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(FREE TRANSLATION OF THE REPORT ISSUED IN SPANISH)
STATUTORY AUDITOR'S REPORT

To the Shareholders
Grupo Aval Acciones y Valores S.A.

Opinion

I have audited the consolidated financial statements of Grupo Aval Acciones y Valores S.A. and Subsidiaries (the Group), which comprise the consolidated statement of financial position at December 31, 2023 and the consolidated statements of income and other comprehensive income, changes in equity, and cash flows for the year then ended, and their respective notes that include the summary of significant accounting policies and other explanatory notes.

In my opinion, the above mentioned consolidated financial statements, prepared in accordance with information accurately taken from the accounting books and attached to this report, present fairly, in all material aspects, the consolidated financial position of the Company at December 31, 2023, the consolidated results of its operations, and its consolidated cash flows for the year then ended, in conformity with Accounting and Financial Reporting Standards accepted in Colombia, applied on a consistent basis with previous year.

Basis for opinion

I conducted my audit in accordance with International Standards on Auditing (ISAs) accepted in Colombia. My responsibilities under those standards are further described in the "Statutory Auditor' Responsibilities for the Audit of the Consolidated Financial Statements" section of my report. I am independent of the Company in accordance with the Accountant's Professional Code of Ethics issued by the International Ethics Standards Board for Accountants (IESBA Code), included in the Information Assurance Standards accepted in Colombia together with the ethical requirements established in Colombia that are relevant to my audit of the consolidated financial statements, and I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA Code mentioned. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Key audit matters

Key audit matters are those matters that, in my professional judgment, were of most significance in my audit of the consolidated financial statements of the current period. These matters were addressed in the context of my audit of the consolidated financial statements as a whole, and in forming my opinion thereon, and I do not provide a separate opinion on these matters.

Assessment of Impairment of Credit Portfolio under IFRS 9 (see notes 4.1.5 and 11 to the consolidated financial statements)	
Key Audit Matter	**How our audit approached this matter**
As established in notes 4.1.5 and 11 to the consolidated financial statements, provision for impairment of the Group's credit portfolio amounted to $10.035.715 million as of December 31, 2023. The Group measures impairment of its credit portfolio for an amount equal to Expected Credit Loses (ECL) for the life of each credit, except those that have not experienced a significative increase of credit risk since their initial recognition, for which the Group calculates an ECL of twelve months. Provision for impairment of credit lose reflects a probability-weighted result that considers multiple economic scenarios based on forecasts of future economic conditions and is determined in function of the Group's assessment on Probability of Default (PD), Loss Given Default (LGD), and Exposure Given Default (EGD) associated to each loan. The Group, in accordance with requirements of IFRS 9 and following market practices, uses complex models that incorporate data and assumptions that require significant judgement to estimate the loss for impairment of the credit portfolio. I identified the assessment of impairment of the credit portfolio as a key audit matter since there is a high degree of estimation inherent to the determination of the expected loss from impairment of the credit portfolio, as a result of the judgement required for prospective assumptions and models involved. The assessment of the impairment of the credit portfolio required significant attention from the auditor, involvement of judgement, and participation of credit risk professionals,	My audit procedures to assess the assignation of the credit risk rating and the effect of the provision includes, among others, the following: - Evaluation of design and effectiveness of certain internal controls on the process established by the Group to calculate impairment of the credit portfolio, including, among others, controls on: (i) models and assumptions used, (ii) estimate of macroeconomic variables, (iii) integrity and accuracy of data, and (iv) the Group's monitoring on the general provision for impairment losses, including application of the judgement employed. - Involvement of credit risk professionals with specific abilities, knowledge, and industry experience, who assisted me in: (i) assessment of key models and supplies used to determined the Probability of Default (PD), Loss Given Default (LGD), and Exposure Given Default (EGD) parameters, (ii) assessment of macroeconomic projections and weighting of scenario probability, (iii) assessment of qualitative adjustments applied to models, (iv) recalculation for a sample of credits evaluated collectively and a sample of significant credits evaluated individually, of impairment and analysis of guarantee values, and (v) verification for a sample of individually-significant credits of the credit risk rating assigned by the Group.

as well as knowledge and industry experience.	

Assessment of income recognized from concession contracts in construction phase and fair value of financial assets related to said concession contracts (see notes 2.20, 5 and 16 to the consolidated financial statements)	
Key Audit Matter	**How our audit approached this matter**
As stated in notes 2.20, 5 and 16 to the consolidated financial statements, the Group and its Subsidiaries have concession contracts signed with the State for the construction and subsequent maintenance of infrastructure for a determined period. In exchange, the Groups and its Subsidiaries have the right to received direct payments from Government and/or tariffs charged to the final users of the infrastructure. During the construction phase, the Group and its Subsidiaries recognize income and a financial asset for payments that are unconditionally guaranteed for the state and/or an intangible asset for payments in connection with the use of the infrastructure. Performance obligations related to construction services are complied with time and the amount of income recognized depends on the termination stage of the construction services and the fair value of the asset recognized. The Group and its Subsidiaries have designated some of the financial assets related to concession contracts to be measured at fair value with changes in income subsequent to initial recognition. As of December 31, 2023, the Group and its subsidiaries have financial assets from concession contracts for $3.830.916 million, measured at fair value and classified on level 3 of the fair value hierarchy and assets for concession contracts in construction phase for $7.964.822 million. I identified the evaluation of income recognized for concession contracts in construction phase and fair value of related financial assets as a key audit	My audit procedures to assess the recognition of income from concession contracts in construction phase and fair value of related financial assets included, among others: – Assessment of design, implementation, and effectiveness of certain internal controls established by the Group and its Subsidiaries to determine the fair value of financial assets arising from concession contracts and to establish income to be recognized from contracts in construction phase. These controls include those related to: (i) review of supplies and assumptions used, (ii) review of completion cost estimates, and (iii) review and approval of fair value of assets and amount of income to be recognized. – Involvement of professionals in valuation with specific abilities and industry knowledge, who assisted me in: (i) assessment of whether the models developed internally are consistent with valuation practices generally used for this purpose and IFRS, (ii) comparison of WACC discount rates with a determined rank using macroeconomic assumptions verified by the market, (iii) assessment of future inflation rates comparing them to available market data, (iv) assessment of costs estimated until completion, including assumptions used, (v) assessment of income projected for the use of infrastructure, comparing it with internal and external data, when available, and (vi) evaluation of the accuracy of forecasts on inflation and construction costs, by comparing them with a

Assessment of income recognized from concession contracts in construction phase and fair value of financial assets related to said concession contracts (see notes 2.20, 5 and 16 to the consolidated financial statements)	
matter because it implies an effort and significant audit judgement, including the participation of valuation professionals with specific abilities and industry knowledge. For contracts in construction phase, the auditor's judgement was required to assess the estimated costs until the completion of the construction contracts in construction phase and evaluate the models developed by the Group and its Subsidiaries to estimate the fair value of financial assets and intangibles, as well as non-observable supplies and assumptions significant for these models. For financial assets related to concession contracts measured subsequently to fair value with changes in income, the auditor's judgement was required to assess the models developed by the Group and its Subsidiaries to estimated their fair value, as well as important non-observable data and assumptions of these models. Important non-observable supplies and assumptions of these models include the cost of Weighted Average Capital Cost (WACC), future inflation rates, and projected income from the use of infrastructures.	sample of previously estimated values with actual values obtained.

Other matters

The consolidated financial statements at and for the year ending December 31, 2022 are submitted only for comparison purposes, were audited by me and, in my report dated Mach 6, 2023, I expressed an unqualified opinion thereon.

Responsibilities of Management and those in charge with the Company's corporate governance for the consolidated financial statements

Management is responsible for the fair preparation and presentation of these consolidated financial statements in accordance with Accounting and Financial Reporting Standards accepted in Colombia. This responsibility includes: designing, implementing and maintaining the internal control relevant that management considers necessary for the preparation and presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

Statutory Auditor's responsibilities for the audit of the consolidated financial statements

My objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes my 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 aggregate, they could reasonably be expected to influence the users' economic decisions taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my 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 for the audit in order to design audit procedures that are appropriate in the circumstances.

- Evaluate the appropriate 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 hypothesis 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 I would conclude that a material uncertainty exists, I am required to draw attention in my statutory auditor's report to the related disclosure in the consolidated financial statements or, if such disclosure is inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Company ceases to continue as a going concern.

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

- Obtain sufficient and appropriate audit evidence regarding the financial information of Group´s components or business activities to express an opinion about the consolidated financial statements. I am responsible for the direction, supervision, and performance of the Group's audit. I remain solely responsible for my audit opinion.

I communicate to those charged with the corporate governance regarding, among other matters, the planned scope and timing for the audit, as well as significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide those charged with government the confirmation I have complied with the relevant independence ethical requirements, and I have communicated all relationships and other matters that may be reasonably considered to bear influence on my independence and, when appropriate, the related safeguards.

From the matters communicated with those charged with corporate governance, I determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. I describe these matters in my statutory auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, I determine that a matter should not be communicated in my report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

(Original signed in Spanish)
Diana Alexandra Rozo Muñoz
Statutory Auditor of Grupo Aval Acciones y Valores S.A.
Registration 120741 - T
Member of KPMG S.A.S.

February 27, 2024

Grupo Aval Acciones y Valores S.A. and Subsidiaries
Consolidated Statement of Financial Position
As of December 31, 2023 and 2022
(Amounts expressed in millions of Colombian pesos)

	Notes		2023		2022
Assets					
Cash and cash equivalents	**6, 7**	**Ps.**	**18,597,861**	**Ps.**	**17,032,857**
Trading assets	**6, 8**		**15,451,121**		**11,841,407**
Investment securities	**6, 9**		**34,425,693**		**33,674,477**
Hedging derivative assets	**6, 10**		**48,662**		**20,854**
Loans:	**4.1, 6, 11**				
Commercial			107,440,424		110,742,842
Consumer			59,999,611		59,419,444
Mortgages			18,486,206		17,883,355
Microcredit			277,529		267,720
			186,203,770		**188,313,361**
Loss allowance	4.1.5		(10,035,715)		(9,197,514)
Total loans, net			**176,168,055**		**179,115,847**
Other accounts receivable, net	**6, 12**		**25,617,225**		**23,380,573**
Non-current assets held for sale	**13**		**101,184**		**92,830**
Investments in associates and joint ventures	**14**		**1,290,683**		**1,423,343**
Tangible assets, net:	**15**				
Property, plant and equipment for own-use and given in operating lease			4,521,792		4,812,254
Right-of-use assets			1,336,957		1,329,594
Investment properties			906,469		880,963
Biological assets			230,672		212,630
			6,995,890		**7,235,441**
Intangibles					
Concession arrangement rights	16		13,557,267		13,242,706
Goodwill	17		2,202,222		2,248,217
Other intangible assets	18		2,382,427		2,040,158
			18,141,916		**17,531,081**
Income tax assets:	**19**				
Current			2,596,837		1,782,658
Deferred			1,280,912		1,851,218
			3,877,749		**3,633,876**
Other assets			**465,557**		**608,650**
Total assets		**Ps.**	**301,181,596**	**Ps.**	**295,591,236**

The accompanying notes are an integral part of these Consolidated Financial Statements

Luis Carlos Sarmiento Gutiérrez	**María Edith González Flórez**	**Diana Alexandra Rozo Muñoz**
President	Accountant	Auditor
	T.P. 13083-T	T.P. 120741-T
		Member of KPMG S.A.S.
		(See my report of February 27, 2024)

Grupo Aval Acciones y Valores S.A. and Subsidiaries
Consolidated Statement of Financial Position, continued
As of December 31, 2023 and 2022
(Amounts expressed in millions of Colombian pesos)

	Notes		2023		2022
Liabilities and equity					
Liabilities					
Trading liabilities	**6, 8**	**Ps.**	**2,154,361**	**Ps.**	**1,757,606**
Hedging derivative liabilities	**6, 10**		**217,566**		**3,568**
Customer deposits:	**20**				
Checking accounts			23,809,859		25,932,053
Savings accounts			71,149,883		74,293,894
Time deposits			86,597,460		72,273,697
Other			430,194		841,505
			181,987,396		**173,341,149**
Financial obligations:	**21**				
Interbank borrowings and overnight funds			15,081,920		9,087,921
Borrowings from banks and others			22,218,460		30,309,358
Bonds issued			23,427,826		28,362,221
Borrowings from development entities			4,813,133		4,357,275
			65,541,339		**72,116,775**
Provisions:	**23**				
Legal related			217,689		229,193
Non legal related			865,594		997,978
			1,083,283		**1,227,171**
Income tax liabilities:	**19**				
Current			268,347		228,817
Deferred			5,546,640		5,062,670
			5,814,987		**5,291,487**
Employee benefits	**22**		**907,808**		**890,019**
Other liabilities	**24**		**11,954,440**		**10,141,802**
Total liabilities			**269,661,180**		**264,769,577**
Equity					
Owners of the parent:	**25**				
Subscribed and paid-in capital			23,744		23,744
Additional paid-in capital			9,571,374		9,571,374
Retained earnings			7,731,773		8,018,417
Other comprehensive income			(544,219)		(1,146,565)
Equity attributable to owners of the parent			**16,782,672**		**16,466,970**
Non-controlling interests	**26**		**14,737,744**		**14,354,689**
Total equity			**31,520,416**		**30,821,659**
Total liabilities and equity		**Ps.**	**301,181,596**	**Ps.**	**295,591,236**

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		(See my report of February 27, 2024)

Grupo Aval Acciones y Valores S.A. and Subsidiaries
Consolidated Statement of Income
For the years ended December 31, 2023 and 2022
(Amounts expressed in millions of Colombian pesos)

Continuing operations	**Notes**		**2023**		**2022**
Interest income calculated using the effective interest method					
Loan portfolio	11	Ps.	26,534,115	Ps.	17,559,516
Investments in debt securities			2,385,289		1,843,516
Total interest income			**28,919,404**		**19,403,032**
Interest expense	**21.3**				
Deposits			(16,214,226)		(7,756,432)
Financial obligations			(6,418,204)		(3,907,963)
Total interest expense			**(22,632,430)**		**(11,664,395)**
Net interest income			**6,286,974**		**7,738,637**
Impairment (losses) recoveries on financial assets					
Loans and other accounts receivable			(4,751,039)		(3,120,403)
Other financial assets			12,871		(16,723)
Recovery of charged-off financial assets			555,774		643,978
Net impairment loss on financial assets			**(4,182,394)**		**(2,493,148)**
Net interest income, after impairment losses			**2,104,580**		**5,245,489**
Income from commissions and fees			4,356,336		3,874,439
Expenses from commissions and fees			(1,003,813)		(970,676)
Net income from commissions and fees	**28**		**3,352,523**		**2,903,763**
Income from sales of goods and services			11,223,556		12,141,327
Costs and expenses of sales goods and services			(8,005,597)		(7,596,231)
Net profit from sales of goods and services	**28**		**3,217,959**		**4,545,096**
Net trading (loss) income	**29**		**(916,049)**		**1,559,626**
(Net losses) net income from other financial instruments mandatorily at FVTPL	**16**		**323,685**		**278,751**
Other income	**30**		**3,751,306**		**(848,571)**
Other expenses	**30**		**(8,346,454)**		**(7,409,783)**
Net income before tax expense			**3,487,550**		**6,274,371**
Income tax	19		(1,310,434)		(2,271,404)
Net income from continuing operations		**Ps.**	**2,177,116**	**Ps.**	**4,002,967**
Net income from discontinued operations, net of tax	**1.1**		**—**		**866,166**
Net income for the year		**Ps.**	**2,177,116**	**Ps.**	**4,869,133**
Net income attributable to owners of the parent					
Net income for the period from continuing operations			739,003		1,888,895
Net income for the period from discontinued operations, net of tax	1.1		—		593,990
Owners of the parent	**25**	**Ps.**	**739,003**	**Ps.**	**2,482,885**
Net income attributable to non-controlling interests					
Net income for the period from continuing operations			1,438,113		2,114,072
Net income for the period from discontinued operations, net of tax	1.1		—		272,176
Non-controlling interests	**26**	**Ps.**	**1,438,113**	**Ps.**	**2,386,248**
Net income for the year		**Ps.**	**2,177,116**	**Ps.**	**4,869,133**
Net income per share basic and diluted (in Colombian pesos, see note 25)			**31.12**		**107.29**

The accompanying notes are an integral part of these Consolidated Financial Statements

Luis Carlos Sarmiento Gutiérrez
President

María Edith González Flórez
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T.P. 13083-T

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T.P. 120741-T
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(See my report of February 27, 2024)

Grupo Aval Acciones y Valores S.A. and Subsidiaries
Consolidated Statement of Other Comprehensive Income
For the years ended December 31, 2023 and 2022
(Amounts expressed in millions of Colombian pesos)

	Notes		2023		2022
Net income for the year		**Ps.**	**2,177,116**	**Ps.**	**4,869,133**
Other comprehensive income					
Items that will be reclassified to profit or loss					
Net gain (loss) on hedges of net investments in foreign operations:	10, 25.5				
Hedged items			(797,514)		(6,675,329)
Hedging derivative instrument			—		4,051,499
Hedging non-derivative instrument			760,997		2,549,821
Cash flow hedges	10, 25.5		(35,923)		(2,396)
Foreign currency translation differences from unhedged foreign operations	25.5		(409,671)		1,356,213
Unrealized gains (losses) on securities at FVOCI					
Debt financial instruments	9, 25.5		1,795,666		(2,187,495)
Investments in associates and joint ventures	14, 25.5		(35,892)		81,730
Income tax	19, 25.5		(818,733)		(1,926,071)
			458,930		**(2,752,028)**
Items that will not be reclassified to profit or loss					
Transfer from owner-occupied property to investment property	25.5		(1,963)		461
Unrealized gains (losses) on equity securities at FVOCI	9.4, 25.5		156,383		(439,150)
Actuarial (losses) gains from defined benefit pension plans	22, 25.5		(56,324)		95,819
Income tax	19, 25.5		5,501		(67,977)
			103,597		**(410,847)**
Other comprehensive income, net of taxes	**25.5**	**Ps.**	**562,527**	**Ps.**	**(3,162,875)**
Total comprehensive income, net of taxes		**Ps.**	**2,739,643**	**Ps.**	**1,706,258**
Total comprehensive income for the year attributable to:					
Owners of the parent			1,341,349		219,138
Non-controlling interests			1,398,294		1,487,120
		Ps.	**2,739,643**	**Ps.**	**1,706,258**

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Grupo Aval Acciones y Valores S.A. and Subsidiaries
Consolidated Statement of Changes in Equity
For the years ended December 31, 2023 and 2022
(Amounts expressed in millions of Colombian pesos)

	Subscribed and paid-in capital	Additional paid – in capital	Appropriated retained earnings	Other comprehensive income (OCI)	Equity attributable to owners of the parent	Non-controlling interest (NCI)	Total equity
Balance at December 31, 2021	**Ps. 22,281**	**Ps. 8,490,799**	**Ps. 13,383,391**	**Ps. 1,117,182**	**Ps. 23,013,653**	**Ps. 16,457,994**	**Ps. 39,471,647**
Issuance of shares	1,463	1,082,307	—	—	**1,083,770**	572,085	**1,655,855**
Dividends declared in shares (1)	—	—	(1,083,770)	—	**(1,083,770)**	(572,008)	**(1,655,778)**
Dividends declared in cash (1)	—	—	(119,405)	—	**(119,405)**	(550,390)	**(669,795)**
Equity transactions	—	(1,732)	—	—	**(1,732)**	(13,359)	**(15,091)**
Spin Off (2)	—	—	(6,638,961)	—	**(6,638,961)**	(3,019,613)	**(9,658,574)**
Effect of realization from OCI to retained earnings	—	—	(5,188)	—	**(5,188)**	(2,312)	**(7,500)**
Other comprehensive income	—	—	—	(2,263,747)	**(2,263,747)**	(899,128)	**(3,162,875)**
Withholding Tax over dividends	—	—	(535)	—	**(535)**	(4,828)	**(5,363)**
Net income	—	—	2,482,885	—	**2,482,885**	2,386,248	**4,869,133**
Balance at December 31, 2022	**Ps. 23,744**	**Ps. 9,571,374**	**Ps. 8,018,417**	**Ps. (1,146,565)**	**Ps. 16,466,970**	**Ps. 14,354,689**	**Ps. 30,821,659**
Dividends declared in cash (1)	—	—	(1,025,718)	—	**(1,025,718)**	(1,014,789)	**(2,040,507)**
Effect of realization from OCI to retained earnings	—	—	1,423	—	**1,423**	317	**1,740**
Other comprehensive income	—	—	—	602,346	**602,346**	(39,819)	**562,527**
Deconsolidation of entities	—	—	(1,041)	—	**(1,041)**	(914)	**(1,955)**
Withholding Tax over dividends	—	—	(311)	—	**(311)**	147	**(164)**
Net income	—	—	739,003	—	**739,003**	1,438,113	**2,177,116**
Balance at December 31, 2023	**Ps. 23,744**	**Ps. 9,571,374**	**Ps. 7,731,773**	**Ps. (544,219)**	**Ps. 16,782,672**	**Ps. 14,737,744**	**Ps. 31,520,416**

(1) See note 25.2 "Declared Dividends".
(2) See note 1.1. "Discontinued operations of BAC Holding".

The accompanying notes are an integral part of these Consolidated Financial Statements

Luis Carlos Sarmiento Gutiérrez
President

María Edith González Flórez
Accountant
T.P. 13083-T

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Member of KPMG S.A.S.
(See my report of February 27, 2024)

Grupo Aval Acciones y Valores S.A. and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2023 and 2022
(Amounts expressed in millions of Colombian pesos)

	Notes		2023		2022
Cash flows from operating activities:					
Net income before income tax		Ps.	3,487,550	Ps.	6,274,371
Reconciliation of net income before taxes and net cash (used) provided by operating activities:					
Depreciation of tangible assets and right-of-use assets	15, 28, 30		557,062		559,875
Amortization of intangible assets	28, 30		594,109		530,625
Impairment losses on loans and other accounts receivable	4.1.5, 28		4,802,074		3,179,476
Net interest income			(6,286,974)		(7,738,637)
Accrued dividends	30		(126,274)		(119,888)
Net gains on sales of non-current assets held for sale	30		(47,994)		(9,687)
Gain on sale of property plant and equipment for own-use			(344,742)		(140,229)
Loss on sale of investment property			22,177		17,305
Gain on biological assets			(10,467)		(13,041)
Valuations and interest from concession agreements			(3,916,465)		(5,136,704)
Foreign exchange losses (gains)	30		(2,253,925)		1,825,718
Profit of equity accounted on investments in associates and joint ventures	14, 30		(371,397)		(372,777)
Net (gains) or losses on fair value adjustments of:					
Derivatives	29		2,581,132		(1,529,855)
Non-current assets held for sale	13		268		76
Investment properties	15		(84,958)		(55,930)
Biological assets	15		(18,601)		(56,859)
Changes in operating assets and liabilities:					
Trading assets			(2,764,761)		545,497
Other accounts receivable			(975,734)		(2,376,815)
Derivatives			(2,091,326)		1,379,945
Other assets			(78,251)		121,837
Other liabilities and provisions			1,434,088		462,871
Employee benefits			(27,517)		7,928
Loans			(7,600,446)		(27,840,725)
Customer deposits			15,352,172		17,835,153
Interbank borrowings and overnight funds			5,881,960		(1,352,653)
Borrowings from development entities			(240,498)		408,018
Borrowings from banks and others			(3,864,609)		8,719,782
Interest received			**26,104,288**		**16,944,928**
Interest paid			**(21,529,719)**		**(10,608,415)**
Interest paid on leases			**(202,362)**		**(146,275)**
Income tax paid			**(1,974,359)**		**(1,537,039)**
Net cash provided (used in) operating activities		**Ps.**	**6,005,501**	**Ps.**	**(222,124)**

The accompanying notes are an integral part of these Consolidated Financial Statements

Luis Carlos Sarmiento Gutiérrez	**María Edith González Flórez**	**Diana Alexandra Rozo Muñoz**
President	Accountant	Auditor
	T.P. 13083-T	T.P. 120741-T
		Member of KPMG S.A.S.
		(See my report of February 27, 2024)

Grupo Aval Acciones y Valores S.A. and Subsidiaries
Consolidated Statement of Cash Flows
For the years ended December 31, 2023 and 2022, continued
(Amounts expressed in millions of Colombian pesos)

	Notes		2023		2022
Cash flows from investing activities:					
Acquisition of property, plant and equipment for own use and operating lease	15	Ps.	(589,071)	Ps.	(519,368)
Acquisition of investment property	15		(163)		(2,266)
Additions of cost of biological assets	15		(26,118)		(28,368)
Assets in concession contracts			853,778		452,612
Additions of others intangibles assets			(683,457)		(598,177)
Acquisition of investments at FVOCI			(24,353,596)		(21,008,926)
Proceeds from sale of investments at FVOCI			25,675,840		23,492,758
Proceeds from sale of own property and equipment			76,699		72,991
Proceeds from sale of investment properties			111,542		76,306
Proceeds from sale of biological assets			37,144		40,624
Proceeds from sale of non-current assets held for sale			61,652		41,635
Purchases of financial assets at amortized cost			(8,016,108)		(6,914,604)
Redemptions of financial assets at amortized cost			8,219,792		6,403,372
Dividends received from investments			477,568		411,369
Acquisition of investments in associates	14		(2,433)		(7,267)
Capitalized leasing cost			(132)		(690)
Proceeds from sale of investments in associates	1.1		—		2,645,914
Deconsolidation of entities			(2,290)		—
Discontinued operation	1.1		—		(17,570,390)
Net cash provided (used) in investing activities		**Ps.**	**1,840,647**	**Ps.**	**(13,012,475)**
Cash flows from financing activities:					
Dividends paid to shareholders	21.4		(766,537)		(414,267)
Dividends paid to non-controlling interest	21.4, 26		(915,933)		(615,177)
Issuance of debt securities	21.4		2,609,994		695,136
Payment of outstanding debt securities	21.4		(4,072,742)		(7,837,898)
Leases	21.4		(391,667)		(383,472)
Equity transaction	21.4		—		(15,014)
Net cash used in financing activities			**(3,536,885)**		**(8,570,692)**
Effect of foreign currency changes on cash and cash equivalents			**(2,744,259)**		**3,588,921**
Decrease in cash and cash equivalents from discontinued operations	1.1		—		**(1,393,602)**
Increase (decrease) in cash and cash equivalents			**1,565,004**		**(19,609,972)**
Cash and cash equivalents at beginning of year	**7**	**Ps.**	**17,032,857**	**Ps.**	**36,642,829**
Cash and cash equivalents at end of year	**7**	**Ps.**	**18,597,861**	**Ps.**	**17,032,857**

The accompanying notes are an integral part of these Consolidated Financial Statements

Luis Carlos Sarmiento Gutiérrez	**María Edith González Flórez**	**Diana Alexandra Rozo Muñoz**
President	Accountant	Auditor
	T.P. 13083-T	T.P. 120741-T
		Member of KPMG S.A.S.
		(See my report of February 27, 2024)

(Amounts expressed in millions of Colombian pesos)

NOTE 1 – REPORTING ENTITY

Grupo Aval Acciones y Valores S.A. (hereinafter the "The Group" or "Grupo Aval") was established under Colombian law in January 7, 1994, with its main offices and business address registered in Bogotá, D.C., Colombia. The corporate purpose of Grupo Aval is the purchase and sale of securities issued by financial and commercial entities. Grupo Aval is the majority shareholder of *Banco de Bogotá S.A., Banco de Occidente S.A., Banco Popular S.A.* and *Banco Comercial AV Villas S.A.*, entities whose main purpose is to perform all transactions, operations and services inherent to the banking business, pursuant to applicable laws and regulations. Furthermore, through its direct and indirect investments in *Corporación Financiera Colombiana S.A.* ("Corficolombiana") and in *Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.* ("Porvenir"), Grupo Aval also engages in investment banking activities, in the non-financial sector and manages pensions and severance funds in Colombia.

In performing its activities and pursuant to the corporate bylaws, Grupo Aval may (i) promote the creation of all types of companies relating to its corporate purpose; (ii) represent individuals and companies involved in similar or complementary activities; (iii) grant or receive loans with or without interest; (iv) submit its properties as collateral; (v) issue, endorse, acquire, protest, cancel, or pay bills of exchange, checks, promissory notes or any other type of financial instruments, accept or submit them as payment; (vi) acquire, sell, tax, lease or manage any kind of assets; (vii) subscribe or acquire any kind of investments and sell or otherwise dispose of them; (viii) acquire and sell shares in companies that purse similar or complementary corporate interests ; (ix) render services in areas relating to its activities, experience and knowledge; and (x) carry out or participate, in acts and contracts relating to the aforementioned activities, enabling the exercise of rights and compliance of the obligations of The Group.

The duration of Grupo Aval set forth under the bylaws is until May 24, 2044, but the Company may be dissolved before such term expires, or it may be extended by free decision of Grupo Aval shareholders meeting.

When preparing its consolidated financial statements, Grupo Aval Acciones y Valores S.A., directly consolidates the following entities:

Banco de Bogotá S.A.

Banco de Bogotá S.A., in which Grupo Aval holds 68.93% of the voting rights and 68.93% of the ownership interest as of December 31, 2023; was established as a bank on November 15, 1870. It was authorized to operate under the terms of the renewal resolution No. 3140 dated September 24, 1993 issued by the Superintendency of Finance. The commercial purpose of Banco de Bogotá is to participate and perform all operations and contracts legally authorized to commercial banking, subject to the limitations and requirements set forth under Colombian laws and regulations.

The following table presents details of Banco de Bogotá's most significant subsidiaries which are indirectly consolidated by Grupo Aval as of December 31, 2023:

Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
Main local direct subsidiaries				
Fiduciaria Bogotá S.A.	Management of trust funds.	Bogotá, Colombia	94.99%	65.47%
Almaviva S.A.	Logistics services.	Bogotá, Colombia	95.81%	66.04%
Megalínea S.A.	Technical and administrative services	Bogotá, Colombia	94.90%	65.41%
Main international direct subsidiaries (*)				
Banco de Bogotá Panamá S.A.	Commercial banking services.	Panamá, Republic of Panamá	100%	68.93%
Multi Financial Holding	Holding company of Multi Financial Group Inc. (MFG)	Panamá, Republic of Panamá	100%	68.93%

Banco de Occidente S.A.

