences will be reversed in the future, and there is a sufficient future taxable income against which the temporary differences can be used.

Deferred tax assets and deferred tax liabilities are set off only if there is a legally recognized right to offset the current tax assets with the current tax liabilities and when the deferred tax assets and deferred tax liabilities are derived from income tax corresponding to the same tax authority, and the authority allows the Company to pay or received a single amount that settle the existing net balance.

(g) Fair value estimates

The fair value of a financial asset or liability is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price).

The different hierarchy levels have been defined as follows:

- Level 1 - Quoted prices in active markets without adjustments for identical assets or liabilities that the Company can access at the measurement date.

- Level 2 - Inputs other than quoted prices included in Level 1 that are observable, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are not active and other valuation techniques where significant data inputs are directly or indirectly observable in the market.

- Level 3 - Unobservable inputs for the asset or liability. This category includes all instruments where the valuation technique includes unobservable inputs and these have a significant effect on the fair value measurement. This category also includes instruments that are valued based on quoted prices for similar instruments for which we must make significant adjustments using unobservable inputs, assumptions or adjustments in which no observable or subjective data are used when there are differences between the instruments.

A market is considered active if quoted prices are readily and regularly available from an exchange, financial intermediaries, a sector institution, pricing service or regulatory agency, and those prices reflect actual market transactions with sufficient frequency and volume to provide pricing market information.

(3) Summary of Significant Accounting Policies, continued

(h) New International Financial Reporting Standards ("IFRSs") not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning January 1, 2023 and early application is permitted; however, the Company has not early adopted the new and modified standards when preparing the separate financial statements as of December 31, 2022.

These new rules and amended standards are not expected to have a significant impact on the Company's separate financial statements:

- Classification of liabilities as current or non-current (Amendments to IAS 1).
- IFRS 17 Insurance Contracts and amendments to IFRS 17 Insurance Contracts.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Definition of Accounting Estimates (Amendments to IAS 8).
- Lease liability in a sale with leaseback (amendments to IFRS 16).

(4) Risk Management

Risk management is a fundamental part of the Company. It has an infrastructure to comprehensively manage risks, in order to ensure a responsible and sustainable growth in time, to maintain the confidence of its stakeholders, and to assure with reasonable certainty the fulfillment of its short, medium and long-term goals, through a balance between meeting objectives and taking risks, in line with the corporate strategy.

Classification of financial assets

As of December 31, 2022 and 2021, all of the financial assets held by the Company are classified at amortized cost. See the classification under IFRS 9 in accounting policies in Note 3 (c).

The following table provides a reconciliation between line items in the separate statement of financial position and categories of financial instruments.

	2022	2021
Cash, cash equivalents and deposits in banks	1,644,593	913,582
Other accounts receivable	195,071,400	3,000,000
Total financial assets	196,715,993	3,913,582

As of December 31, 2022, and 2021, all of the financial liabilities held by the Company are classified at amortized cost.

The Company is exposed to the following risks from financial instruments:

- Credit risk,
- Liquidity risk, and
- Market risk

(4) Risk Management, continued

For the management of these risk, an organizational framework based on current regulations in the region on risk management has been defined. This framework includes policies, procedures and a human and technical infrastructure to identify, analyze and assess risks, as well as to set adequate limits and controls, monitor risk management and comply with defined limits. These policies and risk management systems are periodically reviewed, updated and reported to the respective committees, to ensure they reflect changes in market conditions, products and services offered.

Through its management procedures and standards, the Company aims to develop a disciplined and constructive control environment where all employees understand their roles and duties.

(a) Credit Risk

This is the risk of financial loss faced by the Company when a client or counterparty fails to meet their contractual obligations, and is mainly originated from deposits, investments in securities and loans receivable.

Information on the portfolio's quality

Quality of the portfolio of bank deposits

The Company maintains deposits in banks for $1,644,593 as of December 31, 2022 (2021: $913,582). Deposits are maintained at central banks and other financial institutions, most of which have BBB- to B+ risk ratings, based on Standard & Poor’s.