Banco de Occidente S.A., in which Grupo Aval holds 72.27% of the voting rights and 72.27% of the ownership interest as of December 31, 2023; was established as a banking entity on April 30, 1965. It was authorized to operate under the terms of the renewal resolution No. 3140 dated September 24, 1993 issued by the Superintendency of Finance. The commercial purpose of Banco de Occidente is to participate and perform all operations and contracts legally authorized to commercial banks, subject to the limitations and requirements set forth under Colombian laws and regulations.

(Amounts expressed in millions of Colombian pesos)

The following table presents the details of Banco de Occidente's most significant subsidiaries, which are indirectly consolidated by Grupo Aval, as of December 31, 2023:

Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
Fiduciaria de Occidente S.A.	Management of trust funds.	Bogotá, Colombia	94.98%	70.86%
Banco de Occidente (Panamá). S.A.	Commercial banking services.	Panamá, Republic of Panamá	95.00%	68.66%
Occidental Bank Barbados Ltd.	Commercial banking services.	Barbados	100%	72.27%

Banco Popular S. A.

Banco Popular S. A., in which Grupo Aval holds 93.74% of the voting rights and 93.74% of the ownership interest as of December 31, 2023; was established as a banking entity on July 5, 1950. It was authorized to operate under the terms of the renewal resolution No. 3140 dated September 24, 1993 issued by the Superintendency of Finance. Its commercial purpose is to participate in and perform all operations and contracts legally authorized to commercial banks, subject to the limitations and requirements set forth under Colombian laws and regulations.

On November 22, 2023, Grupo Aval, Banco de Bogotá S.A., Banco de Occidente S.A. and Banco Popular S.A., entered into a shareholders' agreement pursuant to which Banco Popular S.A. will act as the controlling entity of Corporación Financiera Colombiana S.A. ("Corficolombiana S.A.") according to the terms of articles 260 and 261 of the Colombian Code of Commerce, as well as the requirements established in IFRS 10. The execution of the aforementioned agreement does not entail any change in the share ownership of Corficolombiana currently held by the parties to the agreement, nor any modification of the beneficial owner of Corficolombiana

The following table presents the details of Banco Popular's most significant subsidiaries which are indirectly consolidated by Grupo Aval, as of December 31, 2023:

Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
Alpopular S.A.	Conservation and custody of documents; transportation of products at national and international levels.	Bogotá, Colombia	71.10%	66.65%
Fiduciaria Popular S.A.	Management of trust funds.	Bogotá, Colombia	94.85%	88.91%
Corporación Financiera Colombiana – Corficolombiana S.A. (1)	Active management of a stock pipeline through controlled and uncontrolled investments in strategic sectors including infrastructure, energy and gas, agribusiness and hotels.	Bogotá, Colombia	55.73%	40.53%

(1) Corficolombiana S.A. (in which Grupo Aval and its subsidiaries own 55.73% of the aggregate voting rights and Grupo Aval has 40.53% of the ownership interest as of December 31, 2023.)

Corficolombiana is a merchant bank authorized to operate by the Superintendency of Finance by the resolution of October 18, 1961. Corficolombiana´s core business is the active management of an equity portfolio through controlling and non-controlling investments in key strategic sectors that including infrastructure, energy and gas, agribusiness and hotels.

The following table presents the details of Corficolombiana´s most significant subsidiaries which are indirectly consolidated by Grupo Aval, as of December 31, 2023:

(Amounts expressed in millions of Colombian pesos)

Main Indirect Subsidiaries Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
Promigas S.A. E.S.P.	Transportation and distribution of natural gas.	Barranquilla, Colombia	50.88%	20.62%
Colombiana de Licitaciones y Concesiones S.A.S.	Infrastructure projects.	Bogotá, Colombia	100%	40.53%
Estudios y Proyectos del Sol S.A.S.	Infrastructure projects.	Bogotá, Colombia	100%	40.53%
Proyectos y Desarrollos Viales del Pacífico S.A.S.	Infrastructure projects.	Bogotá, Colombia	100%	40.53%
Concesionaria Vial Del Oriente S.A.S.	Infrastructure projects.	Bogotá, Colombia	100%	40.53%
Concesionaria Vial Del Pacifico S.A.S.	Infrastructure projects.	Sabaneta Antioquia	100%	40.53%
Estudios, Proyectos e Inversiones de los Andes S.A.S. y subsidiarias	Infrastructure projects.	Bogotá, Colombia	100%	40.52%
CFC Gas Holding S.A.S.	Investment Company	Bogotá, Colombia	100%	40.53%

Banco Comercial AV Villas S. A.

Banco Comercial AV Villas S. A., in which Grupo Aval holds 80.39% of the voting rights and 79.87% of the ownership interest as of December 31, 2023; was incorporated as a banking entity on October 24, 1972. It was authorized to operate under the terms of the renewal resolution No. 3352 dated August 21, 1992 issued by the Superintendency of Finance. The commercial purpose of Banco AV Villas is to participate and perform all operations and contracts legally authorized to commercial banks, subject to the limitations and requirements imposed by Colombian laws and regulations.

The following table presents the details of Banco AV Villas' subsidiary which is indirectly consolidated by Grupo Aval, as of December 31, 2023:

Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
A Toda Hora S.A. ATH	ATM network services and maintenance	Bogotá, Colombia	100%	78.93%

Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.

Porvenir S.A., in which Grupo Aval and its subsidiaries own 100% of the aggregate voting rights and Grupo Aval has an economic interest of 75.76% as of December 31, 2023, was established by Public Deed No. 5307 of Notary 23 of Bogotá on October 23 of 1991, it has an operating permit granted by the Financial Superintendence of Colombia through Resolution number 3970 of October 30, 1991; Porvenir is an administrator of pension and severance funds authorized by law.

The following table presents the details of Porvenir' subsidiary which is indirectly consolidated by Grupo Aval, as of December 31, 2023:

Subsidiary	Core business	Location	Total voting rights held by Grupo Aval	Total ownership interest held by Grupo Aval
Aportes en Línea S.A.	Technical and administrative services.	Bogotá, Colombia	100%	75.18%

(Amounts expressed in millions of Colombian pesos)

Grupo Aval Limited

Grupo Aval Limited is a 100% owned subsidiary of Grupo Aval in Cayman Islands. It was established on December 29, 2011. Grupo Aval Limited is a limited liability company registered with the Assistant of the Registrar of Companies of Cayman Islands under registry number MC-265169, with its Main Office located in Ugland House, South Church Street, George Town, Grand Cayman KY1-1104. It was constituted as a special purpose vehicle for issuing foreign debt. Likewise, the company may, as part of its corporate purpose, develop any business activity within the framework of the law.

Legal and regulatory restrictions

Grupo Aval and its Colombian subsidiaries are subject to the following restrictions to transfer profits or perform transactions, in accordance with the legal requirements in Colombia:

- Before distributing any dividends to their shareholders, the companies should assign 10% of their profits to a legal reserve until the reserve equals 50% of paid-in capital.
- The subsidiaries of Grupo Aval that operate in the financial sector in Colombia may not grant loans to a counterpart that exceed 10% of their regulatory capital if the loan is unsecured or 25% if it is granted with an acceptable security or third-party guarantee, as per Superintendency of Finance rules. There is an exception to this rule that extends the maximum quota up to 25% (without guarantee) when it comes to loans to fourth generation roads "4G" infrastructure projects. These same limits apply to companies which are not part of Grupo Aval.
- Pursuant to article 2.1.2.1.8 of Decree 2555 of 2010, banks in Colombia have a lending limit of 30% of their regulatory capital with respect to loans granted to financial entities. These same limits apply all financial entities.

Foreign subsidiaries of Grupo Aval do not have any restriction to transfer dividends to the parent company. Lending operations in general have restrictions similar to those of banks in Colombia, as described above.

Grupo Aval and its subsidiaries do not have significant restrictions on their ability to access or use their assets and settle their liabilities other than those resulting from the supervisory frameworks within which subsidiaries of the financial sector operate. The supervisory frameworks require subsidiaries of the financial sector to keep certain levels of regulatory capital (see note 4.4) and liquid assets (see note 4.3), limit their exposure to other parts of Grupo Aval and its subsidiaries and comply with other ratios.

NOTE 1.1 DISCONTINUED OPERATIONS OF BAC HOLDING

On March 31, 2022, a 75% equity interest in BAC Holding was spun off. As a result of the spin-off, Banco de Bogotá lost control of BAC Holding, retaining a 25% equity interest recognized as an investment in associates. On December 6, 2022, Banco de Bogotá agreed to sell its 25% equity interest in the outstanding shares of BAC Holding, under a tender offer extended by a related party on October 18, 2022. Afterwards, the Tender Offer was oversubscribed 1.20x, and as a result, Banco de Bogotá sold and transferred 20.89% of its equity interests to the related party on December 19, 2022. The remaining 4.11% ceased to be an investment in associate and was recognized as a financial asset at fair value with changes in OCI (FVOCI) (see note 9).

A) SPIN-OFF BAC Holding International Corp. (BAC Holding)

In March 2022, Grupo Aval completed the spin-off process that resulted in the loss of control of BAC Holding, through the subsidiary Banco de Bogotá, which at the time had a 100% of the ownership interest in BAC Holding, spinning off 75% of its shares in favor of Banco de Bogota´s shareholders and subsequently to Grupo Aval´s shareholders.

The following are the impacts on assets, liabilities and equity recognized in the Consolidated Financial Statements as a result of BAC Holding´s spin-off as of March 31, 2022:

Spin-off		Value
Total assets	Ps.	**111,185,832**
Total liabilities		**98,305,772**
Non-controlling interest		1,961
BAC Holding´s equity as of March 31, 2022	**Ps.**	**12,878,099**
Spin-off percentage		75.00%
Spin-off amount	Ps.	9,658,574
Percentage of Grupo Aval over BAC Holding		68.74%
Effect of the spin-off on owners of the parent	Ps.	(6,638,961)
Effect of the spin-off on non-controlling interest	Ps.	(3,019,613)

(Amounts expressed in millions of Colombian pesos)

The following is the effect of the realization of Other Comprehensive Income a result of the loss of control of the subsidiary BAC Holding as of March 31, 2022:

Other Comprehensive Income items which were reclassified to profit or loss		**Value**
Hedged items	Ps.	6,551,200
Hedging derivative instruments		(4,013,210)
Hedging non-derivative instruments		(2,761,143)
Foreign currency translation differences from unhedged foreign operations		(1,267,033)
Unrealized gains on debt securities at FVOCI		98,947
Income tax expense		2,443,861
Total reclassifications of Other Comprehensive Income to profit or loss	**Ps.**	**1,052,622**
Grupo Aval´s ownership over BAC Holding		68.74%
Attributable to owners of the parent	Ps.	723,535
Attributable to non-controlling interest	Ps.	329,087
Total reclassifications of Other Comprehensive Income to retained earnings	Ps.	**(7,735)**
Grupo Aval´s ownership over BAC Holding		68.74%
Attributable to owners of the parent	Ps.	(5,317)
Attributable to non-controlling interest	Ps.	(2,418)

The following are BAC Holding´s assets and liabilities which were derecognized at their carrying values as a result of the spin off as of March 31, 2022:

Assets		
Cash and cash equivalents	Ps.	17,570,390
Trading assets		158,850
Investment securities		14,286,296
Loans, net		69,778,334
Other accounts receivable, net		915,840
Non-current assets held for sale		63,957
Tangible assets		1,899,743
Goodwill		5,902,410
Other Intangibles		196,106
Income tax assets		227,872
Other assets		186,034
Total assets	Ps.	**111,185,832**
Liabilities and equity		
Liabilities		
Trading liabilities	Ps.	904
Customer deposits		83,778,961
Financial obligations		10,938,587
Provisions		39,670
Income tax liabilities		481,239
Employee benefits		246,186
Other liabilities		2,820,225
Total liabilities	Ps.	**98,305,772**
Owners of the parent:		
Equity attributable to owners of the parent		**12,878,099**
Non-controlling interest		**1,961**
Total equity		**12,880,060**
Total liabilities and equity	Ps.	**111,185,832**

(Amounts expressed in millions of Colombian pesos)

Income Statement of discontinued operations

The following is discontinued operations Income Statement for the three-month period ended March 31 2022:

		From January 1, to March 31, 2022
Interest income calculated using the effective interest method		
Loan portfolio	Ps.	1,684,995
Investments in debt securities		164,424
Total interest income		**1,849,419**
Interest expense		
Deposits		
Checking accounts		(47,739)
Savings accounts		(53,608)
Time deposits		(324,670)
		(426,017)
Financial obligations		
Interbank borrowings and overnight funds		(253)
Borrowings from banks and others		(66,621)
Bonds issued		(61,195)
		(128,069)
Net interest income		**1,295,333**
Impairment losses on financial assets		
Loans and other accounts receivable		(264,926)
Other financial assets		(2,850)
Net impairment loss on financial assets		**(267,776)**
Net interest income, after impairment losses		**1,027,557**
Income from commissions and fees		753,523
Expenses from commissions and fees		(30,396)
Net income from commissions and fees		**723,127**
Net trading income		**953**
Other income		**291,413**
Other expenses		**(1,274,056)**
Net income before tax expense		**768,994**
Income tax expense		(224,104)
Net income from discontinued operations	**Ps.**	**544,890**
Net reclassifications of Other Comprehensive Income	**Ps.**	**1,052,622**
Net income from discontinued operations, net of tax	**Ps.**	**1,597,512**
Net income for the year attributable to:		
Owners of the parent	Ps.	1,098,073
Non-controlling interests		499,439
Net income from discontinued operations, net of tax	**Ps.**	**1,597,512**
Net income per share basic and diluted (in Colombian pesos, see note 25.3 "Earnings per share").	**Ps.**	**47.45**

(Amounts expressed in millions of Colombian pesos)

Cash Flows of spin-off

The following is the detail of the Cash Flow of discontinued operations from January 1 to March 31, 2022:

		March 31, 2022
Net gain discontinued operations, net of taxes	**Ps.**	**(1,597,512)**
Reconciliation of net income before taxes and net cash provided by operating activities:		
Effect of realization OCI to income	Ps.	1,052,622
BAC Holding Corp's participation in results		544,890
Net cash provided by operating activities	**Ps.**	**-**
Cash flows from investing activities:		
Loss of control in subsidiary	Ps.	(17,570,390)
Net cash by investing activities	**Ps.**	**(17,570,390)**
Decrease in cash and cash equivalents	Ps.	(1,393,602)
Decrease in cash and cash equivalents		(18,963,992)
Cash and cash equivalents at beginning of year	**Ps.**	**18,963,992**
Cash and cash equivalents at end of year	**Ps.**	**-**

B) SALE OF BAC HOLDING

Upon completion of the 75% spin-off, BAC Holding was recognized as an investment in associates with a 25% interest and it continued to represent a geographical segment that generated significant income for the Bank through its equity participation, in the geographic area of Central America, in which said entity operates.

On December 14, 2022, the Colombian Stock Exchange communicated to the market the results of the Public Offer for Acquisition (OPA was carried out by a related party controlled by the ultimate beneficial owner of the Group - see note 34) – BAC Holding´s of ordinary shares, stating the acceptance of shares at a price per share of Ps. 293 pesos. As a result of this transaction, Banco de Bogotá sold 9,030,424,454 shares for a value of Ps. 2,645,914, maintaining a 4.11% stake in BAC Holding (see note 9).

The aforementioned transaction was partially financed by the Group through a loan to the acquiring entity (see note 34).

The following are the details of the transaction:

Disposal of BAC Holding		**Value**
BAC shares before the sale		10,805,047,272
Investment carrying amount as of April 1, (The fair value of the retained interest).	Ps.	3,356,952
Equity method		
Share of profit of equity accounted investees, net of tax		251,660
Other Comprehensive Income, investments in associates		(15,364)
Other Comprehensive Income, foreign currency translation differences from hedged		930,900
Other Comprehensive Income, cumulative translation adjustment of the investments		1,439
Derecognition of BAC Holding as an investment in associate	**Ps.**	**4,525,587**

Effects on the Income Statement for the period		**Value**
Derecognition of BAC Holding as an investment in associate	**Ps.**	(4,525,587)
Recognition of retained interest		519,964
Consideration received		2,645,914
Amount reclassified to discontinued operations as a Share of profit of equity accounted investees, net of tax	**Ps.**	**251,660**
Other Comprehensive Income items are reclassified to the Income Statement		
Net gain (loss) on hedges of net investments in foreign operations:		
Foreign currency translation differences from hedged		930,900
Non-derivative hedging instrument		(900,454)
Foreign currency translation differences from unhedged foreign operations		**30,446**

(Amounts expressed in millions of Colombian pesos)

Disposal of BAC Holding		**Value**
Equity method		(15,364)
Cumulative translation adjustment of the investments		1,439
Deferred tax		360,182
Total Other Comprehensive Income reclassifications to the Income Statement	**Ps.**	**376,703**
Grupo Aval´s ownership over BAC Holding		68.93%
Attributable to owners of the parent	Ps.	259,644
Attributable to non-controlling interest	Ps.	117,059
Total Other Comprehensive Income reclassifications to the Income Statement		**376,703**
Loss from discontinued operations	**Ps.**	**(731,346)**

Cash Flows of sale

		December 31, 2022
Net income from discontinued operations	**Ps.**	**(731,346)**
Effect of realization OCI to income		(376,703)
Net income net, tax expense	**Ps.**	**(1,108,049)**
Changes in operating assets and liabilities		1,108,049
Net cash provided by operating activities		-
Net cash provided by investing activities		2,645,914
Net cash used by financing activities		-
Effect of foreign currency changes on cash and equivalents		-
Increase in cash and cash equivalents		**2,645,914**
Cash and cash equivalents at beginning of period	**Ps.**	**-**
Cash and cash equivalents at end of period	**Ps.**	**2,645,914**

Summary discontinued operations during the year 2022 BAC Holding Corp. (BAC Holding)

		Spin-off		**Sale**		**Net**
		From January 1, to March 31, 2022		**December 2022**		**December 2022**
Interest income calculated using the effective interest method						
Loan portfolio	Ps.	1,684,995	Ps.	—	Ps.	1,684,995
Investments in debt securities		164,424		—		164,424
Total interest income		**1,849,419**		**—**		**1,849,419**
Interest expense						
Deposits						
Checking accounts		(47,739)		—		(47,739)
Savings accounts		(53,608)		—		(53,608)
Time deposits		(324,670)		—		(324,670)
		(426,017)		**—**		**(426,017)**
Financial obligations						
Interbank borrowings and overnight funds		(253)		—		(253)
Borrowings from banks and others		(66,621)		—		(66,621)
Bonds issued		(61,195)		—		(61,195)
		(128,069)		**—**		**(128,069)**
Net interest income		**1,295,333**		**—**		**1,295,333**
Impairment (losses) recoveries on financial assets						
Loans and other accounts receivable		(264,926)		—		(264,926)
Other financial assets		(2,850)		—		(2,850)
Net impairment loss on financial assets		**(267,776)**		**—**		**(267,776)**
Net interest income, after impairment losses		**1,027,557**		**—**		**1,027,557**
Income from commissions and fees		753,523		—		753,523
Expenses from commissions and fees		(30,396)		—		(30,396)

(Amounts expressed in millions of Colombian pesos)

		Spin-off		Sale		Net
		From January 1, to March 31, 2022		December 2022		December 2022
Net income from commissions and fees		**723,127**		**—**		**723,127**
Net trading income		**953**		**—**		**953**
Other income		**291,413**		**251,660**		**543,073**
Other expenses		**(1,274,056)**		**(1,359,709)**		**(2,633,765)**
Net income (loss) before tax expense		**768,994**		**(1,108,049)**		**(339,055)**
Income tax expense		(224,104)		—		(224,104)
Net income (loss) from discontinued operations	**Ps.**	**544,890**	**Ps.**	**(1,108,049)**	**Ps.**	**(563,159)**
Net reclassifications of Other Comprehensive Income	**Ps.**	**1,052,622**	**Ps.**	**376,703**	**Ps.**	**1,429,325**
Net income (loss) from discontinued operations, net of tax	**Ps.**	**1,597,512**	**Ps.**	**(731,346)**	**Ps.**	**866,166**
Net income (loss) for the year attributable to:						
Owners of the parent	Ps.	1,098,073	Ps.	(504,083)	Ps.	593,990
Non-controlling interests		499,439		(227,262)		272,177
Net income (loss) from discontinued operations, net of tax	**Ps.**	**1,597,512**	**Ps.**	**(731,346)**	**Ps.**	**866,166**
Net income per share basic and diluted (in Colombian pesos, see note 25.3 "Earnings per share").	**Ps.**	**47.45**	**Ps.**	**(21.78)**	**Ps.**	**25.67**

Impact on the cash flow report:

The impacts on cash flow for the periods ended are detailed below:

		December 31, 2022
Net gain discontinued operations, net of taxes	**Ps.**	**(866,166)**
Reconciliation of net income before taxes and net cash provided by operating activities:		
Effect of realization OCI to income	Ps.	1,429,325
BAC Holding Corp's participation in results		796,550
Loss on sale of investment and recognition of retained interest		(1,359,709)
Net cash provided by operating activities	**Ps.**	**-**
Cash flows from investing activities:		
Loss of control in subsidiary	Ps.	(17,570,390)
Proceeds from sale of investments in associates		2,645,914
Net cash by investing activities	**Ps.**	**(14,924,476)**
Decrease in cash and cash equivalents	Ps.	(1,393,602)
Decrease in cash and cash equivalents		(16,318,078)
Cash and cash equivalents at beginning of year	**Ps.**	**18,963,992**
Cash and cash equivalents at end of year	**Ps.**	**2,645,914**

NOTE 2 – BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND SUMMARY OF MATERIAL ACCOUNTING POLICIES

The annual consolidated financial statements of Grupo Aval Acciones y Valores S.A. and Subsidiaries has been prepared in accordance with the Accounting and Financial Information Standards accepted in Colombia (NCIF) established in Law 1314 of 2009, regulated by the single regulatory decree 2420 of 2015 and the other amending decrees issued by the National Government.

In accordance with Colombian legislation, the Company must prepare separate and consolidated financial statements and present them to the Shareholders' Assembly for approval. The basis for the distribution of dividends and other appropriations is the separate financial statement (see note 25.2)

The Board of Directors of Grupo Aval, in a meeting held on February 26, 2024, approved the presentation of the Consolidated Financial Statements as of December 31, 2023 and the accompanying notes, for consideration by the General Assembly of Shareholders of the Company.

The following are the main accounting policies applied in preparing the Consolidated Financial Statements of Grupo Aval as of December 31, 2023 and 2022.

2.1 Basis of preparation

a) Presentation of Consolidated Financial Statements

The Consolidated Financial Statements are prepared as follows:

- The Consolidated Statement of Financial position presents the company´s assets and liabilities based on liquidity since it provides reliable and more relevant information than separate current and non-current classifications.

- The Consolidated Statements of Income and Other Comprehensive Income are presented separately. The Consolidated Statement of Income is presented according to the function of expenses, as this method provides reliable and more relevant information.

- The Consolidated Statement of Cash Flows is presented using the indirect method. Accordingly, net cash flows from operating activities are determined by reconciling net income before tax expense, with the effects of non-cash items, net changes in assets and liabilities from operating activities, and for any other effects that are not classified as investing or financing activities. Revenues and expenses due to interest received and paid are part of operating activities.

b) Consolidated Financial Statements

Grupo Aval prepares its Consolidated Financial Statements incorporating its controlled entities. Grupo Aval controls an investee if and only if it complies with the following elements:

- Power over the investee entitling Grupo Aval to direct any relevant activities that significantly affect the investee's performance.
- Exposure, or rights to variable returns from its involvement with the investee.
- Ability to affect those returns through its power over the investee.

Grupo Aval carries out an annual assessment of all its contractual relationships in order to identify new controlled entities or entities where control has been lost. For the year 2023 and 2022, no new entities were identified which had to be consolidated.

The financial statements for Grupo Aval´s subsidiaries are included in the consolidated financial statements since the date on which Grupo Aval acquires control or following control until the date on which control is lost.

During the consolidation process, Grupo Aval combines the assets, liabilities and profits or losses of those entities under control, previously aligning the accounting policies in all the subsidiaries and translating its financial statements to Colombian Pesos. This process includes eliminating intra-group balances and transactions and any unrealized and realized income and expense (except for foreign currency translation gains or losses and those taxes which are not subject to elimination) arising from intra-group transactions. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Non-controlling interests are presented under total equity in the Consolidated Statement of Financial Position of Grupo Aval separately from equity attributable to owners of the parent company.

For consolidation purposes, the Consolidated Statements of Financial Position and Income of entities with a functional currency different form Grupo Aval are translated to Colombian pesos as follows:

- Assets and liabilities are translated at the closing exchange rate at the reporting date;
- Income, expense and cash flows are translated at the corresponding month's average exchange rate since they approximate the exchange rates of each specific transaction;
- All resulting exchange differences are recognized in other comprehensive income and accumulated in the foreign currency translation reserve, except to the extent that the translation difference is allocated to non-controlling interests.

When Grupo Aval ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss.

c) Investments in associates

Associates are companies in which Grupo Aval has significant influence but not control and are accounted for under the equity method. They are presented in the Consolidated Statement of Financial Position as "Investments in associates and joint ventures" (see Note 2.1.(d) "Joint arrangements"). Grupo Aval exercises significant influence over another entity if it owns, directly or indirectly, 20% or more of the voting power of the investee, unless it is clearly evidenced that such influence does not exist. They are initially recognized at cost, which includes transaction costs. Subsequent to initial recognition, the Consolidated Financial Statements include the Grupo Aval's share of the profit or loss and OCI of equity accounted investees, until the date on which significant influence or joint control ceases.

Dividends received from associates and joint ventures are recognized as a lower value in the carrying amount of the investment.

In the case that Grupo Aval´s share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, Grupo Aval does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between Grupo Aval and its associates are eliminated to the extent of Grupo Aval's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by Grupo Aval.

The carrying amount of associates are tested for impairment.

d) Joint arrangements

A joint arrangement is one in which two or more parties have joint control of the arrangement. Joint arrangements are divided into joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement, under joint operations the parties having joint control of the agreement have rights to the assets and obligations to the liabilities relating to the agreement. Under joint ventures, the parties having joint control, are entitled to the net assets of the agreement.

Grupo Aval recognizes joint operations in the Consolidated Financial Statements based on their proportional and contractual participation in each of the assets, liabilities and profit or loss of the contract or entity wherein the agreement is held. Grupo Aval recognizes joint ventures through the equity method, in the same manner as investments in associates.

2.2 Functional and presentation currency

Considering that the majority of the Group´s business activities as well as the generation and use of cash is in Colombian pesos, the Colombian peso is the currency that most accurately represents the economic environment of Grupo Aval's operations, both for the Consolidated Financial Statements and for the parent company. Foreign entities have functional currencies different from the Colombian peso, which are translated to Colombian pesos for presentation purposes. The main functional currency these foreign entities is the US dollar.

2.3 Transactions in foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency using the prevailing exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies in terms of historical costs are measured using the exchange rate at the transaction date. Financial instruments measured at fair value are converted using the exchange rate at the date the fair value was determined. Profits or losses resulting from the translation process are recognized in profit or loss, except for financial instruments designated as hedging instruments.

As of December 31, 2023 and 2022, the representative market rates as computed and certified by the Superintendency of Finance (for the U.S. dollar which is the most representative foreign currency for Grupo Aval´s transactions) were Ps 3,822.05 and Ps. 4,810.20 per U.S. $1, respectively.

2.4 Operating segments

An operating segment is a component of an entity which:

a) Engages in business activities from which it can earn revenue and incur expenses (including revenue and expenses from transactions with other components of the same entity);
b) Operating profit or losses are regularly reviewed by the chief operating decision maker, who decides on the resources allocation to the segment and assesses its performance and.
c) Discrete financial information is available,

Segment results that are reported to the Chief Operating Decision Maker (CODM) include items that are directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Management regularly evaluates the performance for each segment; Grupo Aval discloses information separately for each identified operating segment, meeting any of the following quantitative thresholds:

a) The segment´s reported revenue from the ordinary activities, including revenue from external customers as well as revenue from intersegment transfers, is equal or greater than 10% of the revenue of combined ordinary activities, internal and external, of all operating segments.
b) The amount of the segment´s reported net income is, in absolute terms, equal or greater than 10% of the amount greater of: (i) the combined reported net income of all the segments not reporting a loss; and (ii) the reported combined loss of all segments of the operations with incurred losses.
c) The segment´s assets are equal to or greater than 10% of the combined assets of all segments of the operation.

The information regarding other activities of the business of operating segments that do not have to be reported is combined and disclosed within the category of "Others".

2.5 Financial assets and financial liabilities

i. Recognition and initial measurement

Grupo Aval initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date on which they are originated. All other financial instruments (including regular-purchases and sales of financial assets) are recognized on the trade date, which is the date in which Grupo Aval becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is initially measured at fair value. Additionally, for instruments measured at amortized cost or FVOCI, transaction costs are added if directly attributable to its acquisition or issuance.

ii. Classification

Financial assets

On initial recognition, a financial asset is classified as: amortized cost, FVOCI or FVTPL.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model in which the objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- The asset is held within a business model whose objective is achieved both by collecting contractual cash flows and selling the financial asset; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, Grupo Aval may irrevocably elect to present subsequent changes in fair value in Other Comprehensive Income (“OCI”). This election is made on an investment-by-investment basis.

All other financial assets are classified and measured at FVTPL.

Business model assessment

Grupo Aval makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- The established policies and objectives for the portfolio and their actual application. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets;
- How the performance of the portfolio is evaluated and reported to Grupo Aval’s management;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and its expectations about future sale activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how Grupo Aval’s stated objective for managing the financial assets is achieved and how cash flows are realized.

Financial assets that are held for trading, for which performance is evaluated on a fair value basis are measured at FVTPL because their objective is neither to collect contractual cash flows nor to collect contractual cash flows and sell the financial assets.

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

For the purposes of this assessment, “principal” is defined as the fair value of the financial asset on initial recognition. “Interest” is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest (SPPI), Grupo Aval considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. Upon assessment Group Aval considers:

- Contingent events that would change the amount and timing of cash flows;
- Leverage covenants;
- Prepayment and extension terms;
- Terms that limit Grupo Aval’s claim to cash flows from specified assets; and
- Features that modify consideration of the time value of money.