Concentration of credit risk

The Company follow-up the concentration of credit risk by sector and geographic location. The geographic location of loans and deposits in banks is based on the location of the debtor. In regard to investments, they are based on the location of the issuer. The analysis of the concentration of credit risks as of the date of the separate financial statements is as follows:

	2022	2021
Concentration by sector		
Financial	1,644,593	913,582
Net carrying amount	1,644,593	913,582
Geographic location:		
Panama	1,583,455	861,474
Colombia	46,777	0
Costa Rica	14,361	0
North America	0	52,109
Net carrying amount	1,644,593	913,582

(b) Liquidity Risk

Liquidity risk is defined as the contingency of not being able to comply fully, in a timely and efficient manner, the expected and unexpected cash flows, current and future, without affecting the course of daily operations or the financial condition of the entity. This contingency (liquidity risk) is evidenced in the insufficient liquid assets available for this and/or the need to assume unusual funding costs.

(4) Risk Management, continued

The liquidity management conducted by the Company seeks to meet its obligations of repayment of the service of its debts of institutional funding according to maturity and the payment scheme scheduled. In this regard, the Company has constant control over its short-term liabilities and assets. The liquidity of the Company is carefully managed and adjusted daily based on the estimated liquidity in a contingent and expected scenario.

The Company's liquidity management is in compliance with the policies and guidelines issued by Senior management and/or Regional and Local Board of Directors; the regulators of each country in which it operates and the contractual obligations. These best practices are primarily defensive, in the sense of seeking to maintain appropriate levels of liquidity at all times. In addition, the Company has implemented the internal liquidity requirements that force it to keep excesses on regulatory requirements.

Quantitative information

The following table details the undiscounted cash flows of financial liabilities and financial assets, and disbursements due to financial derivatives in contractual maturity groups from the remaining period from the date of the separate statement of financial position:

	2022						
Amounts in thousands	**Carrying Amount**	**Total nominal gross amount inflows /(outflows)**	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Liabilities							
Financial obligations	600,601	(639,068)	0	(5,693)	(82,188)	(262,776)	(288,411)
Total liabilities	600,601	(639,068)	0	(5,693)	(82,188)	(262,776)	(288,411)
Assets							
Deposits in banks	1,645	1,645	1,645	0	0	0	0
Total assets	1,645	1,645	1,645	0	0	0	0

	2021						
Amounts in thousands	**Carrying Amount**	**Total nominal gross amount inflows /(outflows)**	**Up to 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 to 5 years**	**More than 5 years**
Liabilities							
Financial obligations	664,820	(785,509)	0	(2,269)	(138,682)	(259,475)	(385,082)
Total liabilities	664,820	(785,509)	0	(2,269)	(138,682)	(259,475)	(385,082)
Assets							
Deposits in banks	914	914	914	0	0	0	0
Total assets	914	914	914	0	0	0	0

The composition of the Company's liquidity is represented by deposits in banks for a value of $1,644,593 as of December 31, 2022 (2021: $913,582). Such deposits are not restricted for use as collateral.

(4) Risk Management, continued

(c) Market risk

Market risks are those that may result in losses as a result of adverse price movements in the financial markets where positions are maintained. It comprises the interest rate risk is the possibility of an economic loss due to adverse variations in interest rates.

Interest rate risk

Below, the summary exposure of the Company's separate statement of financial position to interest rate risk. Assets and liabilities are included in the table at their carrying amount, classified by categories of time considering the next rate review date or the maturity date, as applicable:

2022	Without exposure	Up to 1 year	From 1 to 5 years	Total
Deposits in banks	1,644,593	0	0	1,644,593
Total assets	1,644,593	0	0	1,644,593
Financial obligations	0	0	600,600,998	600,600,998
Total liabilities	0	0	600,600,998	600,600,998
Exposure to interest rate risk	1,644,593	0	(600,600,998)	(598,956,405)

2021	Without exposure	Up to 1 year	From 1 to 5 years	Total
Deposits in banks	913,582	0	0	913,582
Total assets	913,582	0	0	913,582
Financial obligations	0	0	664,819,792	664,819,792
Total liabilities	0	0	664,819,792	664,819,792
Exposure to interest rate risk	913,582	0	(664,819,792)	(663,906,210)

Based on the above, the Company calculates the total exposure of the separate statement of financial position to interest rate risk.

Interest rate risk is analyzed based on the gap analysis, in order to approximate the change in equity of the Company's separate statement of financial position and in the net income from interest from eventual changes in market interest rates. The economic value of an instrument involves an assessment of the current value of its expected net cash flows, discounted to reflect market rates. By extension, the economic value of a financial entity can be seen as the present value of expected net cash flows from the entity, defined as expected cash flows from assets less expected cash flows from liabilities. In this sense, the perspective of economic value reflects a view of the sensitivity of the financial entity net value to interest rate fluctuations.

As of December 31, 2022 and 2021, the Company's financial obligations are at a fixed and variable rate.

Reform of benchmark interest rates

In March 2021, the Financial Conduct Authority (FCA), as the regulator of ICE (the authorized administrator of LIBOR), announced that after December 31, 2022, the setting of LIBOR for US dollars for a week and two months will no longer be provided or will no longer be representative. Remaining US dollar configurations will no longer be provided or representative after June 30, 2023.

(4) Risk Management, continued

A fundamental overhaul of the world's major interest rate benchmarks is underway, replacing some Interbank Offered Rates (IBORs) with alternative near-risk-free rates (referred to as "IBORs"). reform'). The Company has significant exposure to LIBOR on its financial instruments, which are being reformed as part of these market initiatives.

The main risks to which the Company has been exposed as a result of the IBOR reform are operational. For example, the renegotiation of loan contracts through bilateral negotiation with corporate clients, updating of contractual terms in corporate and consumer clients, updating of systems that use IBOR curves and review of operational controls related to reform and regulatory risks. Financial risk is predominantly limited to interest rate risk.

The Company established a multifunctional IBOR Committee to manage its transition to alternative reference rates. The objectives of the IBOR Committee include assessing whether financial assets and/or liabilities should be amended as a result of IBOR reform, and how to manage communication about IBOR reform with counterparties. The IBOR Committee reports to the Executive Committee on a regular basis and collaborates with other business functions as needed. Additionally, it provides periodic reports to ALICO and the treasuries on the Company's operations to support interest rate risk management and works closely with the Comprehensive Operational Risk Committee to identify the operational and regulatory risks arising from the reform. of the IBOR.

For contracts indexed to an IBOR that expire after the expected cessation of the IBOR rate, the IBOR Committee has established policies to modify the contractual terms. These amendments include the addition of clauses in the contracts that determine the applicable rate or calculation mechanism once the reference IBOR rate is not published ("fallback" clauses, according to the industry term in English) or the replacement of the rate IBOR with an alternative reference rate.

As of December 31, 2022, the reform of the IBOR on the operations in which the Company has exposure has not been completed. The following table sets forth the IBOR rates to which the Company has exposure, the main benchmark rates to which these exposures have been or are being transferred, and the status of the transition:

Currency	Reference IBOR prior to transition	Reference after transition	2022	2021
USD	USD LIBOR – 3 months	New York Prime Rate / TERM SOFR	In progress	In progress
USD	USD LIBOR – 6 months	New York Prime Rate / TERM SOFR	In progress	In progress

(4) Risk Management, continued

The following tables show the amounts of unreformed financial liabilities and those with appropriate fallback clauses as of December 31, 2022 and 2021. The amounts are shown at their book values.

	2022			2021		
	Total value of indexed contracts	**Total value of indexed contracts with maturity greater than june, 2023**	**Total value of contracts with *fallback* clauses**	**Total value of indexed contracts**	**Total value of indexed contracts with maturity greater than june, 2023**	**Total value of contracts with *fallback* clauses**
Financial obligations	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000	300,000,000

(5) Critical Accounting Estimates and Judgments in the Implementation of Accounting Policies

The Company's management is responsible for the development, selection, disclosure of policies and critical accounting estimates and their implementation in a manner consistent with the assumptions selected and related to the significant estimate uncertainties.