Interest rates on certain commercial and consumer loans originated by Grupo Aval are pegged to standard variable rates generally used in each country where Grupo Aval operates and includes a spread. In Colombia, the standard variable rates are based on the DTF (rate interest calculated as the average for time deposits)s or the interbank rate (in Spanish Interés Bancario de Referencia), or “IBR” rates, both of which are calculated weekly by the Central Bank based on information collected from the Colombian financial system, plus a spread, and in the case of loans in foreign currency issued in Colombian entities and in other countries Grupo Aval uses SORF interest rates plus a spread.

In these cases, Grupo Aval assesses whether the discretionary feature is consistent with the SPPI criteria by considering a number of factors, including whether:

- Borrowers are able to prepay the loans without significant penalties,
- Market competition ensures that interest rates are consistent between banks, and
- Any regulatory or customer protection framework is in place that requires banks to treat customers fairly.

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

In addition, a prepayment feature is treated as consistent with this criterion if a financial asset is acquired or originated at a premium or discount to its contractual par amount, and the prepayment amount substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable compensation for early termination), and the fair value of the prepayment feature is insignificant upon initial recognition.

Financial liabilities

Grupo Aval classifies its financial liabilities, other than derivatives, financial guarantees and loan commitments, as measured at amortized cost.

iii. Reclassifications

Financial assets

Financial assets are not reclassified subsequent to their initial recognition, except in the period after Grupo Aval's entities changes their business model for managing financial assets.

iv. Derecognition

Financial assets

Grupo Aval derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire (see also (v)), or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which Grupo Aval neither transfers nor retains substantially all of the risks and rewards of ownership but it does not retain control of the financial asset.

At derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognized in OCI is recognized in profit or loss.

Any cumulative gain/loss recognized in OCI in respect of equity investment securities designated as at FVOCI is not recognized in profit or loss on derecognition of such securities, as explained in (2.10). Any interest in transferred financial assets that qualify for derecognition that is created or retained by Group Aval is recognized as a separate asset or liability.

Grupo Aval enters into transactions whereby it transfers assets recognized on its Consolidated Statement of Financial Position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognized. Examples of such transactions are securities lending and sale-and-repurchase transactions.

When assets are sold to a third party with a concurrent total rate of return swap on the transferred assets, the transaction is accounted for as a secured financing transaction similar to sale-and repurchase transactions, given that Grupo Aval retains all or substantially all of the risks and rewards of ownership of such assets.

In transactions in which it neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, Grupo Aval continues to recognize the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

Financial liabilities

Grupo Aval derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

v. Modifications of financial assets and financial liabilities

Financial assets

If the terms of a financial asset are modified, then Grupo Aval assesses whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, the contractual rights to cash flows from the original financial asset are deemed to have expired. In that case, the original financial asset is derecognized (see (iv)) and a new financial asset is recognized at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:

- Fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- Other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial distress, the objective of the modification is usually to maximize recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If Group Aval plans to modify a financial asset in a way that would result in foregoing of cash flows, it considers whether a portion of the asset should be written off before the modification takes place (see below for write‑off policy). This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortized cost or FVOCI does not result in derecognition of the financial asset, then Grupo Aval recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognizes the resulting adjustment as a recovery or impairment in the Consolidated Statement of Income. For variable-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification are incorporated into the gross carrying amount of the modified financial asset and are amortized over the remaining term of the modified financial asset.

Financial liabilities

Grupo Aval derecognizes a financial liability when its terms are modified, and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognized at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognized in the Consolidated Statement of Income.

If the modification of a financial liability measured at amortized cost does not result in derecognition of the financial liability, then Grupo Aval first recalculates the gross carrying amount of the financial liability using the original effective interest rate of the liability and recognizes the resulting adjustment as interest expense in the Consolidated Statement of Income. For variable-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred, and fees received as part of the modification are incorporated into the gross carrying amount of the modified financial liability and are amortized over the remaining term of the modified financial liability.

vi. Offsetting of financial assets and liabilities

Financial assets and liabilities are offset, and the net amount is recognized in the Consolidated Statement of Financial Position, when there is a legally enforceable right to offset recognized amounts and management intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as Grupo Aval's trading activity.

vii. Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which Grupo Aval has access at that date.

Grupo Aval measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, Grupo Aval uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If Grupo Aval determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are deemed to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in the Consolidated Statement of Income on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk, managed by Grupo Aval on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for the particular risk exposure. Portfolio-level adjustments – e.g. bid-ask adjustment or credit risk adjustments that reflect the measurement on the basis of the net exposure – are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is no less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

Grupo Aval recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. See Note 5.

viii. Repurchase agreements and reverse repurchase agreements

Purchases of financial instruments under a non-optional resale agreement are measured at fair value and recognized as financial assets in the Consolidated Statement of Financial Position under interbank and overnight funds.

The excess of the purchase prices over the resale prices is recognized as interest income over the contractual term.

Sales of financial instruments under a non-optional repurchase agreement are measured at fair value and recognized as liabilities in the Consolidated Statement of Financial Position under Interbank borrowings, overnight funds and borrowings from banks and others.

The excess of the sales prices over the repurchase prices is recognized as interest expense over the contractual term.

Retained interests (i.e. the assets that collateralize the repurchase agreements) are primarily classified as fair value through OCI and measured at fair value.

ix. Impairment of financial assets

Grupo Aval recognizes loss allowances for Expected Credit Losses – ("ECL") on the following financial instruments that are not measured at FVTPL:

- Debt investment instruments;
- Loans and receivables;
- Financial guarantee contracts issued;
- Loan commitments issued, and
- Other accounts receivable

No credit impairment loss is recognized on equity investments.

Grupo Aval measures loss allowances at an amount equal to lifetime ECL (Stage 2 and stage 3), except the following cases, for which they are measured as 12-month ECL (Stage 1):

- Debt investment securities that are determined to have low credit risk at the reporting date; and
- Other financial instruments (other than loans and lease receivables) on which credit risk has not increased significantly – ("SICR") since their initial recognition.

Grupo Aval considers a financial asset is classified as a low credit risk asset if the issuer is related to an investment grade credit rating.

12-month ECL is the portion of ECL that results from default events on a financial instrument that are possible within the 12 months after the reporting date.

Measurement of ECL

Measurement of ECL is described in Note 4(4.1.5 Amounts arising from Expected Credit Loss (ECL)).

Modified Financial Assets

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial distress of the borrower, an assessment is made of whether the financial asset should be derecognized (see (iv)) and ECL are measured as follows:

- If the restructuring is not expected to result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset (see Note 4(4.1.1)).
- If the restructuring is expected to result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit-impaired financial assets

At each reporting date, Grupo Aval assesses whether financial assets carried at amortized cost and at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The restructuring of a loan or advance by Grupo Aval on terms that Grupo Aval' entities would not consider otherwise;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or
- The disappearance of an active market for a security because of financial difficulties.

A loan that has been renegotiated due to a deterioration in the borrower's condition is usually considered to be credit-impaired unless there is evidence that the risk of not receiving contractual cash flows has decreased significantly and there are no other indicators of impairment. In addition, a loan different to a mortgage that is overdue for 90 days or more is considered impaired.

In making an assessment of whether an investment in sovereign debt is credit-impaired, Grupo Aval considers the following factors.

- The market's assessment of creditworthiness as reflected in the bond yields.
- The rating agencies' assessments of creditworthiness.
- The country's ability to access the capital markets for new debt issuance.
- The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness; and
- The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those mechanisms. This includes an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there is the capacity to fulfil the required criteria.

x. Presentation of allowance for ECL in the Consolidated Statement of Financial Position

Loss allowances for ECL are presented in the Consolidated Statement of Financial Position and the impact is showed in the Consolidated Statement of Income line "Impairment (losses) recoveries on financial assets" as follows:

- Financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments and financial guarantee contracts: generally presented as provisions;
- Where a financial instrument includes both a drawn and an undrawn component, and Grupo Aval cannot identify the ECL on the loan commitment component separately from those on the drawn component: Grupo Aval presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the

drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision; and

- Debt instruments measured at FVOCI: no loss allowance is recognized in the Consolidated Statement of Financial Position because the carrying amount of these assets is their fair value. However, the ECL is disclosed and is recognized as part of the net change recognized in the fair value reserve under other comprehensive income.

xi. Write-offs

Loans and debt securities are written off (either partially or in full) when there is no prospect of recovery. This is generally the case when Grupo Aval determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to be written-off.

Recoveries of amounts previously written off are included in “recovery of charged off financial assets” in the Consolidated Statement of Income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with Grupo Aval’s procedures for recovery of amounts due. The contractual amount outstanding on the financial assets that were written off during the reporting period are disclosed in note 4.1.5 Amounts arising from ECL; Loss Allowance reconciliation tables.

2.6 Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits, and other short-term investments with original maturities of three months or less from the date of their acquisition that are subject to an insignificant risk of changes in their fair value and are used by Grupo Aval in the management of its short-term commitments.

2.7 Trading assets and liabilities

‘Trading assets and liabilities’ are those assets and liabilities that Grupo Aval mainly acquires or incurs for the purpose of selling or repurchasing in the near term or holds as part of a portfolio that is managed comprehensively for short-term profit or position taking. Trading assets and liabilities are initially recognized and subsequently measured at fair value in the Consolidated Statement of Financial Position, with transaction costs recognized in Consolidated Statement of Income. All changes in fair value are recognized as part of net trading income in Consolidated Statement of Income.

2.8 Derivatives

a) Derivatives and hedge accounting

A derivative is a financial instrument for which value changes respond to changes in one or more variables denominated as “underlying” (e.g. a specific interest rate, the price of a financial instrument, a listed commodity, a foreign currency exchange rate, etc.). A derivative requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Grupo Aval and its subsidiaries trades in financial markets, forward contracts, future contracts, swaps and options that fulfil the definition of a derivative.

Financial assets and liabilities arising from transactions with derivatives are generally not offset in the Consolidated Statement of Financial Position. However, when there is a legal and exercisable right to offset the recognized values and Grupo Aval intends to settle them on a net basis or to realize the assets and settle the liability simultaneously, derivatives are presented as net values in the Consolidated Statement of Financial Position.

Derivative transactions are initially recognized at fair value. Subsequent changes in the fair value are recognized in profit or loss, unless the derivative instrument is designated as a hedging instrument and, in this case, the accounting criteria will depend on the nature of the hedged item, as described below.

At the beginning of the hedging transaction, Grupo Aval formally documents the existing relationship between the hedging instrument and the hedged item, including the risk management objective and strategy in undertaking the hedging relationship. It also documents its assessment, both initially as well as on a recurring basis, of whether the hedging relationship is highly effective in offsetting the changes in fair value or cash flows of the hedged items.

The applicable policy for hedging and embedded derivatives is described below:

(i) For fair value hedge of assets or liabilities and firm commitments, changes in the fair value of the derivative instrument are recognized in profit or loss, as well as any other change in the fair value of the asset, liability or firm commitment attributable to the hedge risk,

(ii) For cash flow hedge of a particular risk associated with a recognized asset or liability or a projected highly probable transaction, the effective portion of changes in the fair value of the derivative is recognized in other comprehensive income. The gain or loss relating to the portion that is not effective for hedging or that does not relate to the hedged risk is immediately recognized in profit or loss.

The values accumulated in other comprehensive income are transferred to profit or loss in the same period in which the hedged item is recognized in profit or loss; and

(iii) Hedging of net investments in a foreign operation is recognized similarly to cash flow hedging: the effective portion of changes in fair value of the hedging instrument is recognized in other comprehensive income, and the ineffective portion of the changes in fair value of the derivative is recognized in profit or loss. The hedging instrument's gains or losses accumulated in equity will be recognized in profit or loss when the net investment in foreign operations is sold or partially disposed of.

b) Embedded derivatives

Derivatives may be embedded in another contractual arrangement (a host contract). Grupo Aval accounts for an embedded derivative separately from the host contract when:

- The host contract is not a financial asset in the scope of IFRS 9;
- The host contract is not itself carried at FVTPL;
- The terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

Separated embedded derivatives are measured at fair value, with all changes in fair value recognized in profit or loss unless they form part of a qualifying cash flow or net investment hedging relationship. Separated embedded derivatives are presented in the Consolidated Statement of Financial Position together with the host contract.

2.9 Loans

The 'Loans' line item in the Consolidated Statement of Financial Position include:

- Loans measured at amortized cost (see 2.5(ii)); they are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;
- Financial lease receivables measured at amortized cost (see 2.5(ii)).

When Grupo Aval purchases a financial asset and simultaneously enters into an agreement to resell the asset (or a substantially similar asset) at a fixed price on a future date (reverse repo or stock borrowing), the arrangement is accounted for as a loan, and the underlying asset is not recognized in Grupo Aval's Consolidated Financial Statements.

The effective interest rate method is a method of calculating the amortized cost of a financial asset and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that discounts future cash payments or receipts (without consideration of future credit losses, over the expected life of the financial instrument) to the net carrying amount of the financial asset at initial recognition. In the process of calculating the effective interest rate, Grupo Aval estimates the cash flows considering the contractual terms including prepayment expectations of the financial instrument for portfolios with high prepayment levels, except for future credit losses and considering the initial fair value plus transaction costs and premiums granted, minus commissions and discounts received which form integral part of the effective rate.

2.10 Investment securities

The 'investment securities' line in the Consolidated Statement of Financial Position includes:

- Debt investment securities measured at amortized cost (see 2.5(ii)); These are initially measured at fair value plus incremental direct transaction costs, and subsequently at their amortized cost using the effective interest method;
- Debt and equity investment securities mandatorily measured at FVTPL (see 2.5(ii)); These are at fair value with changes recognized immediately in profit or loss;
- Debt securities measured at FVOCI; and
- Equity investment securities designated as at FVOCI.

For debt investment securities measured at FVOCI, gains and losses are recognized in OCI, except for the following, which are recognized in profit or loss in the same manner as for financial assets measured at amortized cost:

- Interest revenue using the effective interest method;
- ECL impairments and reversals of impairments; and
- Foreign exchange gains and losses.

When a debt security measured at FVOCI is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity and recognized as profit or loss in the Consolidated Statement of Income under "other income net gain on sale of debt and equity securities".

Grupo Aval elects to present changes in the fair value of certain investments in equity instruments that are not held for trading in OCI. The election is made on an instrument-by-instrument basis on initial recognition and is irrevocable.

Gains and losses on such equity instruments are never reclassified to profit or loss and no impairment is recognized in profit or loss. Cumulative gains and losses recognized in OCI are transferred to retained earnings upon disposal of an investment. Dividends are recognized in profit or loss unless they clearly represent a recovery of part of the cost of the investment, in which case they are recognized in OCI.

After initial recognition, net gains and losses resulting from changes in fair value for financial assets classified and measured at fair value, are presented either (i) in the Consolidated Statement of Income in the account "net trading income - trading investment securities" for financial assets at FVTPL or (ii) in OCI for financial instruments at FVOCI, in accordance with note 2.5 ii) above.

In turn, after their initial recognition, financial assets classified at amortized cost are adjusted to reflect interest accrued at the effective interest rate method, less payments received from borrowers.

See detail of effective interest rate method in note 2.9 Loans

Income from dividends from financial assets in equity instruments at FVOCI is recognized in income in the account of "other income dividends" when the right to receive payment is established, regardless of the decision that has been made to record the variations in fair value in results or OCI.

2.11 Financial liabilities

A financial liability is any contractual liability in which Grupo Aval commits to deliver cash or other financial asset to another entity or person, or to exchange financial assets or financial liabilities under potentially unfavorable conditions for Grupo Aval, or a contract which will be terminated or could be settled using equity instruments owned by the entity. Financial liabilities are initially recognized based on their fair value, which is usually equal to the transaction value adjusted by directly attributable costs. Subsequently, such financial liabilities are measured at their amortized cost according to the effective interest rate method determined at initial recognition and recognized in profit or loss.

Financial liabilities are only derecognized from the Consolidated Statement of Financial Position when the obligations are extinguished, that is, when the obligations are discharged, cancelled, or expire.

(Amounts expressed in millions of Colombian pesos)

2.12 Financial guarantees

Financial guarantees are those contracts requiring that the issuer carries out specific payments to reimburse the creditor for losses incurred when a specific debtor defaults in its payment obligation, in accordance with the original or modified conditions, of a debt instrument; regardless of its legal form.

Financial guarantees issued or commitments to provide a loan at a below-market interest rate are initially measured at fair value. Subsequently, they are measured:

- As at the highest value between the amount initially recognized net of the loss allowance determined in accordance with IFRS 9 (see 2.5 (vii)) and the amount initially recognized less, when appropriate, the cumulative amount of income recognized in accordance with the principles of IFRS 15.

Credit risk impairment losses established over financial guarantee contracts under IFRS 9, are recognized as liabilities under "Provisions – other provisions" and recognized in profit or loss under "other expenses", see note 2.5 ix "Impairment of financial assets in the Consolidated Statement of Financial Position".

2.13 Non-current assets held for sale and discontinued operations

Foreclosed assets and non-current assets held for sale, which Grupo Aval intends to sell in a period of less than one year, and it is considered highly probable that their value will be recovered primarily through sale rather than through continuing use, are recognized as "non-current assets held for sale". These assets are measured at the lower of their carrying value at the time of transfer and fair value, less estimated disposal costs.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the Consolidated Statement of Income.

2.14 Property, plant and equipment for own use

Property, plant and equipment include the assets, owned or under financial leases held by Grupo Aval for current or future use for more than one period.

They are recognized in the Consolidated Statement of Financial Position at their acquisition or construction cost, less the corresponding accumulated depreciation and, if applicable, the estimated impairment losses resulting from comparing the carrying amount of each asset with its recoverable value.

Depreciation is calculated by applying the straight-line method over the acquisition cost of the assets (except for the bearer plants, which are depreciated based on production units), less any residual value; land is not depreciated.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset.

Asset	Useful Life
Own use buildings	According to appraisals
Equipment, furniture and accessories	From 3 to 10 years
Machinery and equipment (*)	From 5 to 25 years
Computer equipment	From 3 to 12 years
Vehicles	From 5 to 10 years
Bearer plants	From 25 to 35 years

(*) Except for the gas pipelines, these are depreciated according to appraisals (70 years).

Conservation and maintenance expense is recognized when incurred as "Administrative Expense".

At each reporting date, the Group analyzes whether there are signs, that an asset may be impaired for such purposes, develops what is established in policy 2.21 "Impairment of non-financial assets".

A bearer plant is a live plant that meets the following requirements:

a) It is used for the manufacturing or supply of agricultural products;
b) It is expected to produce for more than one period; and
c) It has a remote probability of being sold as an agricultural product, except for irregular sales related to thinning and trimming.

Bearer plants under the set-up and growing phase are subject to a biological transformation which is reflected through cost accumulation until they reach their maturity level. In the case of the African oil palm, maturity is reached in the second year, while maturity for rubber plants is reached in the seventh year. After reaching their maturity, bearer plants are considered developed and the future economic benefits arise from the sale of the fruit produced during the useful life of the plant.

Bearer plants are measured at their cost less accumulated depreciation and any impairment losses. The useful life is equal to the plants´ production periods. The useful life of the rubber plant is 35 years while the useful life of the African oil palm is 25 years. The depreciation method used is the estimated production units as it most accurately reflects the usage of the assets If the bearer plant is sold for timber at the end of the useful life the value received is considered the residual value of the asset.

2.15 Investment properties

Land and buildings, considered in whole or in part, that are held to earn rental income or for capital appreciation, rather than for own use or sale in the ordinary course of business. Investment properties are recognized initially at cost, including all costs associated with the transaction, and subsequently measured at fair value, with changes in fair value recognized in profit or loss.

2.16 Leases

Lessee accounting

At inception of a contract, Grupo Aval assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

Grupo Aval recognizes a right-of-use asset and a lease liability at the lease commencement date.

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Grupo Aval determines its incremental borrowing rate by analyzing its borrowings from various external sources and makes certain adjustments to reflect the terms of the lease and type of asset leased.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset; or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Grupo Aval presents right-of-use assets in ‘Tangible assets’ and lease liabilities in ‘Borrowings from banks and others’ in the Consolidated Statement of Financial Position.

Short-term leases and leases of low-value assets

Grupo Aval has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Grupo Aval recognizes the lease payments associated with these leases as an expense in profit or loss on a straight-line basis over the lease term.

Lessor accounting

When Grupo Aval acts as a lessor, it determines at lease inception whether the lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for a major part of the economic life of the asset. Lease contracts classified as financial leases are included in the Consolidated Statement of Financial position as “Loans” and are recognized in the same way as other loans, as explained in note 2.9.

2.17 Biological assets

Biological assets; are measured at fair value less disposal cost, both at the time of initial recognition and at the end of reporting period, except for biological assets for which fair value cannot be measured reliably; in which case they are measured at cost less accumulated depreciation and impairment loss. Gains and losses arising from the initial and subsequent fair value measurement of the agricultural products are included in the Consolidated Statement of Income. Costs incurred in the agricultural production process are also recognized directly in the Consolidated Statement of Income.

The fair value of biological assets is determined using valuations performed by experienced internal professionals, using discounted cash flow models. The expected cash flows of the crop’s total life are determined by using the market price of the agricultural product currently in effect and the estimated productive life of plants, net of maintenance and harvest costs and of any other costs required for plant maintenance during the production period. The productive life of plants is estimated considering the age, location and type of product. The fair value of the biological assets is dependent on current market prices for each product.

2.18 Business combinations and goodwill

Business combinations are accounted for using the “acquisition method” when control is transferred to the controlling entity. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired.

Goodwill is measured as the excess of the aggregate of consideration transferred, over the amount of any interest previously acquired and the net of identifiable assets acquired and liabilities assumed at acquisition date. Goodwill acquired in a business combination is assigned to each of the groups of cash-generating units from which benefit are expected as a result of the acquisition. Goodwill is not subsequently amortized; however, it is subject to an annual impairment assessment in relation to the cash-generating unit to which it has been assigned and, from which benefits are expected deriving from the synergies of business combinations. A loss due to impairment recognized on Goodwill cannot be reversed in subsequent periods.

2.19 Other intangible assets

Other intangible assets mainly comprise software and licenses, which are initially measured at the cost of acquisition or cost of development. Costs incurred during the research phase are expensed as incurred.

Development expenses which are directly attributable to design and performance tests of software and identifiable, unique and controlled by Grupo Aval are recognized as intangible assets, if following conditions are met:

- Technically, it is possible to complete the intangible asset production, so it can be available for use;
- Management intends to complete the corresponding intangible asset for use;
- Management has the capacity of using the intangible asset;
- It is probable that future economic benefits that are attributable to the asset will flow to the entity;
- There is availability of adequate technical or financial resources or other type, for completion and usage of the intangible asset; and

- Costs attributable to the intangible asset during its development phase can be estimated and measured in a reliable manner.

Costs that are directly attributable and capitalized as part of intangible assets include personnel expense directly related to developing such intangibles and overhead expenses that can be capitalized.

Expenses that do not satisfy these criteria are recognized as incurred expenses. Disbursements over intangible assets are initially recognized as expenses of the period and they are not subsequently recognized as intangible assets.

After initial recognition, an intangible asset shall be carried at its cost less any accumulated amortization and any accumulated impairment losses. The annual amortization rates estimate for each type of assets are:

Intangible Asset	Useful Life
Software and information technology applications	From 1 to 20 years
Licenses	From 1 to 15 years
Trademarks	Indefinite
Customer-related assets	From 1 to 10 years
Intellectual property rights	From 1 to 20 years
Models, formulas, designs and prototypes	10 years
Easements	From 20 to 50 years

At the end of each period, the Group will test whether an intangible asset with an indefinite useful life has experienced an impairment loss by comparing its recoverable amount with its carrying amount on an annual basis and not only when there are indications of impairment. Likewise, that the useful life of an intangible asset that is not being amortized will be reviewed every period to determine if there are facts and circumstances that allow continuing to maintain an indefinite useful life for that asset. Any impairment loss or subsequent reversal is recognized in the Consolidated Statement of Income; Such impairment is determined by the excess of the book value over the recoverable value.

2.20 Concession arrangements rights

Concession contracts, are those in virtue of which certain subsidiaries of Grupo Aval make a commitment with the Governments in the countries in where they operate for the construction or maintenance of infrastructure, for a period of time during which, said entities receive the revenue derived from the contract, either through direct payments from the Government, through tolls or other types of fees charged to the end users of the project, which, are recognized as financial assets or intangible assets.

A financial asset is recognized when pursuant to the contractual conditions, there is an entitlement to an unconditional contractual right of receiving cash or other financial assets from the grantor or from the Government, due to construction services or when the Government guarantees minimum income from tolls or fees charged to the users of the concession work during the term of the concession agreement.

An intangible asset is recognized if in the concession contract does not include an unconditional right for the concessionaire to receive cash and, on the contrary, its revenue depends on the right it has for the use of the infrastructure under concession. In some cases, contracts can contain both financial and intangible assets.

Concession arrangements are recognized as follows:

(a) During the construction stage, all estimated income for construction services as well as the costs associated to the construction are recognized in the Consolidated Statement of Income based on the stage of completion of the work performed. In the event that there is an expected loss, this is recognized as an expense immediately.

(b) If all or part of the concession arrangement is classified as a financial asset, it is recognized in accordance with the accounting policy for financial assets as set out in note 2.5.

(c) If all or part of the concession contract is classified as an intangible asset, the revenues are accumulated as intangible assets during the construction phase of the project, assets and are amortized over the term of the arrangement in a manner that reflects the pattern in which the concession asset's economic benefits are consumed by the entity, from the moment the asset enters into service.

2.21 Impairment of non-financial assets

At each reporting date, Grupo Aval reviews the carrying amounts of its non-financial assets (other than investment properties and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Goodwill is tested annually for impairment. For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that is largely independent of the cash inflows of other assets or Cash Generating Units (CGU). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The "recoverable amount" of an asset or CGU is the greater of its value in use and its fair value less costs to sell. "Value in use" is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating units "CGU".

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss of goodwill cannot be reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

2.22 Employee Benefits

Grupo Aval´s entities provide the following benefits to employees in exchange of services rendered to the Group:

a) Short-term employee benefits
Pursuant to Colombian and other countries labor rules, such benefits are comprised of salaries, premiums, vacations, severance payments and payroll tax contributions to the local Government designated agencies which are paid within 12 months following the end of the reporting period. Such benefits are accumulated on an accrual basis and recognized in profit or loss.

b) Post-employment benefits (defined benefit plans)
Grupo Aval pays to its employees certain benefits when they retire or upon completion of their employment period, other than indemnities. These benefits include retirement pensions which are directly assumed by Grupo Aval's entities, pending severance payments to employees belonging to the labor regime prior to Law 50 1990 in Colombia, and certain extra-legal benefits or benefits agreed in collective bargaining agreements.

Post-employment benefits liabilities are determined based on the present value of estimated future payments, calculated based on actuarial assessments using the projected unit of credit method, and applying actuarial assumptions about mortality rate, increase of salaries and personnel turnover, and interest rates determined with reference to bond market returns of local Government' bonds or high-quality business liabilities in effect at the reporting date. Under the projected unit of credit method, future benefits to be paid to employees are assigned to each accounting period in which the employee renders the service. Therefore, the corresponding expense due to these benefits recognized in profit or loss of Grupo Aval includes the present service cost assigned in the actuarial calculation plus the financial cost of calculated liabilities. Changes in liabilities due to changes in actuarial assumptions are recognized in Other Comprehensive Income.

Changes in actuarial liabilities due to changes in employment benefits granted to employees that have a retroactive effect are recognized as an expense in the earlier of the following dates:

- When a modification of the granted employment benefits takes place, or
- When provisions for restructuring costs are recognized by a subsidiary.

c) Other long-term employee benefits

Long term benefits are different from employee short-term benefits, post-employment benefits and termination benefits. In accordance with the collective bargaining agreements and regulations of each company of Grupo Aval, such benefits are mainly related to seniority bonuses.

Long-term liabilities for employee benefits are determined in the same manner as post-employment benefits described in item (b) above; the only difference is that the changes in the actuarial liability due to changes in the actuarial assumptions are recognized in profit or loss.

d) Termination benefits

These benefits are payments which must be made by Grupo Aval´s entities derived from their taking the unilateral decision of terminating and employee´s labor contract or from and employee´s decision to accept benefits offered by an entity in exchange for terminating the employment contract, such payments correspond to severances for dismissal or redundancy and other benefits that entities unilaterally decide to grant to their employees under such circumstances.

Termination benefits are recognized as a liability and in profit or loss at the earlier of the following dates:

- When Grupo Aval´s entities formally inform to the employee about its decision of dismissal; or
- When provisions for restructuring costs are recognized by a subsidiary.

2.23 Income taxes

Income tax expense includes both current and deferred tax. Tax expense is recognized in profit or loss except for items recognized in Other Comprehensive Income or directly in equity.

Current income tax expense is calculated based on the tax laws in force (enacted or substantively enacted) in each of the countries in which we operate as of the reporting date of the Consolidated Financial Statements is subject to the income tax. Management of each subsidiary of Grupo Aval periodically assesses tax return positions with respect to situations where the applicable tax regulation is subject to interpretation and establishes provisions, when appropriate, on the basis of amounts expected to be paid to tax authorities.

Deferred taxes are recognized with respect to temporary differences arising between carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred taxes are not recognized for: (i) temporary differences on the initial recognition of goodwill; (ii) temporary differences on the initial recognition of an asset or liability in a transaction that is not a business combination and that affects neither the accounting nor the taxable profit or loss and (iii) temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future. Deferred taxes are measured using the tax rates that are expected to be applied to the temporary differences upon reversal, using enacted tax rates or substantively enacted at the reporting date.

Deferred taxes assets are only recognized to the extent it is probable that future taxable income is expected to be available to offset temporary differences.

Deferred tax liabilities arise from taxable temporary differences, except for the deferred tax liabilities on investments in subsidiaries, when the opportunity of reversal of temporary differences is controlled by Grupo Aval and it is not expected to be reversed in the near future. Generally, Grupo Aval has the ability to control the temporary differences of investments in associates.

Current taxes are offset only when the entity has a legally enforceable right to offset and the entity intends to either settle on a net basis or to realize the asset and settle the liability simultaneously. Deferred taxes are offset when the entity has a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities are related to income taxes levied by the same tax authority over the same taxable entity or over different entities but these entities have an intention to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously, for each period in which these differences reverse.