Fair Value of Financial Instruments

Fair value of financial instruments that are not quoted in active markets is determined using valuation techniques. All models are evaluated and adjusted before use, and the models are calibrated to ensure that the results reflect current information and comparative market prices.

To the extent possible, models only use observable information; however, areas such as credit risk (own and by the counterparty), volatilities and correlations require estimates by management. Changes in assumptions about these factors may affect the reported fair value of financial instruments.

(6) Cash - Deposits in Banks

Deposits in banks are listed below for reconciliation purposes with the separate statement of cash flow:

	2022	**2021**
Deposits in banks and deposits due in less than 90 days	1,644,593	913,582
Total deposits in banks	1,644,593	913,582

There are no restrictions on deposits in banks.

(7) Investments on Non-consolidated Subsidiaries

Investments at non-consolidated subsidiaries are presented under the equity method.

Below is a summary of the financial position of the non-consolidated subsidiaries:

	2022	2021
BAC Credomatic Inc.		
Assets	31,049,854,701	28,134,905,492
Liabilities	28,216,595,354	25,322,985,768
Equity	2,833,259,347	2,811,919,724
Interest income	2,087,873,302	1,858,253,554
Other income, net	885,621,790	883,390,512
Net Income	462,599,880	444,984,505

(8) Financial Obligations

Financial obligations are detailed below:

2022	Interest rate	Maturities up to	Carrying Amount
Payable in US dollars:			
Fixed rate	3.35%	2031	300,586,361
Variable rate	7.59%	2026	300,014,637
Total financial obligations at amortized cost			600,600,998

2021	Interest rate	Maturities up to	Carrying Amount
Payable in US dollars:			
Fixed rate	0.00% a 1.85%	2031	365,873,949
Variable rate	3.03%	2026	298,945,843
Total financial obligations at amortized cost			664,819,792

The Company has had no defaults of principal, interest or other contractual clauses concerning its financial obligations.

(9) Other Liabilities

The detail of other liabilities is shown below:

	2022	2021
Payment for administrative and accounting services	73,445	74,170
EY Fees	35,100	0
External audit fees	32,058	394,627
Service providers	25,806	0
Vacation and severance provision	15,789	0
Employee benefits	4,993	0
Withholding at source	1,420	0
Consulting fees	0	148,601
	188,611	617,398

(10) Common Stock

The Company's stock comprises 44,197,377,193 authorized stocks, of which 43,220,189,095 are issued stock, and 43,220,182,532 are outstanding stock (2021: 79,194,053 authorized stock and 77,443,101 issued and outstanding stock) and with a nominal value of \$0.06629759834400500 per share (2021: \$37 per share).

The nominal value of the shares was modified by the Company's Shareholders' Meeting on March 23, 2022, agreeing to modify article 6 of the Company's articles of incorporation, as a result of the completion of the merger by absorption between the Company, Beneficiary Company Bogota, S.A.S. and Sociedad Beneficiaria Aval, S.A.S. More details of this transaction in Note 17.

(11) Other Comprehensive Results

The following table presents the components and changes of accumulated other comprehensive losses as of December 31, 2022 and 2021.

	Conversion of operations in foreign currency	Unrealized (loss) income from securities	ECL for investments at FVOCI	Total other accumulated comprehensive loss
Balance at January 1, 2021	(338,371,166)	58,707,572	0	(279,663,594)
Other (loss) income before reclassifications	(52,345,795)	54,806,627	0	2,460,832
Amounts reclassified from other comprehensive losses and related to assets classified as held for sale	0	(55,872,313)	0	(55,872,313)
Employee benefit plan – change in actuarial effect	0	(3,105,206)	0	(3,105,206)
Spin-off movement	0	5,134,664	0	5,134,664
Other net comprehensive (loss) income for the year	(52,345,795)	963,772	0	(51,382,023)
Balance at December 31, 2021	(390,716,961)	59,671,344	0	(331,045,617)
Other (loss) income before reclassifications	51,291,530	(201,061,610)	0	(149,770,080)
Amounts reclassified from other comprehensive losses and related to assets classified as held for sale	0	(6,759,780)	0	(6,759,780)
Other net comprehensive (loss) income for the year	51,291,530	(207,821,390)	0	(156,529,860)
Balance at December 31, 2022	(339,425,431)	(148,150,046)	0	(487,575,477)