In determining the amount of current and deferred taxes, Grupo Aval considers the impact of uncertain tax exposures on current tax liabilities, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes Grupo Aval to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities would impact tax expense in the period in which such a determination is made.

2.24 Capitalization of borrowing costs

Borrowing costs which are directly attributable to the acquisition, construction or production of a qualifying asset which requires a substantial period of time to get ready for its intended use are part of the cost of the asset. Other borrowing costs are recognized as expenses.

Grupo Aval begins capitalizing borrowing costs as part of the cost of a qualifying asset on the commencement date. This is the date when the entity first meets all of the following conditions:

(a) it incurs expenditures for the asset;
(b) it incurs borrowing costs; and
(c) it undertakes activities that are necessary to prepare the asset for its intended use or sale.

2.25 Provisions

Provisions for environmental dismantling and recovery, restructuring costs and legal claims are recognized when Grupo Aval has a present legal or assumed obligation as a result of past events, and it is probable that an outflow of economic benefits will be required to settle the obligation. Restructuring provisions include penalties due to cancelation of leases.

Provisions are measured at the present value of outflows expected to be necessary to settle the obligation, using a discount rate before taxes, reflecting the assessments of the time value of money of the current market as well as the specific risks of the obligation. The subsequent increase of the provision due to the unwinding of the discount rate is recognized as "financial expense".

2.26 Non-voting rights of preferred shares

Preferred shares represent partial ownership and do not provide shareholders with any of the voting rights of common shares. Grupo Aval has classified as an equity instrument all the non-voting preferred shares. See note 25 equity attributable to owners of the parent.

2.27 Revenues

- **Net interest income**

(i) Effective interest rate

Interest income and expense are recognized in the Consolidated Statement of Income using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- The gross carrying amount of the financial asset; or
- The amortized cost of the financial liability.

When calculating the effective interest rate for financial instruments other than credit-impaired assets, Grupo Aval estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For credit-impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

The calculation of the effective interest rate includes transaction costs and fees 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 financial liability.

(ii) Amortized cost and gross carrying amount

The 'amortized cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The 'gross carrying amount' of a financial asset is the amortized cost of a financial asset before adjusting for any expected credit loss allowance.

(iii) Calculation of interest income and expense

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortized cost of the liability to calculate the interest income and expenses.

However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

For financial assets that were credit-impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

For information on when financial assets are credit-impaired, see note 2(2.5) (ix).

(iv) Presentation

Interest income and expense presented in the Consolidated Statement of Income include:

- Interest on financial assets and financial liabilities measured at amortized cost calculated on an effective interest basis, see note 2.27 (i);
- Interest on debt instruments measured at FVOCI calculated on an effective interest basis see note 2.27 (i);

Interest income and expense on all trading assets and liabilities are considered to be incidental to Grupo Aval's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities mandatory at FVTPL are presented in "Net trading income" and financial assets in concessions arrangements rights at FVTPL under "Net income from other financial instruments mandatorily at fair value through profit or loss".

- **Net trading income**

'Net trading income' comprises net gains or losses related to held for trading assets and liabilities, and includes all realized and unrealized fair value changes, interest, dividends and foreign exchange differences.

- **Revenue from contracts with customers (other than interest income).**

Contract assets

A contract asset is Grupo Aval's right to consideration in exchange for goods or services that Grupo Aval has transferred to a customer when that right is conditional on something other than the passage of time (for example, invoicing or delivery of other elements of the contracts).

Contract costs eligible for capitalization as incremental costs of obtaining a contract are recognized as a contract asset. Contract costs are capitalized when are incurred if Grupo Aval expects to recover those costs. Contract costs are amortized on a systematic basis consistent with the transfer of the services to the customer and the related revenues are recognized. Contract costs capitalized are impaired if the customer retires or if the asset's carrying amount exceeds projected discounted cash flows relating to the contract.

Contract liabilities

Contract liabilities comprise Grupo Aval's obligation to transfer goods or services to a customer for which Grupo Aval has received consideration from the end customer or the amount is due. Additionally, it includes deferred income relating to goods or services that will be delivered in the future, which are charged to a customer in advance but not yet due.

Steps for revenue recognition

Grupo Aval recognizes revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met. Contracts can be written, oral or implied by an entity's customary business practices.
- Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which Grupo Aval expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, Grupo Aval allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which Grupo Aval expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognize revenue when (or as) Grupo Aval satisfies a performance obligation.

Grupo Aval satisfies a performance obligation and recognizes revenue over time, if one of the following criteria is met:

a) Grupo Aval´s performance does not create an asset with an alternate use to Grupo Aval, and Grupo Aval has as an enforceable right to payment for the performance completed to date.
b) Grupo Aval´s performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
c) The customer simultaneously receives and consumes the benefits provided as Grupo Aval´s performs its obligation.

For performance obligations where one of the above conditions are not met, revenue is recognized at the point in time at which the performance obligation is satisfied.

When Grupo Aval satisfies a performance obligation by delivering the promised goods or services it creates a contract asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognized this gives rise to a contract liability.

Revenue is measured based on consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Grupo Aval recognizes revenue when it transfers control over a good or service to a customer. Revenue is presented net of value added tax (VAT), rebates and discounts and after eliminating intra-group sales.

Grupo Aval assesses its revenue arrangements to determine if it is acting as principal or agent.

Revenue is recognized to the extent it is probable that the economic benefits will flow to Grupo Aval and the revenue and costs, if applicable, can be measured reliably.

The following is a description of principal activities from which Grupo Aval generates revenue from contracts with customers:

(i) Banking (Financial Services)

Grupo Aval often enter into contracts that cover a number of different services. Such contracts might contain components within, and components outside, the scope of IFRS 15. Therefore, Grupo Aval only applies the IFRS 15 guidance where it has contracts that are all or partly outside the scope of IFRS 9.

The main revenue streams earned by the banks from contracts with customers are the following:

- *Commissions*:

Banks receive bancassurance commissions for introducing new clients to third party insurers, where the bank does not underwrite the insurance policy itself. These commissions are usually paid periodically (for example, monthly) to banks based on the volume of new policies (and/or renewal of existing policies) originating from clients introduced by the bank. The transaction price might include an element of consideration that is variable or contingent on the outcome of future events, such as policy cancellations, which is estimated and included in the transaction price based on the most likely amount only when it is highly probable that the resolution of the uncertainty will not result in a significant reversal of revenue.

Performance obligations are fulfilled over time, taking into account that customers (insurers) receive benefits as time progresses. Where the commission calculation is made on a monthly basis or in a shorter period, the total amount of the commission is recognized in the results when its determination is made. If the settlement of commissions is defined in periods longer than a monthly basis, the expected income to recognize revenues is estimated as time progresses.

Loan commitment fees are within the scope of IFRS 15 when it is unlikely that a specific lending arrangement will be entered into and the loan commitment is not measured at FVTPL. Loan syndication fees received by a bank that arranges a loan and retains no part of the loan package for itself (or retains a part at the same Effective Interest Rate "EIR" for comparable risk as other participants) are within the scope of IFRS 15.

Income from performance obligations to provide such services, which are met at a point in time, are recognized when the particular event defined in the contracts occurs (e.g., approval of the syndicated loan). The obligations met over time are recognized during the period of the commitment; If income is received in advance, it is deferred over the period of the commitment. If income is received upon expiration, it is estimated periodically.

- *Credit cards: Interchange fees, Annual-quarterly-monthly fees, Loyalty programs*

There are contracts that create enforceable rights and obligations between the Bank and the cardholders or merchants under which the bank will provide services, sometimes in exchange for annual and other fees. The following are some of the services that might exist in a contract with a cardholder:

- Issuance of loyalty points (which are options to acquire goods/services for free or at a discount in the future), usually based on the monetary volume of card transactions;
- Payment processing service;
- Insurance where the bank is not the insurer;
- Fraud protection; and
- Processing of certain transactions, such as purchases in a foreign currency and Advances.

The transaction price is allocated to each performance obligation based on the relative stand-alone selling prices of the goods or services being provided to the customer. The allocation of the transaction price to each of the separate performance obligations will not necessarily be required where there is more than one performance obligation and the performance obligations all satisfied at the same time or evenly over the period.

Performance obligations are fulfilled over time, taking into account that customers receive benefits as time goes on. Given that the entity's efforts or resources are expended evenly throughout the performance period, income is recognized on a linear basis during the period defined under the credit card conditions. The costs of plastic or security elements are capitalized as contract signing costs.

In connection with Grupo Aval the credit and debit card processing fee, customers receive benefits every time they make purchases. In this context, income is recognized periodically (daily or monthly) on the basis of the amounts traded. Income that would be deferred by the valuation of the points granted for customer loyalty programs to the cardholders will be extracted from the total amount of commissions recorded periodically. See section (vi) Customer loyalty program below.

- *Savings and checking accounts: Account and transaction fees*

Savings and checking accounts contracts usually allow customers access to a variety of services, including wire transfer processing, ATM use for cash withdrawals, issuance of debit cards, and account statements; they might also include other benefits. Fees are charged on a periodic basis and give the customer access to banking services and additional benefits. Performance obligations are fulfilled over time, taking into account that customers receive benefits as time progresses. As a result, banks recognize fees from providing services in the accounting period in which the services are rendered.

- *Investment banking: Underwriting fees and Advisory fees*

Advisory contracts with customers are not standardized. These contracts might differ between customers, and they often include variable consideration, including contingent fees, that are only payable upon meeting agreed milestones.

Income from performance obligations to provide such services, which are met at a point in time, are recognized when the particular event defined in the contracts occurs. The obligations met over time are recognized considering method of milestones achieved (when only one milestone that considers the delivery of results, income is recognized at a single moment when the final delivery is made.)

(ii) Asset management

Revenues of asset portfolios management correspond to fees which arise from the rendering of management and advisory services and usually are measured based on performance and profit of asset portfolios of asset portfolios, which are recognized based on amounts calculated under the formulas established by the contracts when such amount is no longer subject to adjustments resulting from future events.

If the fee expected is variable, the variable consideration included in the transaction price is limited to the amount for which it is highly probable that a significant reversal of the amount of cumulative revenue recognized will not occur when the uncertainty is resolved. In the estimation, Grupo Aval considers both the likelihood and the magnitude of the revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, (i) the amount of consideration is highly susceptible to factors outside the entity's influence, (ii) the uncertainty about the amount of consideration is not expected to be resolved for a long period of time, and (iii) the contract has a large number and broad range of possible consideration amounts.

Fees are often based on net assets under management or returns generated by the underlying investments held by the funds subject to certain thresholds.

The contractual measurement period for performance fees of fund managers is often a month, quarter or year, and in some rare cases longer. In some cases, the fees will be constrained until the contractual measurement period is completed. The Group assess if there is a portion (a minimum amount) of the variable consideration that should be recognized prior to the end of the contractual measurement period. The full amount of the fee will likely be recognized as of the end of the contractual measurement period when the asset manager becomes certain of the amount. In certain cases, the full amount of the fee will be recognized upon redemption when is no longer subject to reversal.

(iii) Construction and operation services (Concessions)

In concession arrangements, Grupo Aval determines that its performance obligations (construction, operation and maintenance) are satisfied over time and measures progress toward completion to determine the timing of revenue recognition using a method that depicts the transfer of the goods or services to the customer.

Grupo Aval considers the nature of the product or services provided and the terms of the contract, such as termination rights, the rights to demand or retain payments, and the legal title to work in process in determining the best input or output method for measuring progress toward satisfaction of the performance obligation.

Grupo Aval applies a single method to measure progress for each performance obligation within a contract. The method can be either an input method (cost incurred, labor hours) or output method (units produced, milestones reached).

Estimations of revenues, costs or progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(iv) Power and utilities

Contracts between a customer and a public utility company establish the rates and terms of service for the purchase, delivery, and sale of electricity or gas. Grupo Aval determines that its obligation is represented in a single performance obligation which is to sell electricity or gas, and it is satisfied over time (over the term of the agreement) through a series of distinct goods or services that are substantially the same and have the same pattern of transfer to the customer.

Some contracts include multiple deliverables, such as the installation of fixtures or repairs, which are accounted as separate performance obligations. The transaction price is allocated to each performance obligation based on the stand-alone selling prices (regulated rates). If contracts include the installation of fixtures, the associated revenue is recognized at the point in time when goods are installed, the ownership has been transferred and the customer has accepted the goods.

(v) Logistic activities

Grupo Aval´s transport and logistics companies offer multiple products or services to their customers as part of a single agreement. Separate performance obligations are identified in an agreement based on the terms of the contract and Grupo Aval's usual business practices.

Revenue recognition criteria generally applies separately to each performance obligation. In certain circumstances, it may be necessary to separate a transaction into identifiable components to reflect the content of the transaction. It may be necessary to group two or more transactions when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.

The transaction price is assigned to performance obligations separately in a contract based on the relative independent selling price of each separate performance obligation.

(vi) Customer loyalty program

Financial entities and hotels of Grupo Aval manage loyalty programs in which the customers accumulate points for their purchases, entitling them to redeem such points for prizes in accordance with the policies and the prize plan in force as of the redemption date. Reward points are recognized as an identifiable component separate from income for the service rendered, at their fair value. Income from loyalty programs is deferred and recognized in the Consolidated Statement of Income until the entity has fulfilled its obligations to supply the products under the terms of the program or when it is no longer probable that the points under the program will be redeemed.

Grupo Aval acts as the principal in a customer loyalty program if it obtains control of the goods or services of another party in advance of transferring control of those goods or services to a customer. Grupo Aval is an agent if its performance obligation is to arrange for another party to provide the goods or services.

(vii) Hotel services

Revenue is derived from the following sources:

i) Management fees: earned from hotels managed by Grupo Aval, usually under long-term contracts with the hotel owner. Management fees include a base fee, generally a percentage of hotel revenue, which is recognized when earned in accordance with the terms of the contract and an incentive fee, generally based on the hotel’s profitability or cash flows and recognized when the related performance criteria are met under the terms of the contract.

ii) Owned and leased: primarily derived from hotel operations, including the guests accommodation and sales of food and beverage from owned and leased hotels operated under Grupo Aval brand names.

Revenue is recognized at the point when the goods are sold or services are rendered.

(viii) Agriculture products

Grupo Aval grows and sells agricultural products through companies owned by Corficolombiana. Sales are recognized when control of the products has been transferred, meaning when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or Grupo Aval has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognized based on the price specified in the contract, net of discounts. Accumulated experience is used to estimate and provide for the discounts, using the most likely amount, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A receivable is recognized when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(ix) Financing components.

Grupo Aval adjusts transaction prices for the time value of money for contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year.

2.28 Earnings per share

Earnings per share is calculated as net income for the period attributable to Grupo Aval's shareholders divided by the weighted average number of common and preferred shares outstanding during the period. Diluted earnings per share are determined in the same way, on the basis of net income, but the weighted average number of shares outstanding is adjusted to account for the potential dilutive effect of stock options. Grupo Aval does not have financial instruments with potential dilutive effects. As a consequence, only basic earnings per share are disclosed in these financial statements.

2.29 New and amended IFRS

New standards and amendments to standards are effective for annual periods beginning after 1 January 2024 and earlier application is permitted; however, Grupo Aval has not early adopted them in preparing these Consolidated Financial Statements.

New or Amended Standard	Title of the Standard	Effective for Annual Periods Beginning on or After
Forthcoming requirements.		
Disclosure of accounting policies	Amendments to IAS 1 Presentation of Financial Statements	January 1,2024
Definition of accounting estimate	Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors	January 1,2024
Deferred tax related to assets and liabilities arising from a single transaction	Amendments to IAS 12 Income Taxes	January 1,2024

The amendments listed above did not have any impact on amounts recognized in prior periods and are not expected to significantly affect current or future periods.

NOTE 3 – JUDGMENTS AND CRITICAL ACCOUNTING ESTIMATES IN APPLYING ACCOUNTING POLICIES

Grupo Aval's management makes estimates and assumptions that affect the amounts recognized in the consolidated financial statements and the carrying value of the assets and liabilities within the fiscal year. The judgments and estimates are continuously evaluated and are based on the experience of management and other factors, including the occurrence of future events that are believed to be reasonable under the current circumstances. Management also makes certain judgments besides those which involve estimates during the process of applying accounting policies. The judgments that have the most significant effects on the amounts recognized in the consolidated financial statements and the estimates that may cause an important adjustment to the book value of assets and liabilities in the following year include the following:

A. Judgments

Information about judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the consolidated financial statements is included in the following notes.

– Note 2 (2.1) – determination of control over investees.

– Note 2 (2.5) (ii) – classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are solely payments of principal and interest on the principal amount outstanding.

– Note 4 (4.1.5) – establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining the methodology for incorporating forward-looking information into the measurement of ECL and selection and approval of models used to measure ECL.

B. Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ended is included in the following notes.

– Note 4 (4.1.5) – impairment of financial instruments: assessment of whether credit risk on the financial asset has increased significantly since initial recognition and incorporation of forward-looking information in the measurement of ECL.

– Note 4 (4.1.5) – impairment of financial instruments: key assumptions used in estimating recoverable cash flows.

– Note 5 – determination of the fair value of financial instruments with significant unobservable inputs.

– Note 16 – measurement and revenue recognition of concession arrangements.

– Note 17 – impairment testing for CGUs containing goodwill: key assumptions underlying recoverable amounts.

– Note 19 – recognition of deferred tax assets: availability of future taxable profit against which carry-forward tax losses can be used.

– Note 22 – measurement of defined benefit obligations: key actuarial assumptions.

– Notes 23 – recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.

NOTE 4 – RISK MANAGEMENT

Grupo Aval and its subsidiaries in the financial sector, Banco de Bogotá, Banco de Occidente, Banco AV Villas, Banco Popular, Corficolombiana and Porvenir manage risk pursuant to the applicable regulations in each country where they operate and according to Grupo Aval's policies.

The risk framework requires that strong risk management practices are integrated in the key processes across Grupo Aval with a goal of ensuring risks are appropriately considered, evaluated and responded to in a timely manner. Grupo Aval employs a risk management process that aims to identify, measure, monitor and control, as part of the daily activities, all the risks that Grupo Aval is exposed to.

Lines of Defense: in addition to the roles of Executive Officers in managing risk, management has ownership and accountability across the three lines of defense: (1) First Line: Business Units, (2) Second Line: mainly concentrated in the Independent Risk Management units and (3) Third line: Corporate Audit.

- Business Units: Include the business lines as well as the Technology and Operations areas which are responsible for appropriate assessment and effective management of all risks associated with their processes.

- Independent Risk Management Units: Risk management areas include risk management and compliance departments. Grupo Aval has other control functions that are not part of these areas but are also key in risk mitigation of non-financial risks, including legal, human resources and certain activities within the financial and administrative processes.

- Corporate Audit: Corporate audit maintains its independence from the first and second lines by reporting directly to the Audit Committee or the Board. Corporate Audit provides independent assessment and validation through testing of key processes and controls across Grupo Aval.

The following sections outline the key financial risks that are inherent to the business activities of the subsidiaries:

Financial risks

i) **Credit risk:** the risk of financial loss if a debtor fails to meet their contractual obligations.

ii) **Market risk:** the risk of loss arising from potential adverse movements in the value of the subsidiaries in the financial sector assets and liabilities or future results, arising as a result of changes in market variables such as interest rates, foreign exchange rates, equity prices, commodity prices, implied volatilities or credit spreads; this includes the structural interest rate and foreign exchange risks.

iii) **Liquidity risk:** the risk of being unable to meet contractual and contingent obligations or that the subsidiaries in the financial sector do not have the appropriate amount, composition and tenor of funding and liquidity to support the financial assets and liabilities requirements (funding liquidity risk). Also includes the capability to manage its investment portfolio in terms of liquidity, duration and currency (market liquidity risk).

iv) **Interest rate risk:** it is the current or potential risk to equity and profits that arise from adverse movements in interest rates, which affect the positions of the banking book.

Additionally, the risk areas are responsible for supporting capital management by determining risk levels of the calculation of capital adequacy requirements, impact assessment of the risk materialization on compliance with capital levels and determining the levels of risk appetite.

Objective and general guidelines of financial risk management

Grupo Aval's and its subsidiaries' of the financial sector objective is to maximize returns for its investors through strong risk management. The guiding principles of risk management at Grupo Aval are as follows:

a) Make risk management a part of every institutional process.
b) Collective decision making for the approval of commercial lending of significant amounts.
c) Extensive and in-depth industry and market knowledge, as a result of sound leadership and experienced, stable and seasoned senior management.
d) Clear risk management policies based on a top-down approach with respect to:
   - Compliance with know-your-customer policies.

- Commercial loans credit structure based on clear identification of sources of repayment as well as cash flow generation capacity of the borrower.

e) Use of similar credit analysis tools for analysis across Grupo Aval's subsidiaries of financial sector.
f) Diversification of the commercial loan portfolio with respect to industries and economic groups.
g) Specialization in consumer product niches.
h) Extensive use of continuously updated scoring models and up-to-date credit ratings to ensure quality growth of loans with high credit quality.
i) Conservative policies in terms of:
   - trading portfolio composition with bias towards lower volatility instruments,
   - proprietary trading position, and
   - variable compensation for the trading staff.
j) Control the position-level exposures based on market risk sensitivities (such as VaR, DV01, Delta, Rho and Vega) and credit risk exposures by counterparties.
k) Concentration and diversification limits which are based on market liquidity and volatility, operational capacity, valuation and credit quality of counterparties.
l) Control and follow up on the funding and liquidity risk with independent oversight. This includes setting limits related to high quality liquid assets and maturity concentration of financial liabilities among others.
m) Ensuring compliance with regulatory limits and reviewing how the current and projected strategy can affect those limits.
n) Use of our market experience in the identification and implementation of best practices for risk management.

Main premises for risk management

Grupo Aval´s risk culture is based on the principles indicated in the section above, which are transmitted to all subsidiaries of the financial sector and business units. The strategy related to risk management is supported by the following guidelines:

a) In the financial sector subsidiaries of Grupo Aval, the risk function is independent of the business units. The segregation of functions between the business areas and the risk areas in charge of risk measurement analysis, control and reporting, provide enough independence and autonomy for proper risk control.
b) The decision-making process at the subsidiaries of the financial sector requires that transactions of significant amounts are sent to decision centers such as risk committees. The frequency of meetings of these committees ensures a high degree of agility regarding proposal resolution, and continuous participation of senior management in management of various risks.
c) Grupo Aval has corporate policies for the risks to which it is exposed. The business and risk units of Grupo Aval and its subsidiaries of the financial sector hold orientation meetings based on approaches to risk that are consistent with Grupo Aval´s risk culture.
d) Grupo Aval has implemented a risk system that is updated on a regular basis to address new conditions in the markets and the risks to which Grupo Aval is exposed.
e) There are adequate information systems to monitor risk exposure, ensure compliance with the approved policies and implement appropriate corrective actions as and when necessary.
f) Key risks are analyzed on a regular basis, not only when risks materialize or problems occur during the normal course of business but in a continuous process of risk management.
g) Grupo Aval and its subsidiaries of the financial sector have training courses on risk culture for all hierarchy levels in the organization.
h) A risk culture has been integrated throughout the organization, consisting of a series of attitudes, values, skills and guidelines to action.

(Amounts expressed in millions of Colombian pesos)

Financial Risk Review

4.1 Credit Risk

4.1.1 Consolidated Credit Risk Exposure

Grupo Aval´s subsidiaries are exposed to credit risk, consisting of the risk of financial loss as a result of a failure of a debtor to meet their contractual obligations in financial transactions on a timely and complete manner. Exposure to credit risk for Grupo Aval and its subsidiaries is a result of credit activities and transactions with counterparties.

The maximum exposure to credit risk of Grupo Aval, at a consolidated level is reflected in the carrying value of financial assets in the consolidated statement of financial position of Grupo Aval as of December 31, 2023 and 2022 as follows:

Assets		**December 31, 2023**		**December 31, 2022**
Cash and cash equivalents (*)	Ps.	14,788,750	Ps.	13,234,832
Trading investments in debt securities		7,113,380		3,760,887
Investments in debt securities mandatorily at FVTPL		1,889		1,378
Investments in debt securities at FVOCI		23,326,776		22,461,805
Investments in debt securities at amortized cost		9,996,561		9,771,492
Derivatives instruments		2,077,567		2,041,405
Hedging derivatives		48,662		20,854
Loans				
Commercial		107,047,817		104,775,099
Consumer		59,999,611		59,419,444
Mortgage		18,486,206		17,883,355
Microcredit		277,529		267,720
Interbank and overnight funds		392,607		5,967,743
Other accounts receivable FVTPL		3,830,916		3,507,231
Other accounts receivable at amortized cost		22,171,973		20,255,758
Total financial assets with credit risk	**Ps.**	**269,560,244**	**Ps.**	**263,369,003**
Financial instruments with credit risk outside of the statement of financial position at its nominal value				
Financial guarantees and letters of credit		3,052,607		4,679,653
Credit commitments		26,745,937		26,328,516
Total exposure to credit risk outside of the statement of financial position (**)	**Ps.**	**29,798,544**	**Ps.**	**31,008,169**
Total maximum exposure to credit risk	**Ps.**	**299,358,788**	**Ps.**	**294,377,172**

(*) Not including funds in the entity's custody (cash, tellers, vaults), because there is no credit risk regarding Grupo Aval entities. See Note 4.1.3 h)
(**) See details in note 4.1.9.

With regard to guarantees and commitments to extend credit amounts, the maximum credit risk exposure is the amount of a commitment. Credit risk is mitigated by guarantees and collaterals as described in note 4.1.4 Mitigation of Credit Risk, Collateral and Other Credit Risk Enhancements.

Each of Grupo Aval´s financial subsidiaries assume the credit risk for both the credit activities, which includes commercial, consumer, mortgage and microcredit credit lending, and treasury activities including interbank loans, investment portfolio management, derivatives and foreign currency trading activities among others. Despite being independent businesses, the nature of insolvency risk of a borrower or counterparty is similar and therefore the criteria in which they are evaluated is similar.

(Amounts expressed in millions of Colombian pesos)

4.1.1.A. Loan portfolio disclosure.

Loans are recorded at amortized cost in the statement of financial position, and are classified as commercial, consumer, residential mortgage, microcredit, interbank and overnight funds. The following table presents the portfolio balances, provision balances and net value portfolio by segment:

December 31, 2023

Portfolio segment	Loan Portfolio	Loss allowance	Total loan Portfolio, net
Commercial	Ps. 107,440,424	Ps. 5,294,622	Ps. 102,145,802
Interbank and overnight funds	392,607	22	392,585
Client portfolio	107,047,817	5,294,600	101,753,217
Consumer	59,999,611	4,307,446	55,692,165
Residential mortgage	18,486,206	379,987	18,106,219
Microcredit	277,529	53,660	223,869
Total portfolio	**Ps. 186,203,770**	**Ps. 10,035,715**	**Ps. 176,168,055**

December 31, 2022

Portfolio segment	Loan Portfolio	Loss allowance	Total loan Portfolio, net
Commercial	Ps. 110,742,842	Ps. 5,494,190	Ps. 105,248,652
Interbank and overnight funds	5,967,743	1,444	5,966,299
Client portfolio	104,775,099	5,492,746	99,282,353
Consumer	59,419,444	3,311,912	56,107,532
Residential mortgage	17,883,355	352,441	17,530,914
Microcredit	267,720	38,971	228,749
Total portfolio	**Ps. 188,313,361**	**Ps. 9,197,514**	**Ps. 179,115,847**

4.1.1.B Loan portfolio given as collateral

In 2023 and 2022, there were no portfolio operations delivered as collateral in resource auction operations with Banco República.

4.1.2 Loan and Counterparty Approval Process for subsidiaries in the financial sector

The principles and rules for credit management and credit risk for each financial subsidiary are contained in the credit manual, both for commercial banking activities and treasury activities. Evaluation criteria to measure credit risk follows the principal instructions set forth by the Treasury and Credit Risk Committees.

The maximum authority regarding lending is the Board of Directors for each bank, which approves the general policy and has the capacity to approve large size transactions. In the normal banking operation, authorizations for approval of loans and lines of credit depend on the amounts, credit quality, tenor and security collateral or guarantees offered by the client. The Board of Directors of each bank has delegated part of its lending authorities to different committees and executives who process the credit requests and are responsible for the analysis and credit review.

Additionally, for the approval of credits, certain considerations are taken into account including but not limited to, the probability of default, the recovery percentage of guarantees received, current customer exposure and tenor & concentration by economic sector.

Regarding treasury operations, the Boards of Directors of the financial subsidiaries approve lines of credit for counterparties. Risk control is essentially carried out through three mechanisms: periodic approval of lines of credit, evaluation of the conditions of the issuers at least annually and a report on concentrations for each client or economic group.

Although each financial subsidiary is responsible for its credit decisions and risk management, Grupo Aval as the holding entity, oversees the implementation of appropriate risk management controls at the financial subsidiaries through the Corporate Risk Unit and has established upward loan reporting processes. The holding's risk management staff meets on a periodically basis to discuss Grupo Aval subsidiaries' loan portfolio, developments in industry, risks and opportunities. Additionally, Grupo Aval through the Credit Projects Unit reviews credit exposures approved by the Group's financial entities, in accordance with guidelines established based on financial indicators, group exposure, economic sectors, among others. This process was developed to effectively leverage the combined equity of its Banks and manage any risk issues.

(Amounts expressed in millions of Colombian pesos)

Each subsidiary of the financial sector has a Credit Risk Management System, which is managed by the credit vice-presidency or its equivalent, and includes, among others, the design, implementation and evaluation of policies and risk mechanisms defined by the Credit and Treasury Risk Committee and the Board of Directors of each entity. The operation of the Credit Risk Management System has resulted in the integration of risk measurement tools into the credit approval process in each of the financial subsidiaries.

Each subsidiary of the financial sector in Colombia has two models for evaluating credit risk for the approval of commercial loans. The first is the financial ratings model, which consists of statistical models based on the client´s financial information, which are used in the approval process and for portfolio management and monitoring. The second model is based on the client´s financial ratings and their historical payment behavior with the bank.

For retail loans (including mortgage loans and auto loans) models are based on product line characteristic, sociodemographic variables and the historical payment behavior of the clients with the bank and the financial sector.

As a result of the changes caused by the national and international economic and political situation, periodically review and analyze whether it is necessary to adjust origination strategies, along with approved debt limits in accordance with individual risk analysis, especially for customers identified in high-risk sectors, segments, credit lines and among others.