(12) Other Expenses

The other expenses included in the separate income statement are summarized below:

	2022	2021
Contracted operational services	454,650	70,425
Processing	88,304	0
Contribution Financial Superintendency of Colombia	69,544	0
ITBMS – audit and lawyers	52,910	0
Other taxes	52,697	0
Travel allowances	34,050	0
Stock Market Commission	22,587	0
Personal computers Colombia	4,153	0
Subscriptions	3,098	0
Rent building	2,103	0
Others	809	982
Corficolombian Fees	0	148,601
	784,905	220,008

(13) Disclosures on the Fair Value of Financial Instruments

The Company established a process for determining the fair value. The fair value is primarily based on quoted market prices, when available. If market prices or quotes are not available, fair value is determined based on internally developed models that primarily use market information or other information obtained as inputs regardless of market parameters, including but not limited to yield curves, interest rates, debt prices, foreign exchange rates and credit curves. However, in situations where there is little or no market activity for the asset or liability at the measurement date, the fair value measurement reflects the Company's own judgments about assumptions that market participants would use in setting the price of the asset or liability.

The judgments are developed by the Company based on the best information available in the circumstances, including expected cash flows, discount rates adjusted for risks and the availability of observable and unobservable inputs.

The methods described above can generate fair value estimates that may not be indicative of the net realizable value or that do not reflect future values. In addition, while the Company believes its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different fair value estimates as of the reporting date.

As of December 31, 2022, the Company does not have financial instruments recorded at fair value.

Financial Instruments at Amortized Cost

The following disclosures present the financial instruments whose final balance as of December 31, 2022, are not recorded at fair value in the Company's separate statement of financial position:

Below is a description of the methods and assumptions used to estimate the fair value of the main financial instruments held by the Company:

a) *Financial Instruments with Carrying Amounts that Approach the Fair Value:*
Cash and cash equivalents, deposits that bear interest and clients' obligations for acceptances and acceptances outstanding are measured at book value reported in the separate balance sheet, which is considered a reasonable fair value estimate due to the characteristics and maturity of these instruments.

b) *Borrowings*
The fair value is estimated based on current interest rates for debt with similar and adjusted maturities to reflect the credit rating of the Company and its guarantees.

(13) Disclosures on the Fair Value of Financial Instruments, continued

The information on the fair value of the financial instruments described above (and which are not disclosed elsewhere in the separate financial statements), in the separate statement of financial position as of December 31, 2022, and 2021 is presented below:

2022	Level 2	Level 3	Fair Value	Carrying Amount
Financial assets				
Deposits in banks	1,644,593	0	1,644,593	1,644,593
Financial liabilities				
Financial obligations	0	608,251,382	608,251,382	600,600,997

2021	Level 2	Level 3	Fair Value	Carrying Amount
Financial assets				
Deposits in banks	913,582	0	913,582	913,582
Financial liabilities				
Financial obligations	0	660,775,343	660,775,343	664,819,792

(14) Related Party Transactions

In the normal course of business, the Company conducts transactions with related parties, including main executives and directors.

The following table shows the balances and transactions with related parties as of December 31, 2022, and 2021:

	2022			2021		
	Key personnel and directors	Subsidiaries	Related parties	Key personnel and directors	Subsidiaries	Controlling entities
Assets:						
Banks	0	1,597,816	46,777	0	0	913,582
Other accounts receivable	0	195,071,400	0	0	3,000,000	0
	0	196,669,216	46,777	0	3,000,000	913,582
Liabilities:						
Financial obligations	0	0	288,411,489	0	0	363,411,489
Accumulated interest payable	0	54,822	12,174,872	0	74,170	2,611,062
	0	54,822	300,586,361	0	74,170	365,022,551

	2022			2021		
	Key personnel and directors	Subsidiaries	Related parties	Key personnel and directors	Subsidiaries	Controlling entities
Interest expense and other operating expenses	0	728,250	10,760,745	0	112,425	5,407,787
Key management personnel benefit	33,698	0	0	800	0	0

(15) Litigations

To the best of management's knowledge, the Company is not involved in any litigation or claim that is likely to cause a significant adverse effect on its business, its separate financial position or its separate financial performance.

(16) Regulatory Aspects

The Company's banking operations are subject to various regulatory requirements managed by the government agencies of the countries in which it operates or has a license. Failure to comply with these regulatory requirements can lead to certain mandatory actions and possibly additional discretionary actions by the regulators that, if performed, could have a significant effect on The Company's separate financial statements. Under capital adequacy guidelines and the regulatory framework of prompt corrective actions, the Company's banking operations must comply with specific capital guidelines that provide for the quantitative asset measurements and certain elements out of the separate balance sheet, in accordance with the regulatory accounting practices. The amounts of capital of the Company's banking operations and their classification are subject to qualitative judgments by the regulators about their components, risk weightings and other factors.

As of December 31, 2022, the banking operations of the subsidiaries of the Company meet all capital adequacy minimum requirements to which they are subject, which varies from 8.00% to 12.00% and other regulatory requirements.

(17) Unusual Transactions

The Company carried out a partial spin-off of its operations on September 29, 2021, through which it transferred to Multi Financial Holding Inc., a company created simultaneously with said spin-off, the shares it owned in Multi Financial Group Inc. at that date.

(17) Unusual Transactions, continued

For comparative purposes, below are the balances of assets and liabilities that the Company recognized from the operations of Multi Financial Group Inc. in its audited Condensed Consolidated Interim Financial Statements as of September 30, 2021. These figures do not consider the eliminations for items related to other subsidiaries of the Company.

	December 31, 2021
Assets	
Cash and cash equivalents	20,856,474
Deposits in banks:	
Demand	59,814,464
Time deposits	83,733,870
Total deposits in banks	143,548,334
Total cash, cash equivalents and deposits in banks	164,404,808
Investments at fair value	925,933,828
Loans	3,452,657,658
Allowance for loan losses	(57,735,396)
Loans at amortized cost	3,394,922,262
Property, furniture, equipment and improvements, net	101,768,346
Acceptances outstanding	92,269,992
Other accounts receivable	66,632,312
Provision for accounts receivable	(808,550)
Goodwill	36,429,181
Intangible assets	36,176,126
Deferred income tax	38,462,699
Other assets	68,303,155
Total assets	4,924,494,159
Liabilities	
Deposits from customers:	
Demand	358,711,768
Savings	398,297,845
Time deposits	2,215,015,197
Total deposits from customers	2,972,024,810
Securities sold under repurchase agreements	44,640,461
Financial obligations	834,396,839
Other financial obligations	394,297,907
Lease liabilities	16,871,643
Acceptances outstanding	92,269,992
Deferred income tax	15,391,546
Other liabilities	84,713,477
Total liabilities	4,454,606,675

(17) Unusual Transactions, continued

The following table shows the results that the Company consolidated for the operations of Multi Financial Group Inc. for the six months ended December 31,2021. These figures do not consider the eliminations for items related to other subsidiaries of the Company.