4.1.3 Credit quality analysis

The Credit-risk Monitoring Process and Credit rating of the loan portfolio

The monitoring process and credit risk review of each financial subsidiary is carried out in several steps including portfolio analysis by vintages, risk level rating, permanent high-risk clients' review, restructuring processes of operations and the receipt of foreclosed assets as payment.

Periodically the financial subsidiaries classify each client in one of these risk categories: Category Normal, Acceptable, Appreciable, Significant and Non - recoverability, based on the statistical models that each subsidiary has.

In addition, each financial subsidiary evaluates the commercial portfolio by economic sectors, where macro-sectors are evaluated with the purpose of monitoring the concentration per economic sector and the risk level of each one.

At least once a year, each financial subsidiary carries out an individual analysis of credit risk based on updated financial information of the client, payment record, collateral security/guarantees received, credit bureau reports and other qualitative information available; based on the information, clients are classified by risk level as mentioned above.

Each risk category is explained as follows:

Category	PD*	Risk	Description
1	0%- 7.5%	Normal	Appropriately serviced. The debtor's financial statements or their projected cash flows, as well as all other credit information available to us, reflect adequate paying capacity
2	7.5% - 15%	Acceptable above normal	Adequately serviced and protected, but there are weaknesses which may potentially affect, on a temporary or permanent basis, the debtor's paying capacity or their projected cash flows to the extent that, if not timely corrected, would affect the collection of the credits as contracted
3	15% - 22.5%		
4	22.5% - 30%	Appreciable	Have debtors with insufficient paying capacity or relate to projects with insufficient cash flow, which may compromise the normal collection of the obligations
5	30% - 45%		
6	45% - 60%	Significant	Have the same deficiencies as loans in category 4-5, but to a larger extent; consequently, the probability of collection is highly doubtful
7	60% - 90%		
8	> 90%	Non-recoverability	Deemed uncollectible.

(*) Probability of default – "PD" is the probability that the counterpart defaults in their payment obligations of capital and/or interest.

For mortgage loans and microcredits, the previous classification by risk levels is carried out monthly considering the number of days past due.

(Amounts expressed in millions of Colombian pesos)

In addition, the credit risk exposure is managed through a periodic analysis of the borrowers (or potential borrowers) to determine the repayment capacity of capital and interest. The credit risk exposure is also mitigated partly by obtaining collateral security, corporate and personal guarantees.

The following table sets out information about the credit quality of financial assets measured at amortized cost. Unless specifically indicated, for financial assets, the amounts in the table represent gross carrying amounts. For loan commitments and financial guarantee contracts, the amounts in the table represent the amounts committed or guaranteed, respectively. Based on the foregoing classifications, each financial subsidiary establishes and executes collection strategies directed at maximizing the collection of the loan portfolio.

As of December 31, 2023 and 2022, the following is a summary of the credit portfolio by probability of default. Explanation of the terms: Stage 1, Stage 2 and Stage 3 are included in Note 2 (2.5) (ix) and explained in detail in Note 4.1.5 (Measurement of Expected Credit Loss).

Total Portfolio

	December 31, 2023							
	Total Exposure							
PD Range	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
0%- 7.5%	Ps.	155,352,194	Ps.	2,123,462	Ps.	1,662	Ps.	157,477,318
7.5% - 15%		8,001,193		1,491,965		18		9,493,176
15% - 22.5%		635,366		454,652		13		1,090,031
22.5% - 30%		372,476		657,258		17		1,029,751
30% - 45%		122,410		2,115,980		48		2,238,438
45% - 60%		10,436		594,121		382		604,939
60% - 90%		30,479		1,640,781		3,085		1,674,345
> 90%		7		35,828		12,559,937		12,595,772
TOTAL	**Ps.**	**164,524,561**	**Ps.**	**9,114,047**	**Ps.**	**12,565,162**	**Ps.**	**186,203,770**

	December 31, 2022							
	Total Exposure							
PD Range	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
0%- 7.5%	Ps.	157,604,135	Ps.	1,939,187	Ps.	1,204	Ps.	159,544,526
7.5% - 15%		6,335,608		2,344,810		4		8,680,422
15% - 22.5%		714,742		613,626		16		1,328,384
22.5% - 30%		82,591		804,305		26		886,922
30% - 45%		105,034		3,643,179		80		3,748,293
45% - 60%		59,209		843,511		43		902,763
60% - 90%		2,306		1,545,507		3,602		1,551,415
> 90%		2,398		40,783		11,627,455		11,670,636
TOTAL	**Ps.**	**164,906,023**	**Ps.**	**11,774,908**	**Ps.**	**11,632,430**	**Ps.**	**188,313,361**

Commercial – Client portfolio

	December 31, 2023							
	Total Exposure							
PD Range	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
0%- 7.5%	Ps.	89,446,752	Ps.	922,338	Ps.	30	Ps.	90,369,120
7.5% - 15%		4,619,984		672,515		14		5,292,513
15% - 22.5%		149,734		141,027		—		290,761
22.5% - 30%		75,014		296,926		—		371,940
30% - 45%		35,159		1,384,320		—		1,419,479
45% - 60%		—		29,600		44		29,644
60% - 90%		1,652		79,911		249		81,812
> 90%		5		3,897		9,188,646		9,192,548
TOTAL	**Ps.**	**94,328,300**	**Ps.**	**3,530,534**	**Ps.**	**9,188,983**	**Ps.**	**107,047,817**

(Amounts expressed in millions of Colombian pesos)

	December 31, 2022							
	Total Exposure							
PD Range	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
0%- 7.5%	Ps.	86,598,568	Ps.	779,368	Ps.	9	Ps.	87,377,945
7.5% - 15%		3,221,994		1,381,026		—		4,603,020
15% - 22.5%		72,734		156,062		—		228,796
22.5% - 30%		6,479		299,999		6		306,484
30% - 45%		44,889		2,716,387		—		2,761,276
45% - 60%		12,023		263,181		6		275,210
60% - 90%		1,446		70,843		683		72,972
> 90%		101		5,228		9,144,067		9,149,396
TOTAL	**Ps.**	**89,958,234**	**Ps.**	**5,672,094**	**Ps.**	**9,144,771**	**Ps.**	**104,775,099**

Consumer

	December 31, 2023							
	Total Exposure							
PD Range	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
0%- 7.5%	Ps.	48,882,951	Ps.	959,967	Ps.	1,624	Ps.	49,844,542
7.5% - 15%		3,162,195		630,148		3		3,792,346
15% - 22.5%		407,118		221,512		13		628,643
22.5% - 30%		287,632		303,389		17		591,038
30% - 45%		83,212		511,700		46		594,958
45% - 60%		5,394		403,500		335		409,229
60% - 90%		27,605		1,347,432		2,836		1,377,873
> 90%		2		31,127		2,729,853		2,760,982
TOTAL	**Ps.**	**52,856,109**	**Ps.**	**4,408,775**	**Ps.**	**2,734,727**	**Ps.**	**59,999,611**

	December 31, 2022							
	Total Exposure							
PD Range	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
0%- 7.5%	Ps.	49,264,495	Ps.	1,077,991	Ps.	1,193	Ps.	50,343,679
7.5% - 15%		2,552,075		475,589		4		3,027,668
15% - 22.5%		551,430		380,837		16		932,283
22.5% - 30%		61,468		311,962		19		373,449
30% - 45%		55,980		870,976		78		927,034
45% - 60%		42,850		463,902		34		506,786
60% - 90%		578		1,312,625		2,915		1,316,118
> 90%		252		35,081		1,957,094		1,992,427
TOTAL	**Ps.**	**52,529,128**	**Ps.**	**4,928,963**	**Ps.**	**1,961,353**	**Ps.**	**59,419,444**

Mortgage

	December 31, 2023							
	Total Exposure							
PD Range	**Stage 1**		**Stage 2**		**Stage 3**		**Total**	
0%- 7.5%	Ps.	16,462,013	Ps.	241,157	Ps.	8	Ps.	16,703,178
7.5% - 15%		192,612		189,280		1		381,893
15% - 22.5%		64,124		92,026		—		156,150
22.5% - 30%		1,654		56,932		—		58,586
30% - 45%		594		219,707		2		220,303
45% - 60%		—		160,222		3		160,225
60% - 90%		—		200,657		—		200,657
> 90%		—		804		604,410		605,214
TOTAL	**Ps.**	**16,720,997**	**Ps.**	**1,160,785**	**Ps.**	**604,424**	**Ps.**	**18,486,206**

(Amounts expressed in millions of Colombian pesos)

	December 31, 2022							
	Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total	
0%- 7.5%	Ps.	15,619,231	Ps.	81,828	Ps.	2	Ps.	15,701,061
7.5% - 15%		520,960		488,195		—		1,009,155
15% - 22.5%		83,260		76,727		—		159,987
22.5% - 30%		2,201		192,344		1		194,546
30% - 45%		776		55,449		2		56,227
45% - 60%		—		115,989		3		115,992
60% - 90%		—		148,789		4		148,793
> 90%		—		474		497,120		497,594
TOTAL	**Ps.**	**16,226,428**	**Ps.**	**1,159,795**	**Ps.**	**497,132**	**Ps.**	**17,883,355**

Microcredit

	December 31, 2023							
	Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total	
0%- 7.5%	Ps.	167,871	Ps.	—	Ps.	—	Ps.	167,871
7.5% - 15%		26,402		22		—		26,424
15% - 22.5%		14,390		87		—		14,477
22.5% - 30%		8,176		11		—		8,187
30% - 45%		3,445		253		—		3,698
45% - 60%		5,042		799		—		5,841
60% - 90%		1,222		12,781		—		14,003
> 90%		—		—		37,028		37,028
TOTAL	**Ps.**	**226,548**	**Ps.**	**13,953**	**Ps.**	**37,028**	**Ps.**	**277,529**

	December 31, 2022							
	Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total	
0%- 7.5%	Ps.	154,099	Ps.	—	Ps.	—	Ps.	154,099
7.5% - 15%		40,579		—		—		40,579
15% - 22.5%		7,318		—		—		7,318
22.5% - 30%		12,443		—		—		12,443
30% - 45%		3,389		367		—		3,756
45% - 60%		4,336		439		—		4,775
60% - 90%		282		13,250		—		13,532
> 90%		2,045		—		29,173		31,218
TOTAL	**Ps.**	**224,491**	**Ps.**	**14,056**	**Ps.**	**29,173**	**Ps.**	**267,720**

Interbank and overnight funds

	December 31, 2023							
	Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total	
0%- 7.5%	Ps.	392,607	Ps.	—	Ps.	—	Ps.	392,607
7.5% - 15%		—		—		—		—
15% - 22.5%		—		—		—		—
22.5% - 30%		—		—		—		—
30% - 45%		—		—		—		—
45% - 60%		—		—		—		—
60% - 90%		—		—		—		—
> 90%		—		—		—		—
TOTAL	**Ps.**	**392,607**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**392,607**

(Amounts expressed in millions of Colombian pesos)

	December 31, 2022							
	Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total	
0%- 7.5%	Ps.	5,967,742	Ps.	—	Ps.	—	Ps.	5,967,742
7.5% - 15%		—		—		—		—
15% - 22.5%		—		—		—		—
22.5% - 30%		—		—		—		—
30% - 45%		—		—		—		—
45% - 60%		—		—		—		—
60% - 90%		—		—		—		—
> 90%		—		—		1		1
TOTAL	**Ps.**	**5,967,742**	**Ps.**	**—**	**Ps.**	**1**	**Ps.**	**5,967,743**

Loan commitments and financial guarantee contracts

	December 31, 2023							
	Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total	
0%- 7.5%	Ps.	26,560,070	Ps.	74,846	Ps.	205	Ps.	26,635,121
7.5% - 15%		217,078		901,543		14		1,118,635
15% - 22.5%		30,108		1,684,982		17		1,715,107
22.5% - 30%		8,822		4,715		74		13,611
30% - 45%		1,059		145,865		138		147,062
45% - 60%		2		2,821		252		3,075
60% - 90%		9		1,050		426		1,485
> 90%		1		301		164,146		164,448
TOTAL	**Ps.**	**26,817,149**	**Ps.**	**2,816,123**	**Ps.**	**165,272**	**Ps.**	**29,798,544**

	December 31, 2022							
	Total Exposure							
PD Range	Stage 1		Stage 2		Stage 3		Total	
0%- 7.5%	Ps.	26,786,851	Ps.	249,902	Ps.	69	Ps.	27,036,822
7.5% - 15%		286,943		1,053,719		10		1,340,672
15% - 22.5%		10,450		1,865,391		98		1,875,939
22.5% - 30%		2,033		232,787		180		235,000
30% - 45%		1,469		303,823		777		306,069
45% - 60%		83		79,811		700		80,594
60% - 90%		532		47,631		728		48,891
> 90%		—		13		84,169		84,182
TOTAL	**Ps.**	**27,088,361**	**Ps.**	**3,833,077**	**Ps.**	**86,731**	**Ps.**	**31,008,169**

Credit quality of financial assets (excluding loan portfolio)

The following is the breakdown of the different financial assets excluding loan portfolio, by credit risk level and type of issuer based on the rating issued by the independent credit ratings agency. A financial asset is considered investment grade if its credit rating is

(Amounts expressed in millions of Colombian pesos)

BBB- or higher by Standard & Poor's or Fitch Ratings scale, Baa3 or higher by Moody's scale, F3 or higher by Fitch Ratings Colombia S.A or BRC3 or higher by BRC of Colombia. Otherwise, the financial asset is considered speculative.

a) Trading investment in debt securities

	December 31, 2023		December 31, 2022	
Investment grade				
Sovereign (*)	Ps.	5,764,699	Ps.	2,721,755
Other public entities (**)		18,886		12,202
Corporate		3,412		112
Financial entities		349,273		178,584
Total investment grade	Ps.	**6,136,270**	**Ps.**	**2,912,653**
Speculative grade				
Sovereign (*)	Ps.	62,213	Ps.	157,246
Other public entities (**)		136,851		181,948
Corporate		42,581		33,880
Financial entities		735,187		473,223
Multilaterals		—		1,873
Total Speculative grade	**Ps.**	**976,832**	**Ps.**	**848,170**
Without grade or not available				
Corporate	Ps.	278	Ps.	64
Total without grade or not available	**Ps.**	**278**	**Ps.**	**64**
	Ps.	**7,113,380**	**Ps.**	**3,760,887**

(*) A sovereign credit rating considers the risk of Treasury issuer or similar agency (government debt portfolio).
(**) Corresponds to operations with government entities, including public administrations in general including regional and local governments.

b) Investments in debt securities mandatorily at FVTPL

	December 31, 2023		December 31, 2022	
Speculative grade				
Corporate	Ps.	1,889	Ps.	1,378
Total Speculative grade	**Ps.**	**1,889**	**Ps.**	**1,378**

c) Investments in debt securities at FVOCI

	December 31, 2023							
	Stage 1		Stage 2		Stage 3		Total	
Investment grade								
Sovereign (*)	Ps.	16,879,453	Ps.	—	Ps.	—	Ps.	16,879,453
Other public entities (**)		123,996		—		—		123,996
Central banks		145,489		—		—		145,489
Corporate		93,637		—		—		93,637
Financial entities		1,085,737		—		—		1,085,737
Multilaterals		330,748		—		—		330,748
Total investment grade	**Ps.**	**18,659,060**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**18,659,060**
Speculative grade								
Sovereign (*)	Ps.	2,418,378	Ps.	—	Ps.	—	Ps.	2,418,378
Other public entities (**)		739,792		—		—		739,792
Corporate		273,144		—		—		273,144
Financial entities		1,056,910		—		—		1,056,910
Multilaterals		3,549		—		—		3,549
Total speculative grade	**Ps.**	**4,491,773**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**4,491,773**
Without Grade or Not available								
Corporate	Ps.	175,943	Ps.	—	Ps.	—	Ps.	175,943
Total Without Grade or Not available	**Ps.**	**175,943**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**175,943**
	Ps.	**23,326,776**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**23,326,776**

(*) Sovereign credit rating is considered as the risk of the Treasury issuer or a similar agency (government debt portfolio).
(**) Corresponds to operations with government entities; including public administrations in general (includes regional and local governments).

(Amounts expressed in millions of Colombian pesos)

	December 31, 2022							
	Stage 1		Stage 2		Stage 3		Total	
Investment grade								
Sovereign (*)	Ps.	16,247,220	Ps.	—	Ps.	—	Ps.	16,247,220
Other public entities (**)		109,246		—		—		109,246
Central banks		194,098		—		—		194,098
Corporate		124,587		—		—		124,587
Financial entities		840,545		—		—		840,545
Multilaterals		477,890		—		—		477,890
Total investment grade	**Ps.**	**17,993,586**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**17,993,586**
Speculative grade								
Sovereign (*)	Ps.	2,702,107	Ps.	—	Ps.	—	Ps.	2,702,107
Other public entities (**)		680,002		—		—		680,002
Corporate		245,734		—		—		245,734
Financial entities		782,359		—		—		782,359
Multilaterals		25,062		—		—		25,062
Total speculative grade	**Ps.**	**4,435,264**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**4,435,264**
Without Grade or Not available								
Financial entities		32,955		—		—		32,955
Total Without Grade or Not available	**Ps.**	**32,955**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**32,955**
	Ps.	**22,461,805**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**22,461,805**

(*) Sovereign credit rating is considered as the risk of the Treasury issuer or a similar agency (government debt portfolio).

(**) Corresponds to operations with government entities; including public administrations in general (includes regional and local governments).

d) Investments in debt securities at amortized cost

	December 31, 2023							
	Stage 1		Stage 2		Stage 3		Total	
Investment grade								
Sovereign (*)	Ps.	2,593,978	Ps.	—	Ps.	—	Ps.	2,593,978
Financial entities		2,016,078		—		—		2,016,078
Total investment grade	**Ps.**	**4,610,056**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**4,610,056**
Speculative grade								
Other public entities (**)	Ps.	5,112,355	Ps.	—	Ps.	—	Ps.	5,112,355
Corporate		63,824		—		—		63,824
Financial Entities		5,761		—		—		5,761
Total speculative grade	**Ps.**	**5,181,940**	**Ps.**	**—**	**Ps.**	**—**	**Ps.**	**5,181,940**
Without Grade or Not available								
Corporate	Ps.	83,066	Ps.	60,344	Ps.	—	Ps.	143,410
Financial Entities		61,155		—		—		61,155
Total Without Grade or Not available	**Ps.**	**144,221**	**Ps.**	**60,344**	**Ps.**	**—**	**Ps.**	**204,565**
	Ps.	**9,936,217**	**Ps.**	**60,344**	**Ps.**	**—**	**Ps.**	**9,996,561**

(*) Sovereign credit rating is considered as the risk of the Treasury issuer or a similar agency (government debt portfolio).

(**) Corresponds to operations with government entities; including public administrations in general (includes regional and local governments).

(Amounts expressed in millions of Colombian pesos)

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Investment grade				
Sovereign (*)	Ps. 2,333,070	Ps. —	Ps. —	Ps. 2,333,070
Financial entities	29,026	—	—	29,026
Total investment grade	**Ps. 2,362,096**	**Ps. —**	**Ps. —**	**Ps. 2,362,096**
Speculative grade				
Other public entities (**)	Ps. 4,509,839	Ps. —	Ps. —	Ps. 4,509,839
Corporate	72,390	—	—	72,390
Financial entities	2,520,330	—	—	2,520,330
Total speculative grade	**Ps. 7,102,559**	**Ps. —**	**Ps. —**	**Ps. 7,102,559**
Without Grade or Not available				
Corporate	Ps. 157,338	Ps. 80,199	Ps. —	Ps. 237,537
Financial Entities	43,851	25,449	—	69,300
Total Without Grade or Not available	**Ps. 201,189**	**Ps. 105,648**	**Ps. —**	**Ps. 306,837**
	Ps. 9,665,844	**Ps. 105,648**	**Ps. —**	**Ps. 9,771,492**

(*) Sovereign credit rating is considered as the risk of the Treasury issuer or a similar agency (government debt portfolio).

(**) Corresponds to operations with government entities; including public administrations in general (includes regional and local governments).

e) Other accounts receivable at FVTPL

	December 31, 2023	December 31, 2022
Investment grade		
Sovereign (*)	Ps. 3,830,916	Ps. 3,507,231
Total investment grade	**Ps. 3,830,916**	**Ps. 3,507,231**

(*) Sovereign credit rating is considered as the risk of the Treasury issuer or a similar agency (government debt portfolio).

f) other accounts receivable at amortized cost

	December 31, 2023				
	Stage 1	Stage 2	Stage 3	Simplified Approach	Total
Other receivables using general approach					
Other accounts receivable and contract assets for government and corporate customers	Ps. 14,569,999	Ps. —	Ps. 1,535	Ps. —	Ps. **14,571,534**
Other accounts receivable related to gas, energy services, contributions, and others	1,143,548	119,607	184,829	—	**1,447,984**
Other receivables using simplified approach					
Other accounts receivable from individual customers	—	—	—	6,152,455	**6,152,455**
Total other receivables	**Ps. 15,713,547**	**Ps. 119,607**	**Ps. 186,364**	**Ps. 6,152,455**	**Ps. 22,171,973**

	December 31, 2022				
	Stage 1	Stage 2	Stage 3	Simplified Approach	Total
Other receivables using general approach					
Other accounts receivable and contract assets for government and corporate customers	Ps. 13,231,073	Ps. —	Ps. —	Ps. —	Ps. **13,231,073**
Other accounts receivable related to gas, energy services, contributions, and others	1,084,093	145,724	181,992	—	**1,411,809**
Other receivables using simplified approach					
Other accounts receivable from individual customers	—	—	—	5,612,876	**5,612,876**
Total other receivables	**Ps. 14,315,166**	**Ps. 145,724**	**Ps. 181,992**	**Ps. 5,612,876**	**Ps. 20,255,758**

(Amounts expressed in millions of Colombian pesos)

Evaluated using general approach

The following table provides information about the exposure to credit risk for other accounts receivable and contract assets for corporate customers as of December 31, 2023, and 2022. The credit quality of these financial assets follows the methodology of the probability of default of debt securities and other liquid financial assets (See note 4.1.5).

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Investment grade				
Sovereign (*)	Ps. 13,990,298	Ps. —	Ps. —	Ps. 13,990,298
Corporate	—	—	1,535	1,535
Financial entities	579,701	—	—	579,701
Total investment grade	**Ps. 14,569,999**	**Ps. —**	**Ps. 1,535**	**Ps. 14,571,534**

(*) Sovereign credit rating is considered as the risk of the Treasury issuer or a similar agency (government debt portfolio).

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Investment grade				
Sovereign (*)	Ps. 12,653,956	Ps. —	Ps. —	Ps. 12,653,956
Financial entities	577,117	—	—	577,117
Total investment grade	**Ps. 13,231,073**	**Ps. —**	**Ps. —**	**Ps. 13,231,073**

(*) Sovereign credit rating is considered as the risk of the Treasury issuer or a similar agency (government debt portfolio).

The following table provides information about the exposure to credit risk by segment for accounts receivable related to gas and energy services, the methodology used to estimate the ECLs is the same used for Loan and Receivable (See note 4.1.5):

	December 31, 2023			
	Stage 1	Stage 2	Stage 3	Total
Segmentation				
Contributions	Ps. 88,148	Ps. —	Ps. —	Ps. 88,148
Gas	709,422	111,786	102,077	923,285
Energy	84,960	7,821	82,752	175,533
Other accounts receivable	261,018	—	—	261,018
Total segmentation	**Ps. 1,143,548**	**Ps. 119,607**	**Ps. 184,829**	**Ps. 1,447,984**

	December 31, 2022			
	Stage 1	Stage 2	Stage 3	Total
Segmentation				
Contributions	Ps. 151,923	Ps. —	Ps. —	Ps. 151,923
Gas	692,169	141,218	89,833	923,220
Energy	78,617	4,506	92,159	175,282
Other accounts receivable	161,384	—	—	161,384
Total segmentation	**Ps. 1,084,093**	**Ps. 145,724**	**Ps. 181,992**	**Ps. 1,411,809**

Evaluated using simplified approach

Grupo Aval uses a probability matrix to measure the ECL for other receivables from individual customers, which have small balances.

The weighted-average loss rate is calculated using a "rolling rate" method based on the probability that a receivable will progress through successive stages of default until write off. The rolling rate is calculated for exposures in different segments and separately in accordance with the following common features of credit risk.

(Amounts expressed in millions of Colombian pesos)

The following table provides information about the exposure to credit risk and ECLs for trade receivables and contract assets from individual customers as of December 31, 2023 and 2022.

December 31, 2023	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
0–30 days past due	0.18 %	Ps. 4,949,057	Ps. 8,889	Ps. —
31–60 days past due	0.36 %	173,165	621	—
61–90 days past due	1.89 %	106,196	2,007	—
More than 90 days past due	19.26 %	924,037	177,968	924,037
		Ps. 6,152,455	**Ps. 189,485**	**Ps. 924,037**

December 31, 2022	Weighted-average loss rate	Gross carrying amount	Loss allowance	Credit-impaired
0–30 days past due	0.03 %	Ps. 4,884,653	Ps. 1,269	Ps. —
31–60 days past due	0.87 %	94,105	821	—
61–90 days past due	0.71 %	66,299	470	—
More than 90 days past due	30.08 %	567,819	170,772	567,819
		Ps. 5,612,876	**Ps. 173,332**	**Ps. 567,819**

The loss rates are based on the experience of real credit loss during a year and the balance of accounts receivable at the cut-off date for previously defined homogeneous segments. It takes into consideration elements such as: segmentation by type of receivable account, date of analysis, definition of loss, among others. Based on the characteristics of the short-term receivable accounts, these portfolios result from operations where there are no non-linear impacts, therefore, the application of macroeconomic scenarios is not considered.

g) Derivative instruments

The details of credit rating determined by independent credit rating agents of counterparties in trading derivatives and hedge derivatives are as follows.

Credit worthiness	December 31, 2023	December 31, 2022
Investment grade	Ps. 1,398,093	Ps. 1,257,143
Speculative	22,274	4,165
Without grade or not available	705,862	800,951
Total	**Ps. 2,126,229**	**Ps. 2,062,259**

The following table shows an analysis of counterparty credit exposures that arise from derivative transactions. Transactions derived from Grupo Aval are generally fully guaranteed with cash:

Trading derivatives

	Total		Central counterparties	
	Notional amount	**Fair value**	**Notional amount**	**Fair value**
2023				
Derivative assets	Ps. 77,206,096	Ps. 2,077,567	Ps. 30,658,137	Ps. 4,272
Derivative liabilities	64,716,179	2,154,361	15,739,527	10,399
2022				
Derivative assets	Ps. 72,500,745	Ps. 2,041,405	Ps. 29,203,700	Ps. 12,991
Derivative liabilities	62,639,638	1,757,606	20,116,392	11,213

(Amounts expressed in millions of Colombian pesos)

Hedging derivatives

		Total		Central counterparties	
		Notional amount	Fair value	Notional amount	Fair value
2023					
Derivative assets	Ps.	3,765,455	Ps. 48,662	Ps. —	Ps. —
Derivative liabilities		5,109,351	217,566	—	—
2022					
Derivative assets	Ps.	829,105	Ps. 20,854	Ps. —	Ps. —
Derivative liabilities		533,829	3,568	—	—

Derivative transactions of Grupo Aval are collateralized by cash of Ps (1,035,846) as of December 31, 2023, and of Ps. (1,224,414) as of December 31, 2022, see note 4.1.10 "Offset of financial assets and financial liabilities".

h) Cash and cash equivalents

Grupo Aval held cash and cash equivalents of Ps. 18,597,861 as of December 31, 2023 (2022: Ps. 17,032,857). The cash and cash equivalents are held in central banks and financial institution counterparties. The following table shows an analysis of counterparty credit exposures:

		December 31, 2023		December 31, 2022
Investment grade	**Ps.**	**13,537,699**	**Ps.**	**12,051,274**
Central bank		6,857,510		4,541,687
Financial entities		6,678,693		7,509,587
Others		1,496		—
Speculative grade		**1,228,856**		**1,148,798**
Central bank		466		2,058
Financial entities		1,228,390		1,146,740
Without grade or not available		**22,195**		**34,760**
Financial entities		22,195		34,760
Cash and cash equivalent with third parties	**Ps.**	**14,788,750**	**Ps.**	**13,234,832**
Cash held by entity (*)	Ps.	3,809,111	Ps.	3,798,025
Total	**Ps.**	**18,597,861**	**Ps.**	**17,032,857**

(*) Cash held by each Grupo Aval's bank in custody in vaults, ATMs and cash.

4.1.4 Mitigation of Credit Risk, Collateral and Other Credit Risk Enhancements

The exposure to credit risk for each of Grupo Aval´s financial subsidiaries is reduced by collateral and other credit enhancements. The existence of collateral security or guarantees can be a requirement but not a determining factor in approval of a credit. Credit risk policies of Grupo Aval require an evaluation of the debtor's payment capacity based on the debtor´s ability to generate the resources needed for the timely and complete payment of their obligations.

Credit risk management includes the following activities:

- Analysis of credit risk: For commercial lending, tools are used for the individual evaluation of credits based on payment capacity supported on cash generation, credit rating models with inputs from historical and projected financial condition, and on the payment history of the debtor with the financial sector. For interbank and overnight funds, the Camel Model is used to analyze financial institutions according to six factors represented by capital adequacy, assets quality, management, earnings, liquidity, and sensitivity. For consumer lending (including mortgages and auto financing), scoring models are based on characteristics of each credit line and in terms of clients, sociodemographic variables and payment behavior with both then bank and the financial sector.
- Evaluation of collateral security / guarantees with appropriate debt coverage in accordance with the credit policies of each financial subsidiary. Collateral security includes mortgages on real estate, pledge on assets, cash deposits and investments.
- Evaluation of the liquidity of the collateral security / guarantees received.

The methods used for the evaluation of collateral security / guarantees are aligned with the market practices and include the use of independent real estate appraisers or the market value of securities. All collateral security / guarantees must be legally evaluated and drafted following the parameters of applicable legal regulations.

(Amounts expressed in millions of Colombian pesos)

Mortgage lending

The following tables classify credit exposures for mortgage loans and advances to retail customers by ranges of loan-to-value (LTV) ratio. LTV is calculated as the ratio of the gross amount of the loan – or the amount of the loan commitments – to the value of the collateral. The value of the collateral for mortgage loans is based on the collateral value at origination updated based on changes in house price indices.