	December 31, 2021
Interest income:	
Deposits in banks	289,071
Investments	14,096,687
Loans	170,056,135
Total interest income	184,441,893
Interest expense:	
Deposits	63,133,648
Financial obligations	12,031,881
Other financial obligations	13,332,641
Securities sold under repurchase agreements	(279,368)
Lease liabilities	842,604
Total interest expense	89,061,406
Interest income, net	95,380,487
Provision for loan losses	42,063,507
Credit risk of investments and time deposits	(114,586)
Provision for accounts receivable losses	163,336
Interest income, net after provisions	53,268,230
Other income:	
Gain on financial instruments, net	6,939,808
Service charges	16,436,134
Commissions and other fees, net	2,159,673
Gain on foreign currency exchange, net	(9,380)
Impairment of assets held for sale	(1,404,798)
Other income	8,120,426
Total other income, net	32,241,863
General and administrative expenses:	
Salaries and employee benefits	32,625,066
Depreciation and amortization	9,895,718
Administrative	3,661,466
Occupancy and related expenses	1,962,831
Other expenses	17,468,020
Total general and administrative expenses	65,613,101
Income before income tax	19,896,992
Less: Income tax	(2,563,399)
Net income	17,333,593

The Company's Shareholders' Meeting, on March 23, 2022, agreed to modify article 6 of the Company's articles of incorporation, as a consequence of the completion of the merger by absorption between the Company, Sociedad Beneficiaria Bogotá, S.A.S. ("SB Bogotá") and Sociedad Beneficiaria Aval, S.A.S. ("SB AVAL").

The following table details the shares issued and outstanding before and after said merger of the Company:

	Pre-merger	Post-merger
Authorized capital	2,930,179,961	2,930,179,961
Subscribed capital	2,865,394,737	2,865,394,737
Paid-in capital	2,865,394,737	2,865,394,737
Authorized number of shares	79,194,053	44,197,377,193
Number of outstanding shares	77,443,101	43,220,189,095
Par value per share	37.00000000000000000	0.06629759834400500

(17) Unusual Transactions, continued

The following is the shareholding composition of SB AVAL at the time of the merger:

Shareholder	Number of actions	Participation
Other shareholders	22,281,017,159	100%
Total	22,281,017,159	100%

The capital of SB AVAL at the time of the merger:

Authorized capital - dollars (U.S.)	5,932,066
Subscribed capital - dollars (U.S.)	5,932,066
Paid-in capital - dollars (U.S.)	5,932,066
Number of outstanding shares - dollars (U.S.)	22,281,017,159

The following are the values corresponding to the assets, liabilities and equity of SB AVAL at the time of the merger:

	Dollars (U.S.)
Assets	1,767,547,347
Liabilities	0
Equity	1,767,547,347

The following is the shareholding composition of SB Bogotá at the time of the merger:

Shareholder	Number of actions	Participation
Sociedad Beneficiaria AVAL	227,710,487	68.74%
Other shareholders	103,570,068	31.26%
Total	331,280,555	100.00%

The capital of SB Bogotá at the time of the merger:

Authorized capital - dollars (U.S.)	1,107,360,795
Subscribed capital - dollars (U.S.)	1,107,360,795
Paid-in capital - dollars (U.S.)	1,107,360,795
Number of outstanding shares - dollars (U.S.)	331,280,555

The following are the values corresponding to the assets, liabilities and equity of SB Bogotá at the time of the merger:

	Dollars (U.S.)
Assets	2,591,141,748
Liabilities	0
Equity	2,591,141,748

Pursuant to the merger, so that each shareholder of SB AVAL, who became a shareholder of the Company, would receive one share of BHIC for each share of SB AVAL, the number of outstanding shares of the Company increased to 43,220,189,095.

(17) Unusual Transactions, continued

As a result of the merger, the share exchange ratio to be received from the Company by the shareholders of SB Bogotá and SB AVAL is as follows:

Shareholders SB AVAL	1
Shareholders SB Bogotá	97,8480062598781

As a result of the application of the exchange ratio of the merger, the resulting fractions of shares paid to shareholders and repurchased by BHIC totaled 6,563 shares held as treasury shares.

(18) Subsequent Events

The Company has assessed the subsequent events to February 24, 2023, to assess the need for their recognition or disclosure in the accompanying financial statements. Based on this evaluation, we determined that there were no subsequent events which require recognition or disclosure in these financial statements.