	December 31, 2023	December 31, 2022
LTV ratio		
Less than 50%	Ps. 7,784,742	Ps. 6,828,495
51 – 70%	6,379,677	6,139,066
71 – 90%	3,281,508	3,595,794
91 – 100%	771,664	1,019,031
More than 100%	268,615	300,969
Total	**Ps. 18,486,206**	**Ps. 17,883,355**

Credit-impaired mortgage loans

For credit-impaired loans the value of collateral is based on the most recent appraisals

	December 31, 2023	December 31, 2022
LTV ratio		
Less than 50%	Ps. 146,489	Ps. 141,621
51 – 70%	252,655	184,151
More than 70%	205,280	171,360
Total	**Ps. 604,424**	**Ps. 497,132**

As of December 31, 2023, and 2022, the following chart shows the detail of the credit portfolio per type of guarantees received.

December 31, 2023	Commercial	Consumer	Mortgages	Microcredit	Interbank and overnight funds	Total
Unsecured credits	Ps. 60,462,815	Ps. 54,320,369	Ps. 1,277	Ps. 257,610	Ps. 88,588	Ps. 115,130,659
Loans secured by other banks	202,667	109	—	—	—	202,776
Collateralized credits:						
Mortgages	1,388,044	147,499	16,370,941	497	—	17,906,981
Other real estate	11,949,592	226,614	1,603	112	—	12,177,921
Investments in equity instruments	392,474	—	—	—	—	392,474
Deposits in cash or cash equivalents	1,101,686	145,901	—	—	—	1,247,587
Leased machineries and vehicles	8,715,508	14,947	2,066,476	—	—	10,796,931
Fiduciary agreements, standby letters and guarantee funds	9,654,206	21,705	45,909	18,927	—	9,740,747
Pledged income	3,710,759	—	—	—	—	3,710,759
Pledges	3,498,054	5,064,634	—	27	—	8,562,715
Other assets	5,972,012	57,833	—	356	304,019	6,334,220
Total gross loan portfolio	**Ps. 107,047,817**	**Ps. 59,999,611**	**Ps. 18,486,206**	**Ps. 277,529**	**Ps. 392,607**	**Ps. 186,203,770**

(Amounts expressed in millions of Colombian pesos)

December 31, 2022	Commercial	Consumer	Mortgages	Microcredit	Interbank and overnight funds	Total
Unsecured credits	Ps. 57,471,266	Ps. 53,550,006	Ps. 2,042	Ps. 224,582	Ps. 1,179,355	Ps. 112,427,251
Loans secured by other banks	322,063	774	—	—	—	322,837
Collateralized credits:						
Mortgages	988,888	124,990	15,549,938	651	—	16,664,467
Other real estate	13,026,949	260,832	6,494	215	—	13,294,490
Investments in equity instruments	410,669	—	—	—	—	410,669
Deposits in cash or cash equivalents	1,412,983	167,194	—	—	—	1,580,177
Leased machineries and vehicles	8,148,297	18,072	2,266,986	—	—	10,433,355
Fiduciary agreements, standby letters and guarantee funds	9,822,855	31,166	57,895	41,354	—	9,953,270
Pledged income	3,731,465	—	—	—	—	3,731,465
Pledges	3,657,840	5,190,680	—	52	—	8,848,572
Other assets	5,781,824	75,730	—	866	4,788,388	10,646,808
Total gross loan portfolio	**Ps. 104,775,099**	**Ps. 59,419,444**	**Ps. 17,883,355**	**Ps. 267,720**	**Ps. 5,967,743**	**Ps. 188,313,361**

As of December 31, 2023, and 2022, the following chart sets out the carrying amount and the value of identifiable collateral (mainly commercial property) for commercial loans held by Grupo Aval at a consolidated level:

	December 31, 2023		December 31, 2022	
	Carrying Amount	Collateral	Carrying Amount	Collateral
Stages 1 and 2	Ps. 23,484,250	Ps. 15,996,375	Ps. 22,537,899	Ps. 15,742,699
Stage 3	2,952,217	2,429,026	2,574,521	2,479,275
	Ps. 26,436,467	**Ps. 18,425,401**	**Ps. 25,112,420**	**Ps. 18,221,974**

4.1.5 Amounts arising from Expected Credit Loss (ECL)

Definition of Default

Grupo Aval considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to Grupo Aval in full. Without prejudice, Grupo Aval takes actions such as realizing collateral (if any is held);
- The borrower is more than 90 days past due on any material credit obligation other than mortgages to Grupo Aval. Overdrafts are considered past due once the customer has breached the allowed tenor or been advised of the reduction of the limit;
- For mortgages, when the borrower is more than 180 days past due;
- The borrower is in a state of restructuring, bankruptcy proceedings or business reorganization.
- In the case of fixed income financial securities, the following concepts among others apply:
  - External rating of the issuer or instrument in rating D under Standard & Poor's and Fitch Ratings scale or rating C under Moody's scale;
  - Contractual payments are not made on the due date;
  - There is a very high probability of suspension of payments;
  - The issuer likely to go bankrupt or file for bankruptcy or similar action; or
  - The financial asset no longer has an active market given its financial difficulties.

In assessing whether a borrower is in default, Grupo Aval considers indicators as follows:

- Qualitative: e.g. breaches of non-financial covenants;
- Quantitative: e.g. breaches of financial covenants, overdue status and non-payment of another obligation of the same issuer to Grupo Aval; and
- Based on internally historical or developed data and obtained from external sources.

Inputs used in the assessment of whether a financial instrument is in default may vary over time to reflect changes in circumstances.

Inputs, assumptions and techniques used to estimate expected credit loss allowance

Credit risk models measures the exposure for individual counterparties, based on the following parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD). For a specific credit facility (loans, debt securities, other liquid financial assets, other accounts receivable, loan commitments and financial guarantee contracts) the product of these three parameters results in the expected credit loss. See accounting policy in Note 2 (2.5 ix).

Measurement of ECL

The measurement of expected credit losses is a calculation that involves an important number of interrelated inputs and assumptions, such as the financial asset's probability of default, loss given default and exposure at default, which are modelled based on macroeconomic variables. Furthermore, the determination of the ECL requires the application of expert credit judgment to assess the current situation.

As mentioned above, the key inputs for the measurement of ECLs are usually the following variables:

- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

The estimation of these parameters depends on the credit facility. Loans and receivables methodology uses information derived from internally developed statistical models, comprising both quantitative and qualitative factors, and other historical data. On the other hand, debt securities methodology incorporates relevant external market information or international credit ratings.

PD is the probability that a counterparty defaults in its payment obligations of capital and/or interest. Credit risk grades are the primary input in the determination of the term structure of PD for exposures. Grupo Aval collects performance and default information about its credit risk exposures analyzed by jurisdiction or region, by type of product and borrower, and by credit risk grade. For some portfolios, information purchased from external credit bureaus may also be used.

Grupo Aval employs statistical models to analyze the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

LGD is an estimate of the loss arising at default, which is computed as a percentage of exposure that the entity ultimately expects to lose in the event of a default in a financial instrument.

Grupo Aval estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models considers the collateral structure, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. For loans secured/ guaranteed by real estate, loan-to-value (LTV) ratios will be a key parameter in determining LGD. Estimates are calibrated for different economic scenarios and, for real estate lending, to reflect possible changes in property prices.

The EAD represents the expected exposure in the event of default. Grupo Aval derives the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract, including amortization and prepayments. The EAD of a financial asset is the gross carrying amount at default. For lending commitments and financial guarantees, the EAD considers the amount drawn, as well as potential future amounts that may be drawn or repaid under the contract, which are estimated based on historical observations and forward-looking forecasts.

Subject to using the Lifetime PD for financial assets for which credit risk has significantly increased, Grupo Aval measures ECLs considering the risk of default over the maximum contractual period (including any borrower's extension options) over which there is exposure to credit risk, even if for risk management purposes, Grupo Aval considers a longer period. The maximum contractual period extends to the date at which Grupo Aval has the right to require repayment of an advance or terminate a loan commitment or guarantee.

For retail overdrafts, credit cards, and certain corporate revolving facilities that include both a loan and an undrawn commitment component, Grupo Aval measures ECLs over a period longer than the maximum contractual period if Grupo Aval's contractual ability to demand repayment and cancel the undrawn commitment does not limit Grupo Aval's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure and are managed on a collective basis. Grupo Aval can cancel them with immediate effect, but the contractual right is not enforced in the normal day-to-day management, but rather when Grupo Aval becomes aware of an increase in credit risk of a particular facility. This period is estimated considering the credit risk management actions that Grupo Aval expects to mitigate ECLs. These include a reduction in the limits and the cancellation of the credit.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped based on shared risk characteristics that include:

- Instrument type;
- Credit risk ratings;
- Collateral type;
- Date of initial recognition;
- Remaining term to maturity; and
- Industry.

The groups are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous.

Credit Risk Model: Loans and receivables

I. Transitions between stages

Significant Increase in Credit Risk

When determining whether the credit risk (i.e. risk of default) of a financial instrument has increased significantly since initial recognition, Grupo Aval considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information and analysis based on Grupo Aval's historical experience, expert credit assessment and forward-looking information.

The following criteria are used to determine if a significant increase in credit risk has occurred:

- Comparison of the remaining lifetime probability of default (PD) at the reporting date with the lifetime PD at initial recognition of the exposure.
- Quantitative aspects such as credits with 30 days past due.
- Qualitative criteria from analysts is also considered based on expert and supportable information.

The criteria for determining whether credit risk has increased significantly will vary by portfolio and will include a backstop based on delinquency.

Grupo Aval will monitor the effectiveness of the criteria used in identifying significant increases in credit risk through regular reviews to confirm that:

- The criteria are useful in identifying significant increases in credit risk before an exposure is in default;
- The criteria align with the point in time when an asset becomes over 30 days past due;
- The average time between the identification of a significant increase in credit risk and default appears reasonable;
- Exposures are not generally transferred directly from 12-month ECL measurement to credit-impaired; and
- There is unwarranted volatility in loss allowance from transfers between 12-month ECL and lifetime ECL measurements.

II. PD – Probability of Default

Term structure of PD

Credit risk grades are the primary input in the determination of the term structure of PD for exposures. Grupo Aval collects performance and default information about its credit risk exposures by type of product and borrower, and by credit risk grade. For some portfolios, information purchased from external credit bureaus may also be used.

Grupo Aval employs statistical models to analyze the data collected and generates estimates of the remaining lifetime PD of exposures and how these are expected to change as a result of the passage of time.

(Amounts expressed in millions of Colombian pesos)

This analysis includes the identification and calibration of the relation between changes in default rates and changes in key macro-economic factors, as well as an in-depth analysis of the impact of certain other factors on the risk of default. For exposures to specific industries and/or regions, the analysis may extend to relevant commodity and/ or real estate prices.

For stage 1 the PD estimates the probability that the credit will default in the next 12 months, while the PD in stage 2 is the result of the probabilities for the remaining life of the credit. The probability in Stage 3 is defined as 100%.

Grupo Aval's approach to incorporating forward-looking information into this assessment is discussed below.

Forward-Looking Information

Grupo Aval incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECLs. Grupo Aval formulates a 'base case' view of the future direction of relevant economic variables and a representative range of other possible forecast scenarios based on forecasts provided by economic experts and considering a forecast of multiple variables. This process involves developing two or more additional economic scenarios and considering the relative probabilities of each outcome.

The B scenario (base case) represents a most-likely outcome. It is aligned with information used by Grupo Aval for other purposes, such as budgeting. The other scenarios represent more optimistic (C) and more pessimistic (A) outcomes with their respective probability of occurrence.

Grupo Aval has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses.

Changes in economic conditions will be monitored by Grupo Aval´s Entities and subsidiaries to be incorporated into the macroeconomic parameters used to prepare stress scenarios and financial projections. Forward looking information was adjusted, recognizing macroeconomic impacts based on the available information about past events, current conditions and forecasts of economic conditions.

The following table presents one-year projections for Colombia made in December 2022, compared to the official data for December 2023:

	2023	**2022**		
	Real Scenario	Scenario A	Scenario B	Scenario C
Inflation	9.28%	7.93%	7.83%	7.86%
Interest rate	13.00%	8.64%	8.90%	9.36%
GDP Growth	0.60%	(0.53%)	1.29%	2.37%
Unemployment rate	10.00%	11.15%	10.44%	9.46%

The following table presents one-year projections for Panamá made in December 2022, compared to the official data for December 2023:

	2023	**2022**		
	Real Scenario	Scenario A	Scenario B	Scenario C
Inflation	1.90%	4.23%	3.62%	2.64%
Nominal interest rate variation	0.64%	1.31%	0.46%	0.32%
GDP Growth	9.00%	4.00%	4.58%	5.32%

(Amounts expressed in millions of Colombian pesos)

The economic scenarios used as of December 31, 2023, and 2022 (one-year projections) include the following expected scenarios of key indicators (among others) for Colombia.

	2023			2022		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Inflation	4.44%	6.05%	8.26%	7.93%	7.83%	7.86%
DTF Interest rate	7.10%	9.04%	10.62%	8.64%	8.90%	9.36%
GDP Growth	(1.07%)	0.99%	2.70%	(0.53%)	1.29%	2.37%
Used home prices	(3.15%)	(2.11%)	(1.02%)	(1.48%)	0.07%	1.75%
Unemployment rate	11.96%	10.43%	8.77%	11.15%	10.44%	9.46%

The economic scenarios used as of December 31, 2023, and 2022 (one-year projections) include the following expected scenarios of key indicators (among others) for Panamá.

	2023			2022		
	Scenario A	Scenario B	Scenario C	Scenario A	Scenario B	Scenario C
Inflation	2.80%	2.32%	1.83%	4.23%	3.62%	2.64%
Nominal interest rate variation	0.57%	0.52%	0.48%	1.31%	0.46%	0.32%
GDP Growth	7.03%	7.64%	8.25%	4.00%	4.58%	5.32%

The scenario probability weightings applied as of December 31, 2023, and 2022 in measuring ECL are as follows.

Colombia

	2023			**2022**		
	Scenario A	**Scenario B**	**Scenario C**	**Scenario A**	**Scenario B**	**Scenario C**
Scenario probability weighting	27%	56%	17%	28%	57%	15%

Panamá

	2023			**2022**		
	Scenario A	**Scenario B**	**Scenario C**	**Scenario A**	**Scenario B**	**Scenario C**
Scenario probability weighting	10%	50%	40%	5%	75%	20%

(Amounts expressed in millions of Colombian pesos)

The table below shows the loss allowance on loans assuming each forward-looking scenario (e.g. scenario A, B and C) were weighted 100% instead of applying scenario probability weights across the three scenarios.

	December 31, 2023			December 31, 2022		
	Scenario A	**Scenario B**	**Scenario C**	**Scenario A**	**Scenario B**	**Scenario C**
Gross Exposure						
Commercial	Ps. 107,047,817	Ps. 107,047,817	Ps. 107,047,817	Ps. 104,775,099	Ps. 104,775,099	Ps. 104,775,099
Consumer	59,999,611	59,999,611	59,999,611	59,419,444	59,419,444	59,419,444
Mortgages	18,486,206	18,486,206	18,486,206	17,883,355	17,883,355	17,883,355
Microcredit	277,529	277,529	277,529	267,720	267,720	267,720
Interbank and overnight founds	392,607	392,607	392,607	5,967,743	5,967,743	5,967,743
Total gross exposure	**Ps. 186,203,770**	**Ps. 186,203,770**	**Ps. 186,203,770**	**Ps. 188,313,361**	**Ps. 188,313,361**	**Ps. 188,313,361**
Loss Allowance for each scenario						
Commercial	Ps. 5,272,129	Ps. 5,289,159	Ps. 5,341,865	Ps. 5,390,734	Ps. 5,472,794	Ps. 5,523,548
Consumer	4,246,126	4,273,465	4,336,939	3,248,144	3,338,076	3,370,089
Mortgages	372,739	378,986	384,902	347,828	378,471	352,819
Microcredit	53,754	53,618	53,662	37,614	38,752	40,161
Interbank and overnight founds	127	126	136	10,311	11,275	11,997
Total Loss Allowance	**Ps. 9,944,875**	**Ps. 9,995,354**	**Ps. 10,117,504**	**Ps. 9,034,631**	**Ps. 9,239,368**	**Ps. 9,298,614**

The table below shows the loan portfolio in Stage 2 for each scenario.

Proportion of Assets in Stage 2						
Commercial	3.6 %	3.6 %	3.9 %	5.6 %	5.9 %	5.9 %
Consumer	6.9 %	7.1 %	7.6 %	8.0 %	8.2 %	8.6 %
Mortgages	5.6 %	5.7 %	5.7 %	6.3 %	6.4 %	6.5 %
Microcredit	5.0 %	5.0 %	5.0 %	5.2 %	5.2 %	5.3 %
Interbank and overnight founds	— %	— %	— %	— %	— %	— %

Credit Risk Rating

Grupo Aval allocates each exposure to a credit risk grade based on a variety of data intended to be predictive of the probability of default and applying experienced credit judgment. Grupo Aval uses these grades with the purpose identifying significant increases in credit risk. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default. These factors may vary depending on the nature of the exposure and the type of borrower.

Each exposure is allocated to a credit risk grade at initial recognition based on available information about the borrower. Exposures are subject to ongoing monitoring, which may result in an exposure being moved to a different credit risk grade. The monitoring typically involves using of the following data:

Commercial	Consumer	Mortgage	Microcredit
-Information from the audited financial statements obtained during periodic reviews.	-Information collected internally about the behavior of customers.	-Information collected internally about the behavior of customers.	-Information collected internally about the behavior of customers.
-Data from credit bureaus.	- Data from credit bureaus.	- Data from credit bureaus.	- Data from credit bureaus.
-Information collected internally about the behavior of customers.			
-Information of the different sectors.			

III. LGD – Loss Given Default

LGD is a measure of the likely loss in the event of a default. To estimate LGD, Grupo Aval uses information of the collateral security / guarantee which covers each individual credit, when available. In any case, Grupo Aval uses historical and forward-looking information (the same information described above in II. PD – Probability of Default - Forward-Looking Information) to estimate the expected potential recovery in case of a default. The LGD is estimated in groups by type of credit, collateral security / guarantee or maturity.

IV. EAD – Exposure at Default

EAD represents the expected exposure from a counterparty at the time of a possible default. For stage 2 Grupo Aval incorporates in the analysis of the exposure at default the probability of payments and increase in exposure during the lifetime of the credit.

These probabilities are estimated using the historical information collected by the financial subsidiaries and are grouped by type of product. The probabilities are constantly reviewed in order to accurately estimate them and calibrate them.

Credit Risk Model: Debt securities

This model estimates the impairment of credit risk in debt securities. In general, at the moment of inception, all financial assets originate ECLs for the next 12 months. If credit risk increases significantly and there is enough objective evidence of increase of probability of default, then the reserve is adjusted for the remaining life of the financial asset.

I. Transition between stages

A financial asset is classified as a low credit risk asset if the issuer is related to an investment grade credit rating.

Financial assets different than low credit risk must be evaluated individually. The first step in the methodology consist in evaluating a *significant increase in credit risk* by comparing the current status against the status at initial recognition of the security.

External elements related to a significant increase in credit risk are detailed below:

- Negative changes in external credit ratings.
- Changes in external market variables such as credit spreads, prices of issuer's CDS and other prices of debt instruments and equities.
- Changes in business, economic, financial, regulatory or technological environment which can affect the payment capacity of the issuer.
- Changes in operational results that can compromise the payment capacity of the issuer.

If the financial asset loses its low credit risk condition or if changes in external environment results in a review of the condition, then this probably shows a significant increase in credit risk. Consequently, the financial asset will be analyzed to determine if there is a significant increase of credit risk (stage 2) or if the asset should be classified as stage 3.

Objective evidence of impairment is the second step in making changes between stages. It is concluded that there is objective evidence of impairment if one the following situations is met:

- The external credit rating of the issuance, issuer or counterparty is reduced to D on the Standard & Poor´s and Fitch Ratings scale or up to C on the Moody´s scale.
- Contractual payments are not made on the established dates, terms or grace periods.
- There is a certainty of suspension of payments.
- There is a probability that the issuer or counterparty will go into a bankruptcy process.
- Due to financial difficulties there is no market for financial assets.

II. PD – Probability of default

PD depends of the external credit rating of the issuance, issuer or counterparty. Credit rating information is published by international credit rating corporations, such as Standard & Poor's, Moody's and Fitch Ratings, or national credit rating corporations, such as Fitch Ratings Colombia S.A. or BRC. In any case, international ratings have priority over national ratings.

Credit ratings from S&P have priority over the other rating corporations. If the issuance, issuer or counterparty is not rated by S&P, credit ratings from Moody's or Fitch Ratings can be used but they must be translated to the S&P rating scale. The order of priority in credit rating corporations is as follows: S&P in first place, Moody's in second place and Fitch Ratings in the third one. The reason for choosing this hierarchy is to avoid discretion at the time of assigning a rating. National credit ratings can be used only if international credit ratings are not available, and the translation condition to the S&P rating scale must be followed as well.

For financial assets classified as stage 1, PD correspond to the probability of default for the next 12 months established in accordance to "Cumulative Default Rates by Rating Modifiers" for both sovereign and corporate issuers, expressed at an annual basis. If the remaining life of the assets is less than 12 months, the resulting PD will correspond to the weighted 12 months-PD with the remaining life of the financial asset.

For financial assets classified as stage 2, lifetime PD must be used and computed using the "Cumulative Default Rates by Rating Modifiers" for both sovereign and corporate issuers, expressed at an annual basis and according to the term of each flow.

For financial assets classified as stage 3, lifetime PD will equal 100% for any issuance, issuer or counterparty.

PD value tables are available in S&P Global Ratings: *"2022 Annual Sovereign Default Study and Rating Transitions"* and *"2022 Annual Global Corporate Default Study and Rating Transitions Study"*.

Forward-Looking Information

Grupo Aval incorporates forward-looking information into its assessment of whether the credit risk of an instrument has increased significantly since initial recognition and its measurement of ECL. This information will directly affect the PD and the stage classification.

When rating the sovereign and corporate issuers, credit ratings agencies incorporate prospective information, as well as forecasting of macroeconomic variables and the influence of these factors over the business conditions. Grupo Aval's methodology includes external credit ratings which, under the previous argument, have already considered prospective information.

Furthermore, credit ratings are also subject to rating outlooks which can modify the current credit ratings. Details are provided below. Rating outlooks are published by credit rating corporations and reflect the perspective of the potential long-term credit rating over the next 6 to 24 months.

- If the Rating Outlook is categorized as "STABLE", no adjustments in credit ratings are needed.
- If the Rating Outlook is "POSITIVE", PD will be adjusted as the average between the current PD and the applicable PD in the case credit rating improves one notch. However, this would only take place if the resulting PD is lower than the current PD.
- If the Rating Outlook is "NEGATIVE", PD will be adjusted as the average between the current PD and the applicable PD in the case credit rating deteriorates one notch. However, this would only take place if the resulting PD is higher than the current PD.

III. LGD – Loss given default

LGD is a measure of the potential loss if a default scenario occurs. To establish the LGD, Grupo Aval's methodology uses information published by Moody's credit rating corporation. LGD is based on relevant external default data, such as the historical recovery rates, which is defined as the complement of LGD calculation.

Moody's computes Recovery Rates as the ratio between market prices after 30 days of the default or the debt swap price at the closing date, and the market price of the issuance at the beginning of the default. In the case of unavailable market prices, recovery rates will be the resulting ratio between present value of expected cash flows of the new instruments received with the debt swap and the present value of the initial instruments.

Grupo Aval´s methodology assigns weights for recovery rates for Sovereigns Debt and Corporates Debt. Sovereign Debt recovery rates decreased from 53% to 50% in 2023, also Corporate Debt recovery rates decreased moderately from 47.4% in 2022 to 47.1% in 2023. Sovereign debt recovery rates remained at 53% in 2022, also Corporate debt recovery rates increased moderately from 46.9% in 2021 to 47.4% in 2022.

Further information is available and published annually by Moody's in the "Sovereign default and recovery rates 1983-2022" and "Annual Default Study Corporate Default Moody´s 2022" reports.

IV. EAD – Exposure at default

EAD represents the amount owed from a counterparty at the time of a possible default and only for securities classified at amortized cost or FVOCI. See accounting policy in Note 2 (2.5 ix).

For stage 1 and stage 3 financial assets, EAD will correspond to the full valuation of the assets at amortized cost.

For stage 2 financial assets, EAD will consider the financial asset amortized scheme assuming no default in the previous years.

(Amounts expressed in millions of Colombian pesos)

In the case that financial assets present a guarantees or security collateral, these could reduce total EAD. This is a typical case of collateralized interbank loans.

Credit Risk Model: Other accounts receivable

Grupo Aval uses two approaches to estimate ECL of financial assets classified as other accounts receivables.

The first one is the simplified approach where Grupo Aval uses an allowance matrix to measure the ECLs of trade receivables from individual customers, which comprise a very large number of small amounts.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off. Roll rates are calculated separately for exposures in different segments based on the following common credit risk characteristics like type of product purchased.

Loss rates are based on the experience of real credit loss during a year and the balance of accounts receivable at the cut-off date for previously defined homogeneous segments. It takes into consideration elements such as: segmentation by type of receivable account, date of analysis, definition of loss, among others. Based on the characteristics of the short-term receivable accounts, these portfolios result from operations where there are no non-linear impacts, therefore, the application of macroeconomic scenarios is not considered.

The second one is the general approach, it considers the methodologies explained above for loans and debt securities. For non-financial companies in the oil and gas sector, the loans methodology is considered, while the debt securities methodology is considered for government and other government related entities.

Loss allowance

The table below shows the loss allowance balances as of December 31, 2023 and 2022.

	December 31, 2023				
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Simplified approach	Total
Loan portfolio					
Loan commercial portfolio	Ps. 612,441	Ps. 218,824	Ps. 4,463,335	Ps. —	Ps. 5,294,600
Loan consumer portfolio	1,141,997	993,268	2,172,181	—	4,307,446
Loan mortgage portfolio	45,080	66,333	268,574	—	379,987
Loan microcredit portfolio	12,068	6,366	35,226	—	53,660
Loan interbank and overnight founds portfolio	22	—	—	—	22
Total loan portfolio	**Ps. 1,811,608**	**Ps. 1,284,791**	**Ps. 6,939,316**	**Ps. —**	**Ps. 10,035,715**
Investments in debt securities at amortized cost	12,613	4,269	—	—	16,882
Other accounts receivable	25,965	19,188	141,129	199,382	385,664
Total loss allowance financial assets at amortized cost	**Ps. 1,850,186**	**Ps. 1,308,248**	**Ps. 7,080,445**	**Ps. 199,382**	**Ps. 10,438,261**
Investments in debt securities at FVOCI	Ps. 12,972	Ps. —	Ps. —	Ps. —	Ps. 12,972
Loan commitments and financial guarantee contracts	61,637	7,682	949	—	70,268
Total loss allowance	**Ps. 1,924,795**	**Ps. 1,315,930**	**Ps. 7,081,394**	**Ps. 199,382**	**Ps. 10,521,501**

(Amounts expressed in millions of Colombian pesos)

	December 31, 2022				
	Stage 1	Stage 2	Stage 3		
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Simplified approach	Total
Loan portfolio					
Loan commercial portfolio	Ps. 598,538	Ps. 515,202	Ps. 4,379,006	Ps. —	Ps. 5,492,746
Loan consumer portfolio	839,904	853,159	1,618,849	—	3,311,912
Loan mortgage portfolio	48,763	52,639	251,039	—	352,441
Loan microcredit portfolio	6,238	4,922	27,811	—	38,971
Loan interbank and overnight founds portfolio	1,444	—	—	—	1,444
Total loan portfolio	**Ps. 1,494,887**	**Ps. 1,425,922**	**Ps. 6,276,705**	**Ps. —**	**Ps. 9,197,514**
Investments in debt securities at amortized cost	28,563	8,367	—	—	36,930
Other accounts receivable	24,977	20,201	140,123	197,115	382,416
Total loss allowance financial assets at amortized cost	**Ps. 1,548,427**	**Ps. 1,454,490**	**Ps. 6,416,828**	**Ps. 197,115**	**Ps. 9,616,860**
Investments in debt securities at FVOCI	Ps. 12,686	Ps. —	Ps. —	Ps. —	Ps. 12,686
Loan commitments and financial guarantee contracts	58,160	6,461	289	—	64,910
Total loss allowance	**Ps. 1,619,273**	**Ps. 1,460,951**	**Ps. 6,417,117**	**Ps. 197,115**	**Ps. 9,694,456**

The table below presents impairment losses per portfolio:

	As of December 31, 2023	As of December 31, 2022
Commercial	Ps. 203,061	Ps. 622,783
Consumer	4,426,014	2,498,699
Mortgage	65,856	(25,202)
Microcredit	31,901	5,497
Interbank and overnight funds	(1,422)	(942)
Total loan portfolio	**Ps. 4,725,410**	**Ps. 3,100,835**
Other receivables	76,664	78,641
Net portfolio provision impact on income statement[1]	**Ps. 4,802,074**	**Ps. 3,179,476**

[1] Includes net of loss allowance presented as part of "Costs and expenses of sales goods and services" as of December 2023 Ps. (51,035) as of December 2022 Ps. (59,073).

The table below shows for loans stage 3 individually assessed for ECL the gross amount and loss allowance balances as of December 31, 2023, and 2022.

	December 31, 2023		
	Gross Amount Registered	Collateral Guarantees	Allowance Recognized
Without recognized provision			
Commercial	Ps. 240,358	Ps. 239,937	Ps. —
Repos, interbank loans portfolio	—	—	—
Subtotal	**Ps. 240,358**	**Ps. 239,937**	**Ps. —**
With recognized provision			
Commercial	Ps. 7,080,758	Ps. 1,075,446	Ps. 3,196,800
Consumer	3,144	—	1,959
Residential mortgage	12,515	1,970	10,507
Repos, interbank loans portfolio	—	—	—
Subtotal	**Ps. 7,096,417**	**Ps. 1,077,416**	**Ps. 3,209,266**
Totals			
Commercial	7,321,116	1,315,383	3,196,800
Consumer	3,144	—	1,959
Residential mortgage	12,515	1,970	10,507
Repos, interbank loans portfolio	—	—	—
Total	**Ps. 7,336,775**	**Ps. 1,317,353**	**Ps. 3,209,266**

(Amounts expressed in millions of Colombian pesos)

	December 31, 2022					
	Gross Amount Registered		Collateral Guarantees		Allowance Recognized	
Without recognized provision						
Commercial	Ps.	143,728	Ps.	138,324	Ps.	—
Repos, interbank loans portfolio		—		—		—
Subtotal	**Ps.**	**143,728**	**Ps.**	**138,324**	**Ps.**	**—**
With recognized provision						
Commercial	Ps.	7,444,017	Ps.	1,554,672	Ps.	3,332,063
Consumer		5,913		279		2,337
Residential mortgage		10,983		—		6,170
Repos, interbank loans portfolio		1		—		—
Subtotal	**Ps.**	**7,460,914**	**Ps.**	**1,554,951**	**Ps.**	**3,340,570**
Totals						
Commercial		7,587,745		1,692,996		3,332,063
Consumer		5,913		279		2,337
Residential mortgage		10,983		—		6,170
Repos, interbank loans portfolio		1		—		—
Total	**Ps.**	**7,604,642**	**Ps.**	**1,693,275**	**Ps.**	**3,340,570**

The difference between the value of the loan and the guarantees disclosed in the table above corresponds to unsecured loans valued under the discounted cash flow method. When using this method, it is implied that it is possible for the customer to make future payments.

The loss allowance recognized in the period is impacted by a variety of factors, as described below:

- Transfers between Stage 1 and Stages 2 or 3 due to financial instruments experiencing significant increases (or decreases) in credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and lifetime ECL;
- Additional allowances for new financial instruments recognized during the period, as well as releases for financial instruments de-recognized in the period;
- Impact of the measurement of ECL due to changes made to models and assumptions;
- Decrease within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for asset denominated in foreign currencies and other movements; and
- Financial assets derecognized during the period and write-offs of allowances related to assets than were written off during the period.

The following tables show the reconciliations from the opening to the closing balance of the loss allowance by class of financial instrument.

Total Loan portfolio

	Stage 1 12-month ECL		Stage 2 Lifetime ECL not credit-impaired		Stage 3 Lifetime ECL credit-impaired		Total	
Loss allowance as of January 1, 2022	**Ps.**	**1,824,446**	**Ps.**	**2,703,117**	**Ps.**	**6,748,049**	**Ps.**	**11,275,612**
Transfers:								
Transfer from stage 1 to stage 2		(183,333)		183,333		—		—
Transfer from stage 1 to stage 3		(105,447)		—		105,447		—
Transfer from stage 2 to stage 3		—		(625,769)		625,769		—
Transfer from stage 3 to stage 2		—		165,584		(165,584)		—
Transfer from stage 2 to stage 1		377,758		(377,758)		—		—
Transfer from stage 3 to stage 1		98,057		—		(98,057)		—
Net remeasurement of loss allowance (4)		(184,532)		695,126		2,404,266		2,914,860
New financial assets originated or purchased		902,226		316,329		595,011		1,813,566
Financial assets that have been derecognized		(462,600)		(269,020)		(895,971)		(1,627,591)
Unwind of discount (2)		—		28		550,935		550,963
FX and other movements		3,449		28,302		26,477		58,228
Discontinued operations (1)		(3,843)		14,798		253,502		264,457
Loss of control in subsidiary (1)		(640,049)		(1,003,291)		(1,197,326)		(2,840,666)

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Write-offs	(131,245)	(404,857)	(2,675,813)	(3,211,915)
Loss allowance as of December 31, 2022	**Ps. 1,494,887**	**Ps. 1,425,922**	**Ps. 6,276,705**	**Ps. 9,197,514**
Transfers:				
Transfer from stage 1 to stage 2	(332,307)	332,307	—	—
Transfer from stage 1 to stage 3	(450,063)	—	450,063	—
Transfer from stage 2 to stage 3	—	(1,180,705)	1,180,705	—
Transfer from stage 3 to stage 2	—	309,622	(309,622)	—
Transfer from stage 2 to stage 1	479,360	(479,360)	—	—
Transfer from stage 3 to stage 1	113,974	—	(113,974)	—
Net remeasurement of loss allowance (3)	327,913	1,284,696	2,815,219	4,427,828
New financial assets originated or purchased	809,886	307,919	693,438	1,811,243
Financial assets that have been derecognized	(501,840)	(157,015)	(854,806)	(1,513,661)
Sales of portfolio (5)	(2,369)	(1,809)	(357,202)	(361,380)
Unwind of discount (2)	12	62	724,674	724,748
FX and other movements	(13,826)	(16,568)	(43,684)	(74,078)
Write-offs	(114,019)	(540,280)	(3,522,200)	(4,176,499)
Loss allowance as of December 31, 2023	**Ps. 1,811,608**	**Ps. 1,284,791**	**Ps. 6,939,316**	**Ps. 10,035,715**

(1) See note 1.1 “Discontinued operations of BAC Holding”

(2) The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2023 versus parameters as of 2022 and the loan portfolio as of 2023.

December 31, 2023			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 66,298	Ps. 35,139	Ps. (6,894)	Ps. 94,543

(4) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2022 versus parameters as of December 31,2021 and the loan portfolio as of December 31, 2022.

December 31, 2022			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (171,007)	Ps. 42	Ps. 73,226	Ps. (97,739)

(5) Sale of loan portfolio corresponds mainly to sale of impaired portfolio.

The following table further explains changes in the gross carrying amount of the loan portfolio to help explain their significance to the movements in the allowance for the same portfolio as discussed above.

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 190,819,121**	**Ps. 26,898,573**	**Ps. 13,855,743**	**Ps. 231,573,437**
Transfers:				
Transfer from stage 1 to stage 2	(8,276,152)	8,276,152	—	—
Transfer from stage 1 to stage 3	(1,659,371)	—	1,659,371	—
Transfer from stage 2 to stage 3	—	(2,939,477)	2,939,477	—
Transfer from stage 2 to stage 1	8,288,205	(8,288,205)	—	—
Transfer from stage 3 to stage 2	—	646,995	(646,995)	—
Transfer from stage 3 to stage 1	367,294	—	(367,294)	—
New financial assets originated or purchased	138,932,725	2,450,770	1,294,360	142,677,855
Financial assets that have been paid	(104,212,015)	(6,284,621)	(4,053,745)	(114,550,381)
Net remeasurement of amortized cost and other receivables	(1,008,007)	213,598	2,341,971	1,547,562
Write-offs	(131,245)	(404,857)	(2,675,813)	(3,211,915)
Discontinued operations (1)	4,985,907	(1,228,725)	(2,082,045)	1,675,137
Loss of control in subsidiary (1)	(68,298,203)	(8,288,834)	(847,564)	(77,434,601)
FX and other movements	5,097,764	723,539	214,964	6,036,267
Total portfolio as of December 31, 2022	**Ps. 164,906,023**	**Ps. 11,774,908**	**Ps. 11,632,430**	**Ps. 188,313,361**
Transfers:				
Transfer from stage 1 to stage 2	(10,951,993)	10,951,993	—	—
Transfer from stage 1 to stage 3	(2,059,976)	—	2,059,976	—
Transfer from stage 2 to stage 3	—	(3,372,104)	3,372,104	—
Transfer from stage 2 to stage 1	9,137,025	(9,137,025)	—	—
Transfer from stage 3 to stage 2	—	865,781	(865,781)	—
Transfer from stage 3 to stage 1	509,414	11,192	(520,606)	—
New financial assets originated or purchased	111,919,244	2,583,927	8,250,075	122,753,246
Financial assets that have been paid	(103,065,373)	(3,798,676)	(7,734,476)	(114,598,525)
Net remeasurement of amortized cost and other receivables	841,002	164,973	784,473	1,790,448
Write-offs	(114,019)	(540,280)	(3,522,200)	(4,176,499)
Sale of loan portfolio-loss allowance (2)	(2,369)	(1,809)	(357,202)	(361,380)
Sale of loan portfolio-cash (2)	—	(694)	(112,766)	(113,460)
Gain or loss on sale portfolio (2)	—	(59)	3,390	3,331
FX and other movements	(6,594,417)	(388,080)	(424,255)	(7,406,752)
Total portfolio as of December 31, 2023	**Ps. 164,524,561**	**Ps. 9,114,047**	**Ps. 12,565,162**	**Ps. 186,203,770**

(1) See note 1.1 "Discontinued operations of BAC Holding"
(2) Sale of loan portfolio corresponds mainly to sale of impaired portfolio and/ or with an increase in credit risk.

The total loan portfolio is composed of commercial loans – client portfolio, consumer loans, mortgage loans, microcredit loans and interbank and overnight funds loan. The following tables show the movement in provision and gross amounts of these portfolios separately:

Commercial – Client portfolio

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 655,655**	**Ps. 1,006,822**	**Ps. 4,192,268**	**Ps. 5,854,745**
Transfers:				
Transfer from stage 1 to stage 2	(33,511)	33,511	—	—
Transfer from stage 1 to stage 3	(33,401)	—	33,401	—
Transfer from stage 2 to stage 3	—	(88,123)	88,123	—
Transfer from stage 3 to stage 2	—	61,402	(61,402)	—
Transfer from stage 2 to stage 1	93,285	(93,285)	—	—
Transfer from stage 3 to stage 1	26,793	—	(26,793)	—
Net remeasurement of loss allowance (4)	(124,267)	(192,441)	1,129,665	812,957
New financial assets originated or purchased	392,719	137,383	317,361	847,463

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Financial assets that have been derecognized	(213,019)	(109,718)	(714,900)	(1,037,637)
Unwind of discount (2)	—	14	405,090	405,104
FX and other movements	10,954	9,586	21,774	42,314
Discontinued operations (1)	12,101	(2,612)	3,496	12,985
Loss of control in subsidiary (1)	(185,786)	(244,715)	(268,521)	(699,022)
Write-offs	(2,985)	(2,622)	(740,556)	(746,163)
Loss allowance as of December 31, 2022	**Ps. 598,538**	**Ps. 515,202**	**Ps. 4,379,006**	**Ps. 5,492,746**
Transfers:				
Transfer from stage 1 to stage 2	(44,743)	44,743	—	—
Transfer from stage 1 to stage 3	(18,381)	—	18,381	—
Transfer from stage 2 to stage 3	—	(130,514)	130,514	—
Transfer from stage 3 to stage 2	—	40,868	(40,868)	—
Transfer from stage 2 to stage 1	150,216	(150,216)	—	—
Transfer from stage 3 to stage 1	31,836	—	(31,836)	—
Net remeasurement of loss allowance (3)	(148,865)	(99,159)	678,828	430,804
New financial assets originated or purchased	320,101	61,148	155,464	536,713
Financial assets that have been derecognized	(262,000)	(51,476)	(450,980)	(764,456)
Sales of portfolio	—	—	(194,305)	(194,305)
Unwind of discount (2)	—	16	517,513	517,529
FX and other movements	(10,958)	(9,657)	(35,823)	(56,438)
Write-offs	(3,303)	(2,131)	(662,559)	(667,993)
Loss allowance as of December 31, 2023	**Ps. 612,441**	**Ps. 218,824**	**Ps. 4,463,335**	**Ps. 5,294,600**

(1) See note 1.1 “Discontinued operations of BAC Holding”

(2) The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2023 versus parameters as of 2022 and the loan portfolio as of 2023.

December 31, 2023			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 3,952	Ps. (20,629)	Ps. 2,916	Ps. (13,761)

(4) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2022 versus parameters as of December 31,2021 and the loan portfolio as of December 31, 2022.

December 31, 2022			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (51,598)	Ps. 54,452	Ps. 83,149	Ps. 86,003

The following table further explains changes in the gross carrying amount of the commercial portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 100,858,380**	**Ps. 11,747,975**	**Ps. 9,421,449**	**Ps. 122,027,804**
Transfers:				
Transfer from stage 1 to stage 2	(3,412,530)	3,412,530	—	—
Transfer from stage 1 to stage 3	(1,183,677)	—	1,183,677	—
Transfer from stage 2 to stage 3	—	(1,259,406)	1,259,406	—
Transfer from stage 2 to stage 1	3,502,330	(3,502,330)	—	—

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Transfer from stage 3 to stage 2	—	311,858	(311,858)	—
Transfer from stage 3 to stage 1	152,800	—	(152,800)	—
New financial assets originated or purchased	76,419,265	1,177,731	723,459	78,320,455
Financial assets that have been paid	(60,407,178)	(3,742,642)	(3,106,059)	(67,255,879)
Net remeasurement of amortized cost and other receivables	(180,790)	102,831	1,566,802	1,488,843
Write-offs	(2,985)	(2,622)	(740,556)	(746,163)
Discontinued operations [(1)]	3,560,936	71,257	(953,514)	2,678,679
Loss of control in subsidiary [(1)]	(33,537,080)	(2,931,541)	35,349	(36,433,272)
FX and other movements	4,188,763	286,453	219,416	4,694,632
Total portfolio as of December 31, 2022	**Ps. 89,958,234**	**Ps. 5,672,094**	**Ps. 9,144,771**	**Ps. 104,775,099**
Transfers:				
Transfer from stage 1 to stage 2	(3,831,869)	3,831,869	—	—
Transfer from stage 1 to stage 3	(979,725)	—	979,725	—
Transfer from stage 2 to stage 3	—	(986,422)	986,422	—
Transfer from stage 2 to stage 1	4,428,540	(4,428,540)	—	—
Transfer from stage 3 to stage 2	—	327,479	(327,479)	—
Transfer from stage 3 to stage 1	216,849	—	(216,849)	—
New financial assets originated or purchased	75,428,991	924,475	1,156,101	77,509,567
Financial assets that have been paid	(66,409,339)	(1,587,486)	(3,472,586)	(71,469,411)
Net remeasurement of amortized cost and other receivables	781,835	18,893	2,285,705	3,086,433
Write-offs	(3,303)	(2,131)	(662,559)	(667,993)
Sale of loan portfolio-loss allowance	—	—	(194,305)	(194,305)
Sale of loan portfolio-cash	—	—	(78,613)	(78,613)
Gain or loss on sale portfolio	—	—	(7,415)	(7,415)
FX and other movements	(5,261,913)	(239,697)	(403,935)	(5,905,545)
Total portfolio as of December 31, 2023	**Ps. 94,328,300**	**Ps. 3,530,534**	**Ps. 9,188,983**	**Ps. 107,047,817**

[(1)] See note 1.1 “Discontinued operations of BAC Holding”

Consumer loan portfolio

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 1,066,543**	**Ps. 1,396,101**	**Ps. 2,118,360**	**Ps. 4,581,004**
Transfers:				
Transfer from stage 1 to stage 2	(142,762)	142,762	—	—
Transfer from stage 1 to stage 3	(70,964)	—	70,964	—
Transfer from stage 2 to stage 3	—	(498,736)	498,736	—
Transfer from stage 3 to stage 2	—	92,189	(92,189)	—
Transfer from stage 2 to stage 1	211,028	(211,028)	—	—
Transfer from stage 3 to stage 1	55,658	—	(55,658)	—
Net remeasurement of loss allowance [(4)]	(1,000)	863,809	1,245,918	2,108,727
New financial assets originated or purchased	473,946	174,616	267,651	916,213
Financial assets that have been derecognized	(201,480)	(149,438)	(175,323)	(526,241)
Unwind of discount [(2)]	—	13	119,709	119,722
FX and other movements	(2,575)	9,007	3,555	9,987
Discontinued operations [(1)]	(9,751)	15,493	240,008	245,750
Loss of control in subsidiary [(1)]	(412,745)	(585,225)	(802,042)	(1,800,012)
Write-offs	(125,994)	(396,404)	(1,820,840)	(2,343,238)
Loss allowance as of December 31, 2022	**Ps. 839,904**	**Ps. 853,159**	**Ps. 1,618,849**	**Ps. 3,311,912**
Transfers:				
Transfer from stage 1 to stage 2	(276,858)	276,858	—	—
Transfer from stage 1 to stage 3	(429,739)	—	429,739	—

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Transfer from stage 2 to stage 3	—	(1,004,192)	1,004,192	—
Transfer from stage 3 to stage 2	—	257,854	(257,854)	—
Transfer from stage 2 to stage 1	300,775	(300,775)	—	—
Transfer from stage 3 to stage 1	71,599	—	(71,599)	—
Net remeasurement of loss allowance (3)	484,735	1,310,059	2,145,306	3,940,100
New financial assets originated or purchased	473,697	238,963	481,362	1,194,022
Financial assets that have been derecognized	(214,602)	(98,788)	(394,718)	(708,108)
Sales of portfolio	(2,369)	(1,809)	(162,897)	(167,075)
Unwind of discount (2)	—	46	183,157	183,203
FX and other movements	(3,200)	(4,786)	(5,378)	(13,364)
Write-offs	(101,945)	(533,321)	(2,797,978)	(3,433,244)
Loss allowance as of December 31, 2023	**Ps. 1,141,997**	**Ps. 993,268**	**Ps. 2,172,181**	**Ps. 4,307,446**

(1) See note 1.1 "Discontinued operations of BAC Holding"
(2) The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)
(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2023 versus parameters as of 2022 and the loan portfolio as of 2023.

December 31, 2023			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 57,239	Ps. 51,135	Ps. (13,718)	Ps. 94,656

(4) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2022 versus parameters as of December 31,2021 and the loan portfolio as of December 31, 2022.

December 31, 2022			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (54,668)	Ps. (37,148)	Ps. (569)	Ps. (92,385)

The following table further explains changes in the gross carrying amount of the consumer portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 63,811,740**	**Ps. 9,828,726**	**Ps. 3,248,679**	**Ps. 76,889,145**
Transfers:				
Transfer from stage 1 to stage 2	(3,939,985)	3,939,985	—	—
Transfer from stage 1 to stage 3	(456,120)	—	456,120	—
Transfer from stage 2 to stage 3	—	(1,433,947)	1,433,947	—
Transfer from stage 2 to stage 1	2,810,585	(2,810,585)	—	—
Transfer from stage 3 to stage 2	—	258,837	(258,837)	—
Transfer from stage 3 to stage 1	146,229	—	(146,229)	—
New financial assets originated or purchased	34,459,205	1,219,507	564,562	36,243,274
Financial assets that have been paid	(22,753,127)	(2,332,167)	(826,367)	(25,911,661)
Net remeasurement of amortized cost and other receivables	(788,200)	69,133	681,170	(37,897)

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Write-offs	(125,994)	(396,404)	(1,820,840)	(2,343,238)
Discontinued operations [1]	1,156,225	(80,679)	(477,697)	597,849
Loss of control in subsidiary [1]	(22,340,862)	(3,498,287)	(882,530)	(26,721,679)
FX and other movements	549,432	164,844	(10,625)	703,651
Total portfolio as of December 31, 2022	**Ps. 52,529,128**	**Ps. 4,928,963**	**Ps. 1,961,353**	**Ps. 59,419,444**
Transfers:				
Transfer from stage 1 to stage 2	(5,701,009)	5,701,009	—	—
Transfer from stage 1 to stage 3	(1,029,073)	—	1,029,073	—
Transfer from stage 2 to stage 3	—	(2,089,300)	2,089,300	—
Transfer from stage 2 to stage 1	3,616,500	(3,616,500)	—	—
Transfer from stage 3 to stage 2	—	469,333	(469,333)	—
Transfer from stage 3 to stage 1	212,519	11,192	(223,711)	—
New financial assets originated or purchased	32,474,641	1,586,439	4,957,874	39,018,954
Financial assets that have been paid	(28,331,264)	(2,095,326)	(2,091,623)	(32,518,213)
Net remeasurement of amortized cost and other receivables	20,995	126,837	(1,528,765)	(1,380,933)
Write-offs	(101,945)	(533,321)	(2,797,978)	(3,433,244)
Sale of loan portfolio-loss allowance	(2,369)	(1,809)	(162,897)	(167,075)
Sale of loan portfolio-cash	—	(694)	(34,153)	(34,847)
Gain or loss on sale portfolio	—	(59)	10,805	10,746
FX and other movements	(832,014)	(77,989)	(5,218)	(915,221)
Total portfolio as of December 31, 2023	**Ps. 52,856,109**	**Ps. 4,408,775**	**Ps. 2,734,727**	**Ps. 59,999,611**

[1] See note 1.1 "Discontinued operations of BAC Holding"

Mortgage loan portfolio

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 93,122**	**Ps. 286,903**	**Ps. 352,382**	**Ps. 732,407**
Transfers:				
Transfer from stage 1 to stage 2	(4,775)	4,775	—	—
Transfer from stage 1 to stage 3	(266)	—	266	—
Transfer from stage 2 to stage 3	—	(28,228)	28,228	—
Transfer from stage 3 to stage 2	—	10,553	(10,553)	—
Transfer from stage 2 to stage 1	70,544	(70,544)	—	—
Transfer from stage 3 to stage 1	15,267	—	(15,267)	—
Net remeasurement of loss allowance [4]	(55,643)	19,536	25,930	(10,177)
New financial assets originated or purchased	12,837	4,133	9,982	26,952
Financial assets that have been derecognized	(27,664)	(8,938)	(5,375)	(41,977)
Unwind of discount [2]	—	1	17,084	17,085
FX and other movements	(4,930)	9,709	1,148	5,927
Discontinued operations [1]	(6,193)	1,917	9,998	5,722
Loss of control in subsidiary [1]	(41,518)	(173,351)	(126,763)	(341,632)
Write-offs	(2,018)	(3,827)	(36,021)	(41,866)
Loss allowance as of December 31, 2022	**Ps. 48,763**	**Ps. 52,639**	**Ps. 251,039**	**Ps. 352,441**
Transfers:				
Transfer from stage 1 to stage 2	(7,295)	7,295	—	—
Transfer from stage 1 to stage 3	(635)	—	635	—
Transfer from stage 2 to stage 3	—	(35,387)	35,387	—
Transfer from stage 3 to stage 2	—	9,526	(9,526)	—
Transfer from stage 2 to stage 1	26,638	(26,638)	—	—
Transfer from stage 3 to stage 1	10,329	—	(10,329)	—
Net remeasurement of loss allowance [3]	(14,157)	63,399	(21,731)	27,511
New financial assets originated or purchased	9,654	7,711	56,558	73,923
Financial assets that have been derecognized	(20,196)	(6,486)	(8,896)	(35,578)

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Unwind of discount (2)	12	—	16,988	17,000
FX and other movements	332	(2,125)	(2,483)	(4,276)
Write-offs	(8,365)	(3,601)	(39,068)	(51,034)
Loss allowance as of December 31, 2023	**Ps. 45,080**	**Ps. 66,333**	**Ps. 268,574**	**Ps. 379,987**

(1) See note 1.1 "Discontinued operations of BAC Holding"

(2) The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2023 versus parameters as of 2022 and the loan portfolio as of 2023.

December 31, 2023			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 5,207	Ps. 4,604	Ps. 3,914	Ps. 13,725

(4) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2022 versus parameters as of December 31,2021 and the loan portfolio as of December 31, 2022.

December 31, 2022			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (63,752)	Ps. (17,595)	Ps. (9,268)	Ps. (90,615)

The following table further explains changes in the gross carrying amount of the mortgage portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 22,743,149**	**Ps. 5,278,510**	**Ps. 1,098,657**	**Ps. 29,120,316**
Transfers:				
Transfer from stage 1 to stage 2	(896,435)	896,435	—	—
Transfer from stage 1 to stage 3	(13,682)	—	13,682	—
Transfer from stage 2 to stage 3	—	(219,362)	219,362	—
Transfer from stage 2 to stage 1	1,954,180	(1,954,180)	—	—
Transfer from stage 3 to stage 2	—	72,617	(72,617)	—
Transfer from stage 3 to stage 1	67,285	—	(67,285)	—
New financial assets originated or purchased	4,715,113	53,475	6,304	4,774,892
Financial assets that have been paid	(1,891,256)	(197,058)	(103,664)	(2,191,978)
Net remeasurement of amortized cost and other receivables	(130,620)	39,252	83,758	(7,610)
Write-offs	(2,018)	(3,827)	(36,021)	(41,866)
Discontinued operations (1)	268,497	(1,219,303)	(650,834)	(1,601,640)
Loss of control in subsidiary (1)	(10,977,834)	(1,859,006)	(383)	(12,837,223)
FX and other movements	390,049	272,242	6,173	668,464
Total portfolio as of December 31, 2022	**Ps. 16,226,428**	**Ps. 1,159,795**	**Ps. 497,132**	**Ps. 17,883,355**
Transfers:				
Transfer from stage 1 to stage 2	(1,382,946)	1,382,946	—	—
Transfer from stage 1 to stage 3	(40,569)	—	40,569	—
Transfer from stage 2 to stage 3	—	(271,352)	271,352	—
Transfer from stage 2 to stage 1	1,082,759	(1,082,759)	—	—

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Transfer from stage 3 to stage 2	—	66,023	(66,023)	—
Transfer from stage 3 to stage 1	79,530	—	(79,530)	—
New financial assets originated or purchased	3,594,678	71,626	2,094,419	5,760,723
Financial assets that have been paid	(2,142,766)	(109,535)	(2,147,384)	(4,399,685)
Net remeasurement of amortized cost and other receivables	35,508	18,036	48,059	101,603
Write-offs	(8,365)	(3,601)	(39,068)	(51,034)
FX and other movements	(723,260)	(70,394)	(15,102)	(808,756)
Total portfolio as of December 31, 2023	**Ps. 16,720,997**	**Ps. 1,160,785**	**Ps. 604,424**	**Ps. 18,486,206**

(1) See note 1.1 "Discontinued operations of BAC Holding"

Microcredit loan portfolio

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 6,740**	**Ps. 13,291**	**Ps. 85,039**	**Ps. 105,070**
Transfers:				
Transfer from stage 1 to stage 2	(2,285)	2,285	—	—
Transfer from stage 1 to stage 3	(816)	—	816	—
Transfer from stage 2 to stage 3	—	(10,682)	10,682	—
Transfer from stage 3 to stage 2	—	1,440	(1,440)	—
Transfer from stage 2 to stage 1	2,901	(2,901)	—	—
Transfer from stage 3 to stage 1	339	—	(339)	—
Net remeasurement of loss allowance (3)	(3,625)	4,222	2,753	3,350
New financial assets originated or purchased	5,480	197	17	5,694
Financial assets that have been derecognized	(2,248)	(926)	(373)	(3,547)
Unwind of discount (1)	—	—	9,052	9,052
Write-offs	(248)	(2,004)	(78,396)	(80,648)
Loss allowance as of December 31, 2022	**Ps. 6,238**	**Ps. 4,922**	**Ps. 27,811**	**Ps. 38,971**
Transfers:				
Transfer from stage 1 to stage 2	(3,411)	3,411	—	—
Transfer from stage 1 to stage 3	(1,308)	—	1,308	—
Transfer from stage 2 to stage 3	—	(10,612)	10,612	—
Transfer from stage 3 to stage 2	—	1,374	(1,374)	—
Transfer from stage 2 to stage 1	1,729	(1,729)	—	—
Transfer from stage 3 to stage 1	210	—	(210)	—
Net remeasurement of loss allowance (2)	6,322	10,395	12,816	29,533
New financial assets originated or purchased	4,647	97	54	4,798
Financial assets that have been derecognized	(1,953)	(265)	(212)	(2,430)
Unwind of discount (1)	—	—	7,016	7,016
Write-offs	(406)	(1,227)	(22,595)	(24,228)
Loss allowance as of December 31, 2023	**Ps. 12,068**	**Ps. 6,366**	**Ps. 35,226**	**Ps. 53,660**

(1) The unwind of discount on Stage 3 financial assets is reported within "interest income" so that interest income is recognized on the amortized cost (after deducting the ECL allowance)

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2023 versus parameters as of December 31,2022 and the loan portfolio as of December 31, 2023.

(Amounts expressed in millions of Colombian pesos)

December 31, 2023			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (96)	Ps. 29	Ps. (6)	Ps. (73)

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2022 versus parameters as of December 31,2021 and the loan portfolio as of December 31, 2022.

December 31, 2022			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (378)	Ps. 333	Ps. (86)	Ps. (131)

The following table further explains changes in the gross carrying amount of the microcredit portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above.

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 187,419**	**Ps. 43,362**	**Ps. 86,958**	**Ps. 317,739**
Transfers:				
Transfer from stage 1 to stage 2	(27,202)	27,202	—	—
Transfer from stage 1 to stage 3	(5,892)	—	5,892	—
Transfer from stage 2 to stage 3	—	(26,762)	26,762	—
Transfer from stage 2 to stage 1	21,110	(21,110)	—	—
Transfer from stage 3 to stage 2	—	3,683	(3,683)	—
Transfer from stage 3 to stage 1	980	—	(980)	—
New financial assets originated or purchased	219,226	57	34	219,317
Financial assets that have been paid	(177,589)	(12,754)	(17,655)	(207,998)
Net remeasurement of amortized cost and other receivables	6,687	2,382	10,241	19,310
Write-offs	(248)	(2,004)	(78,396)	(80,648)
Total portfolio as of December 31, 2022	**Ps. 224,491**	**Ps. 14,056**	**Ps. 29,173**	**Ps. 267,720**
Transfers:				
Transfer from stage 1 to stage 2	(36,169)	36,169	—	—
Transfer from stage 1 to stage 3	(10,609)	—	10,609	—
Transfer from stage 2 to stage 3	—	(25,030)	25,030	—
Transfer from stage 2 to stage 1	9,226	(9,226)	—	—
Transfer from stage 3 to stage 2	—	2,946	(2,946)	—
Transfer from stage 3 to stage 1	516	—	(516)	—
New financial assets originated or purchased	214,273	1,387	41,681	257,341
Financial assets that have been paid	(178,828)	(6,329)	(22,883)	(208,040)
Net remeasurement of amortized cost and other receivables	4,054	1,207	(20,525)	(15,264)
Write-offs	(406)	(1,227)	(22,595)	(24,228)
Total portfolio as of December 31, 2023	**Ps. 226,548**	**Ps. 13,953**	**Ps. 37,028**	**Ps. 277,529**

(Amounts expressed in millions of Colombian pesos)

Interbank and overnight funds

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 2,386**	**Ps. —**	**Ps. —**	**Ps. 2,386**
Net remeasurement of loss allowance [(2)]	3	—	—	3
New financial assets originated or purchased	17,244	—	—	17,244
Financial assets that have been derecognized	(18,189)	—	—	(18,189)
Loss allowance as of December 31, 2022	**Ps. 1,444**	**Ps. —**	**Ps. —**	**Ps. 1,444**
Transfers:				
Transfer from stage 2 to stage 1	2	(2)	—	—
Net remeasurement of loss allowance [(1)]	(122)	2	—	(120)
New financial assets originated or purchased	1,787	—	—	1,787
Financial assets that have been derecognized	(3,089)	—	—	(3,089)
Loss allowance as of December 31, 2023	**Ps. 22**	**Ps. —**	**Ps. —**	**Ps. 22**

(1) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2023 versus parameters as of December 31,2022 and the loan portfolio as of December 31, 2023.

December 31, 2023			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (4)	Ps. —	Ps. —	Ps. (4)

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2022 versus parameters as of December 31,2021 and the loan portfolio as of December 31, 2022.

December 31, 2022			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (611)	Ps. —	Ps. —	Ps. (611)

The following table further explains changes in the gross carrying amount of the interbank and overnight funds portfolio to help explain their significance to the changes in the allowance for the same portfolio as discussed above:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 3,218,433**	**Ps. —**	**Ps. —**	**Ps. 3,218,433**
New financial assets originated or purchased	23,119,916	—	1	23,119,917
Financial assets that have been paid	(18,982,865)	—	—	(18,982,865)
Net remeasurement of amortized cost and other receivables	84,916	—	—	84,916
Discontinued operations [(1)]	249	—	—	249
Loss of control in subsidiary [(1)]	(1,442,427)	—	—	(1,442,427)
FX and other movements	(30,480)	—	—	(30,480)
Total portfolio as of December 31, 2022	**Ps. 5,967,742**	**Ps. —**	**Ps. 1**	**Ps. 5,967,743**
New financial assets originated or purchased	206,661	—	—	206,661
Financial assets that have been paid	(6,003,176)	—	—	(6,003,176)
Net remeasurement of amortized cost and other receivables	(1,390)	—	(1)	(1,391)
FX and other movements	222,770	—	—	222,770
Total portfolio as of December 31, 2023	**Ps. 392,607**	**Ps. —**	**Ps. —**	**Ps. 392,607**

(1) See note 1.1 "Discontinued operations of BAC Holding"

(Amounts expressed in millions of Colombian pesos)

The following table further explains changes in the movements in the allowance for the of investments in debt securities at FVOCI portfolio:

Investments in debt securities at FVOCI

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance balance as of January 1, 2022	**Ps. 123,978**	**Ps. —**	**Ps. —**	**Ps. 123,978**
Net remeasurement of loss allowance [2]	(3,217)	—	—	(3,217)
New financial assets originated or purchased	4,409	—	—	4,409
Financial assets that have been derecognized	(4,870)	—	—	(4,870)
Discontinued operations [1]	2,935	—	—	2,935
Loss of control in subsidiary [1]	(111,358)	—	—	(111,358)
FX and other movements	809	—	—	809
Loss allowance balance as of December 31, 2022	**Ps. 12,686**	**Ps. —**	**Ps. —**	**Ps. 12,686**
Net remeasurement of loss allowance [2]	(892)	—	—	(892)
New financial assets originated or purchased	6,470	—	—	6,470
Financial assets that have been derecognized	(4,342)	—	—	(4,342)
FX and other movements	(950)	—	—	(950)
Loss allowance as of December 31, 2023	**Ps. 12,972**	**Ps. —**	**Ps. —**	**Ps. 12,972**

(1) See note 1.1 "Discontinued operations of BAC Holding".

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2023 versus parameters as of December 31, 2022 and the investments portfolio as of December 31, 2023.

December 31, 2023			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (359)	Ps. —	Ps. —	Ps. (359)

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2022 versus parameters as of December 31, 2021 and the investments portfolio as of December 31, 2022.

December 31, 2022			
Stage 1 12-month ECL	**Stage 2 Lifetime ECL not credit-impaired**	**Stage 3 Lifetime ECL credit-impaired**	**Total**
Ps. (1,056)	Ps. —	Ps. —	Ps. (1,056)

The following table further explains changes in the movements in the allowance for of investments in debt securities at amortized cost portfolio:

Investments in debt securities at amortized cost

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 3,297**	**Ps. 7,401**	**Ps. —**	**Ps. 10,698**
Net remeasurement of loss allowance [2]	19,761	547	—	20,308
New financial assets originated or purchased	2,198	—	—	2,198
Financial assets that have been derecognized	(1,015)	(1,090)	—	(2,105)
Discontinued operations [1]	(85)	—	—	(85)
Loss of control in subsidiary [1]	(503)	—	—	(503)
FX and other movements	4,910	1,509	—	6,419

(Amounts expressed in millions of Colombian pesos)

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of December 31, 2022	**Ps. 28,563**	**Ps. 8,367**	**Ps. —**	**Ps. 36,930**
Transfer from stage 2 to stage 1	1,485	(1,485)	—	—
Net remeasurement of loss allowance (2)	(14,315)	(996)	—	(15,311)
New financial assets originated or purchased	2,669	—	—	2,669
Financial assets that have been derecognized	(1,466)	—	—	(1,466)
FX and other movements	(4,323)	(1,617)	—	(5,940)
Loss allowance as of December 31, 2023	**Ps. 12,613**	**Ps. 4,269**	**Ps. —**	**Ps. 16,882**

(1) See note 1.1 "Discontinued operations of BAC Holding"

(2) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2023 versus parameters as of December 31, 2022 and the investments portfolio as of December 31, 2023.

December 31, 2023			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. 9,632	Ps. —	Ps. —	Ps. 9,632

(3) This amount includes impact of the measurement of ECL due to changes made in PDs/LGDs/EADs and changes made to model assumptions and methodologies from the opening to the closing balance. The following table shows the impact by stage estimated using all parameters as of December 31, 2022 versus parameters as of December 31, 2021 and the investments portfolio as of December 31, 2022.

December 31, 2022			
Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Ps. (70)	Ps. 48	Ps. —	Ps. (22)

Other accounts receivable

General approach

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 18,939**	**Ps. 16,771**	**Ps. 129,449**	**Ps. 165,159**
Net remeasurement of loss allowance	7,680	2,190	48,003	57,873
FX and other movements	1,748	1,240	177	3,165
Write-offs	(3,390)	—	(37,506)	(40,896)
Loss allowance as of December 31, 2022	**Ps. 24,977**	**Ps. 20,201**	**Ps. 140,123**	**Ps. 185,301**
Net remeasurement of loss allowance	4,389	257	46,867	51,513
FX and other movements	(1,789)	(1,270)	(2,464)	(5,523)
Write-offs	(1,612)	—	(43,397)	(45,009)
Loss allowance as of December 31, 2023	**Ps. 25,965**	**Ps. 19,188**	**Ps. 141,129**	**Ps. 186,282**

(Amounts expressed in millions of Colombian pesos)

Simplified approach

	Loss allowance
Loss allowance as of January 1, 2022	**Ps. 217,643**
Loss of control in subsidiary [(1)]	(33,024)
Discontinued operations [(1)]	469
Entity liquidation	(1,592)
Provision charged to profit or loss	27,519
Recovery for partial payments from the clients	(6,751)
Write-offs	(7,948)
Exchange gains (losses) in foreign currency	799
Loss allowance as of December 31, 2022	**Ps. 197,115**
Entity deconsolidation	(3,245)
Provision charged to profit or loss	39,750
Recovery for partial payments from the clients	(14,599)
Write-offs	(18,516)
Exchange gains (losses) in foreign currency	(1,123)
Loss allowance as of December 31, 2023	**Ps. 199,382**

(1) See note 1.1 "Discontinued operations of BAC Holding"

Loan commitments and financial guarantee contracts

	Stage 1 12-month ECL	Stage 2 Lifetime ECL not credit-impaired	Stage 3 Lifetime ECL credit-impaired	Total
Loss allowance as of January 1, 2022	**Ps. 45,916**	**Ps. 10,097**	**Ps. 6,028**	**Ps. 62,041**
Transfers:				
Transfer from stage 1 to stage 2	(558)	558	—	—
Transfer from stage 1 to stage 3	(57)	—	57	—
Transfer from stage 2 to stage 3	—	(211)	211	—
Transfer from stage 3 to stage 2	—	34	(34)	—
Transfer from stage 2 to stage 1	3,379	(3,379)	—	—
Transfer from stage 3 to stage 1	289	—	(289)	—
Net remeasurement of loss allowance	(7,419)	(2,264)	(1,218)	(10,901)
New loan commitments and financial guarantees issued	17,204	1,826	(41)	18,989
FX and other movements	202	1	—	203
Discontinued operations [(1)]	(45)	(63)	(133)	(241)
Loss of control in subsidiary [(1)]	(751)	(138)	(4,292)	(5,181)
Loss allowance as of December 31, 2022	**Ps. 58,160**	**Ps. 6,461**	**Ps. 289**	**Ps. 64,910**
Transfers:				
Transfer from stage 1 to stage 2	(1,690)	1,690	—	—
Transfer from stage 1 to stage 3	(218)	—	218	—
Transfer from stage 2 to stage 3	—	(329)	329	—
Transfer from stage 3 to stage 2	—	4	(4)	—
Transfer from stage 2 to stage 1	1,105	(1,105)	—	—
Transfer from stage 3 to stage 1	29	—	(29)	—
Net remeasurement of loss allowance	(14,124)	(769)	211	(14,682)
New loan commitments and financial guarantees issued	18,693	1,732	(65)	20,360
FX and other movements	(318)	(2)	—	(320)
Loss allowance as of December 31, 2023	**Ps. 61,637**	**Ps. 7,682**	**Ps. 949**	**Ps. 70,268**

(1) See note 1.1 "Discontinued operations of BAC Holding"

(Amounts expressed in millions of Colombian pesos)

4.1.6 Concentrations of credit risk

Loan portfolio

Policies to prevent excessive credit-risk concentration

In order to prevent excessive concentrations of credit risk at an individual, economic group, country or economic sectors level, each financial subsidiary of Grupo Aval maintains updated exposure thresholds to limit concentration. The exposure limit by a financial subsidiary of Grupo Aval to an individual client or economic group depends on the risk profile of the client (or economic group), the nature of the risk of the debtor and the experience of each financial subsidiary in a specific market or sector.

Concentration risk control is key to the risk management process. Grupo Aval´s financial subsidiaries monitor the degree of credit risk concentration by sector and individual or group customer.

In order to avoid credit risk concentration at Grupo Aval level, management relies on the financial subsidiaries Credit Risk Unit or its equivalent, which consolidates, and monitors the credit risk exposures of all financial subsidiaries, to determine the maximum levels of concentration.

Pursuant to Colombian regulations, financial subsidiaries in Colombia cannot grant unsecured loans to borrowers, which on a combined basis exceed 10% of the financial subsidiary´s regulatory capital calculated according to the definitions of the Ministry of Finance. Loans maybe more than 10% of the regulatory capital of the financial subsidiary when they are secured by acceptable collateral and/or certain guarantees.

Concentration by sector

Below is the credit portfolio distribution of Grupo Aval by economic sector as of December 31, 2023, and 2022:

Sector		December 31, 2023	%		December 31, 2022	%
Consumer services	Ps.	84,358,141	45.3 %	Ps.	84,466,684	44.8 %
Commercial services		40,341,863	21.7 %		42,542,019	22.6 %
Construction		14,733,390	7.9 %		14,438,349	7.7 %
Food, beverage and tobacco		7,191,477	3.9 %		7,843,322	4.2 %
Public services		7,172,123	3.9 %		5,672,379	3.0 %
Other industrial and manufacturing products		6,410,022	3.4 %		7,006,245	3.7 %
Transportation and communications		6,283,172	3.4 %		6,567,477	3.5 %
Chemical production		5,414,605	2.9 %		5,422,364	2.9 %
Government		5,367,471	2.9 %		5,252,429	2.8 %
Agricultural		4,192,847	2.3 %		4,448,738	2.4 %
Trade and tourism		1,622,212	0.8 %		1,650,721	0.9 %
Mining products and oil		1,500,686	0.8 %		1,226,418	0.6 %
Other		1,615,761	0.8 %		1,776,216	0.9 %
Total of each economic sector	**Ps.**	**186,203,770**	**100.0 %**	**Ps.**	**188,313,361**	**100.0 %**

(Amounts expressed in millions of Colombian pesos)

Concentration by country

The detail of credit risk at the level of Grupo Aval in the different geographic areas determined according to the domicile of the debtor, without taking into consideration loan loss provisions as of December 31, 2023, and 2022 is as follows:

December 31, 2023	Commercial	Consumer	Mortgages	Microcredit	Interbank and overnight funds	Total
Colombia	Ps. 90,146,557	Ps. 56,659,813	Ps. 15,363,688	Ps. 277,529	Ps. 320,400	Ps. 162,767,987
Panamá	7,881,116	3,339,663	3,122,518	—	21,512	14,364,809
United States	5,857,040	—	—	—	50,089	5,907,129
Guatemala	218,838	—	—	—	—	218,838
Costa Rica	115,868	—	—	—	606	116,474
Honduras	298,941	—	—	—	—	298,941
El Salvador	6,704	—	—	—	—	6,704
Nicaragua	605	—	—	—	—	605
Other countries	2,522,148	135	—	—	—	2,522,283
Total gross loan portfolio	**Ps. 107,047,817**	**Ps. 59,999,611**	**Ps. 18,486,206**	**Ps. 277,529**	**Ps. 392,607**	**Ps. 186,203,770**

December 31, 2022	Commercial	Consumer	Mortgages	Microcredit	Interbank and overnight funds	Total
Colombia	Ps. 86,114,887	Ps. 55,387,762	Ps. 13,944,236	Ps. 267,720	Ps. 5,786,796	Ps. 161,501,401
Panamá	10,318,304	4,030,766	3,936,629	—	177,090	18,462,789
United States	5,063,368	6	—	—	—	5,063,374
Guatemala	225,105	—	—	—	—	225,105
Costa Rica	212,701	829	2,490	—	3,857	219,877
Honduras	77,035	—	—	—	—	77,035
El Salvador	56,066	—	—	—	—	56,066
Nicaragua	—	—	—	—	—	—
Other countries	2,707,633	81	—	—	—	2,707,714
Total gross loan portfolio	**Ps. 104,775,099**	**Ps. 59,419,444**	**Ps. 17,883,355**	**Ps. 267,720**	**Ps. 5,967,743**	**Ps. 188,313,361**

Concentration by currency

The classification of loan portfolio by type of currency is as follows:

December 31, 2023	Colombian Pesos	Foreign currency	Total
Commercial	Ps. 83,083,022	Ps. 23,964,795	Ps. 107,047,817
Consumer	56,580,248	3,419,363	59,999,611
Residential mortgage	15,363,549	3,122,657	18,486,206
Microcredit	277,529	—	277,529
Interbank and overnight funds	159,757	232,850	392,607
Total gross loan portfolio	**Ps. 155,464,105**	**Ps. 30,739,665**	**Ps. 186,203,770**

December 31, 2022	Colombian Pesos	Foreign currency	Total
Commercial	Ps. 77,500,547	Ps. 27,274,552	Ps. 104,775,099
Consumer	55,306,497	4,112,947	59,419,444
Residential mortgage	13,944,125	3,939,230	17,883,355
Microcredit	267,720	—	267,720
Interbank and overnight funds	5,595,142	372,601	5,967,743
Total gross loan portfolio	**Ps. 152,614,031**	**Ps. 35,699,330**	**Ps. 188,313,361**

As of December 31, 2023, the loan portfolio in foreign currency represents 16.5% of the total portfolio, equivalent to US$ 8,042 million. As of December 31, 2022, the loan portfolio in foreign currency represents 19.0%, equivalent to US$ 7,421 million.

(Amounts expressed in millions of Colombian pesos)

Investment debt securities

Grupo Aval entities monitor concentrations of credit risk by sector and by geographic location. An analysis of concentrations of credit risk from investment securities is shown below.

Concentration by sector

Trading debt securities (see note 8.1)

The balance of financial assets in investments in trading debt securities includes the following as of December 31, 2023, and 2022:

		December 31, 2023		December 31, 2022
In Colombian Pesos				
Securities issued or secured by Colombian Government	Ps.	5,732,620	Ps.	2,743,473
Securities issued or secured by other Colombian Government entities		155,737		194,150
Securities issued or secured by other financial entities		902,652		607,368
Securities issued or secured by non-financial sector entities		2,994		11,349
Others		20,585		24,515
Total in Colombian Pesos	**Ps.**	**6,814,588**	**Ps.**	**3,580,855**
In foreign currency				
Securities issued or secured by Colombian Government	Ps.	62,212	Ps.	77,928
Securities issued or secured by foreign Governments		32,079		57,600
Securities issued or secured by other financial entities		181,809		44,439
Securities issued or secured by non-financial sector entities		3,412		—
Others		19,280		65
Total in foreign currency	**Ps.**	**298,792**	**Ps.**	**180,032**
Total trading debt securities	**Ps.**	**7,113,380**	**Ps.**	**3,760,887**

Investments in debt securities mandatorily at FVTPL (see note 9.1)

The balance of financial assets in investments in debt securities mandatorily at FVTPL includes the following as of December 31, 2023, and 2022:

		December 31, 2023		December 31, 2022
In Colombian Pesos				
Others	Ps.	1,889	Ps.	1,378
Total debt securities mandatorily at FVTPL	**Ps.**	**1,889**	**Ps.**	**1,378**

(Amounts expressed in millions of Colombian pesos)

Investments in debt securities at FVOCI

The balance of financial assets in investments in debt securities at FVOCI includes the following as of December 31, 2023, and 2022:

	December 31, 2023		December 31, 2022	
In Colombian Pesos				
Securities issued or secured by Colombian Government	Ps.	14,491,881	Ps.	13,025,432
Securities issued or secured by other Colombian Government entities		325,588		278,335
Securities issued or secured by other financial entities		918,788		707,630
Securities issued or secured by non-financial sector entities		961		5,233
Others		212,635		310,160
Total in Colombian Pesos	**Ps.**	**15,949,853**	**Ps.**	**14,326,790**
In foreign currency				
Securities issued or secured by Colombian Government	Ps.	2,298,912	Ps.	2,527,440
Securities issued or secured by other Colombian Government entities		538,200		510,913
Securities issued or secured by foreign Governments		2,507,038		3,396,455
Securities issued or secured by central banks		145,489		194,098
Securities issued or secured by other financial entities		1,223,859		915,274
Securities issued or secured by non-financial sector entities		213,610		48,574
Others		449,815		542,261
Total in foreign currency	**Ps.**	**7,376,923**	**Ps.**	**8,135,015**
Total debt securities at FVOCI	**Ps.**	**23,326,776**	**Ps.**	**22,461,805**

Investments in debt securities at amortized cost

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

	December 31, 2023		December 31, 2022	
In Colombian Pesos				
Securities issued or secured by Colombian Government	Ps.	2,567,463	Ps.	2,299,618
Securities issued or secured by other Colombian Government entities		5,112,355		4,509,839
Others		36,635		38,756
Total in Colombian Pesos	**Ps.**	**7,716,453**	**Ps.**	**6,848,213**
In foreign currency				
Securities issued or secured by foreign Governments	Ps.	26,515	Ps.	33,453
Securities issued or secured by other financial entities		2,082,993		2,618,656
Securities issued or secured by non-financial sector entities		143,410		237,537
Others		27,190		33,633
Total in foreign currency	**Ps.**	**2,280,108**	**Ps.**	**2,923,279**
Total investments in debt securities at amortized cost	**Ps.**	**9,996,561**	**Ps.**	**9,771,492**

(Amounts expressed in millions of Colombian pesos)

Concentration of investments in debt securities by location

	As of December 31,	
	2023	**2022**
Colombia	Ps. 33,713,283	Ps. 28,040,520
Panama	3,952,223	4,381,752
USA	1,421,010	2,213,308
Brazil	114,879	264,073
Mexico	410,599	221,754
Costa Rica	95,643	143,513
Chile	182,398	115,033
Peru	177,096	102,190
Paraguay	37,177	8,593
Total by country	**Ps. 40,104,308**	**Ps. 35,490,736**
Bladex (Foreign Trade Bank of Latin America)	225,642	277,501
Andean Development Corporation (Corporación Andina de Fomento)	105,107	111,124
International Bank for Reconstruction and Development	—	89,266
Inter-American Corporation for the Financing of Infrastructure	3,549	26,935
Multilateral	**Ps. 334,298**	**Ps. 504,826**
Total investments in debt securities	**Ps. 40,438,606**	**Ps. 35,995,562**

Concentration by Sovereign Debt

As a general rule, Grupo Aval considers sovereign risk to be the risk assumed in deposits with Central Banks (including the mandatory deposits), investments in debt issues of a Colombian Government. In addition, the risk arising from transactions with public sector entities that have the following features: their funds are obtained only from fiscal income, they are legally recognized as entities directly included in the government sector, and their activities are of a non-commercial nature.

Sovereign risk exposure arises mainly from Grupo Aval's banking subsidiaries obligations to maintain certain mandatory deposits in Central Banks and from the fixed-income portfolios held as part of the on-balance-sheet structural interest rate risk management strategy and in the trading books of the treasury department. Most of these exposures are denominated in pesos and are financed through peso denominated repurchase agreements or customer deposits.

As of December 31, 2023, and 2022, the investment portfolio of financial assets in debt instruments is comprised mainly of securities issued or secured by entities of the Republic of Colombia and issued or secured by other Colombian Government entities, which represent 68.57% and 72.70%, respectively of the total portfolio.

Below is the detail of Grupo Aval's sovereign debt portfolio issued by Central Governments per country:

	December 31, 2023		December 31, 2022	
		%		%
Investment grade (1)				
Colombia	Ps. 22,768,597	82.14 %	Ps. 17,942,244	74.26 %
Panama	1,077,656	3.89 %	1,126,942	4.66 %
Chile	3,768	0.01 %	—	— %
Mexico	16,268	0.06 %	19,552	0.08 %
United States of America	1,371,842	4.95 %	2,213,308	9.16 %
Total Investment grade	**Ps. 25,238,131**	**91.05 %**	**Ps. 21,302,046**	**88.16 %**
Speculative (2)				
Brazil	27,643	0.10 %	32,834	0.14 %
Colombia	2,384,493	8.60 %	2,731,647	11.31 %
Costa Rica	68,454	0.25 %	94,871	0.39 %
Total Speculative	**Ps. 2,480,590**	**8.95 %**	**Ps. 2,859,352**	**11.84 %**
	Ps. 27,718,721	**100.00 %**	**Ps. 24,161,398**	**100.00 %**

(Amounts expressed in millions of Colombian pesos)

Below is the detail of Grupo Aval's debt portfolio issued by Central Banks:

	December 31, 2023			December 31, 2022		
			%			%
Investment Grade [(1)]						
Panama [(*)]	Ps.	145,489	100.00 %	Ps.	194,098	100.00 %
Total Investment grade	**Ps.**	**145,489**	**100.00 %**	**Ps.**	**194,098**	**100.00 %**
Total sovereign risk	**Ps.**	**27,864,210**	**100.00 %**	**Ps.**	**24,355,496**	**100.00 %**

(1) Investment grade includes the risk rating of Fitch Ratings Colombia S.A o F1+ to F3, BRC of Colombia from BRC 1+ to BRC 3 and Standard & Poor's from AAA to BBB-.

(2) Speculative or non-investment grade level includes the risk rating of Fitch Ratings Colombia S.A. from B to E, BRC de Colombia from BRC 4 to BRC 6 and Standard & Poor's from BB+ to D.

(*) These investments correspond to the National Bank of Panama, which is the official Bank and has the functions of a Central Bank, however, it does not have the power to issue banknotes or reserve requirements.

4.1.7 Modified Financial Assets - troubled debt restructuring business process.

Each financial subsidiary of Grupo Aval periodically carries out, at the request of the client, restructurings of obligations. Such restructurings generally consist of extensions of tenors, decrease of interest rates, partial write-off of indebtedness or payment with assets of the debtor or guarantor.

Our banking subsidiaries follow highly rigorous definitions and policies in this management process, so that it is performed in accordance with the best practices and in strict compliance with regulatory requirements. In connection to this, Grupo Aval´s banking subsidiaries have a detailed policy with regard to the aforementioned transactions.

The objective of granting such restructurings is to provide the client with a viable alternative to meet its obligations to the bank and to adapt to changing conditions.

When a loan is restructured due to a debtor´s financial difficulties, the debt is flagged within the records of each bank as a restructured credit in accordance with the regulations of the Superintendency of Finance. The restructuring process has a negative impact on the debtor's rating, which can only be improved when the client has complied during a prudent period with the terms of the restructurings, its financial condition has improved or when sufficient additional guarantees have been obtained.

Restructured loans are included for impairment evaluation and determination of provisions. However, the marking of a credit as restructured does not necessarily imply its rating is impaired, because in some cases new guarantees are obtained supporting the obligation.

The following is the balance of restructured loans as of December 31, 2023, and 2022:

Restructured loans	**December 31, 2023**		**December 31, 2022**	
Local currency	Ps.	4,346,710	Ps.	3,081,868
Foreign currency		1,646,876		1,647,947
Total restructured	**Ps.**	**5,993,586**	**Ps.**	**4,729,815**

4.1.8 Foreclosed assets business process

When persuasive collection processes or credit restructurings are not effective, a legal proceeding is carried out or an agreement is reached with the client for the receipt of assets as payment. Each subsidiary of the financial sector has clearly established policies for receiving assets and has a separate department specialized in the management of these cases and in charge of their eventual sale or liquidation.

(Amounts expressed in millions of Colombian pesos)

During the years ended December 31, 2023, and 2022, the following is the total of foreclosed assets received and sold during such periods:

	December 31, 2023		December 31, 2022	
Foreclosed assets received	Ps.	76,116	Ps.	88,482
Foreclosed assets sold		90,940		50,019

4.1.9 Loan commitments and financial guarantee contracts

As part of our operations, Grupo Aval grants guarantees and letters of credit to its customers wherein Grupo Aval financial subsidiaries are irrevocably committed to make payments to third parties when customers do not comply with their obligations with such third parties. These products have the same policies for approval of disbursements of loans regarding client's credit risk and guarantees required according to the circumstances of each client.

The commitments for credit extension represent unused portions of authorizations to grant loans, use of credit cards, overdraft limits and letters of credit. With respect to credit risk over commitments to extend credit lines, Grupo Aval is potentially exposed to credit risk in an amount equal to the total amount of unused commitments, if the unused amount were to be withdrawn in whole. However, the amount of the loss is less that the total amount of commitments unused, since most commitments to extend credits are contingent on the customer maintaining specific credit risk standards.

Pending unused credit lines and guarantees do not necessarily represent future cash out flows, because such facilities may expire and not be used whole or in part.

Following is the detail of the guarantees, letters of credit and credit commitments on non-used credit lines as of December 31, 2023, and 2022.

Loan commitments and financial guarantee contracts

	December 31, 2023		December 31, 2022	
	Notional amount		Notional amount	
Unused credit card limits	Ps.	12,449,298	Ps.	11,861,422
Approved credits not disbursed		4,818,508		5,037,950
Credit arrangements		4,223,426		4,119,577
Guarantees		3,052,607		4,679,653
Unused limits of overdrafts		2,264,226		2,491,299
Unused letters of credit		735,472		1,203,070
Other		2,255,007		1,615,198
Total	**Ps.**	**29,798,544**	**Ps.**	**31,008,169**

The following is the detail of the credit commitments by type of currency:

	December 31, 2023		December 31, 2022	
Colombian Pesos	Ps.	25,821,105	Ps.	25,497,816
U.S. dollars		3,962,607		5,480,746
Euro		13,585		27,934
Other		1,247		1,673
Total	**Ps.**	**29,798,544**	**Ps.**	**31,008,169**

4.1.10 Offset of financial assets and financial liabilities

The disclosures set out in the following tables include financial assets and liabilities that:

- are offset in the Group's statement of financial position; or
- are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

The 'similar agreements' include derivative clearing agreements; global master repurchase agreements and global master securities lending agreements. Similar financial instruments include derivatives, sale-and-repurchase agreements, reverse sale-and-repurchase agreements, and securities borrowing and lending agreements. Financial instruments such as loans and deposits are not disclosed in the following tables unless they are offset in the statement of financial position.

(Amounts expressed in millions of Colombian pesos)

The ISDA (International Swaps and Derivatives Association) and similar master netting arrangements do not meet the criteria for offsetting in the statement of financial position. This is because they create for the parties to the agreement a right of set-off of recognized amounts that is enforceable only following an event of default, insolvency or bankruptcy of Grupo Aval or of the counterparties or following other predetermined events. In addition, Grupo Aval and its counterparties do not intend to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

Grupo Aval receives and gives collateral in the form of cash and marketable securities in respect of the following transactions:

- Derivatives; and
- Sale-and-repurchase, and reverse sale-and-repurchase agreements.

This collateral is subject to standard industry terms including, when appropriate, an ISDA credit support annex. This means that securities received/given as collateral can be pledged or sold during the term of the transaction but have to be returned on maturity of the transaction. The terms also give each party the right to terminate the related transactions on the counterparty's failure to post collateral.

The gross amounts of financial assets and financial liabilities and their net amounts disclosed in the above tables have been measured in the statement of financial position on the following bases:

- Derivative assets and liabilities – fair value;
- Assets and liabilities resulting from sale-and-repurchase agreements, reverse sale-and repurchase agreements and securities lending and borrowing – amortized cost;

The following is the detail of the financial instruments subject to offset contractually required as of December 31, 2023, and 2022:

December 31, 2023

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Exposure
				Financial Instruments	Cash collateral Received	
Offsetting assets						
Derivatives	Ps. 2,126,229	Ps. —	Ps. 2,126,229	Ps. (1,911,903)	Ps. (235,189)	Ps. (20,863)
Repurchase agreements	86,192	—	86,192	(27,803)	—	58,389
Total	**Ps. 2,212,421**	**Ps. —**	**Ps. 2,212,421**	**Ps. (1,939,706)**	**Ps. (235,189)**	**Ps. 37,526**

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		Net Exposure
				Financial Instruments	Cash collateral Delivered	
Offsetting liabilities						
Derivatives	Ps. 2,371,927	Ps. —	Ps. 2,371,927	Ps. (313,095)	Ps. (245,344)	Ps. 1,813,488
Repurchase agreements	14,366,933	—	14,366,933	(16,874,942)	(1,025,691)	(3,533,700)
Total	**Ps. 16,738,860**	**Ps. —**	**Ps. 16,738,860**	**Ps. (17,188,037)**	**Ps. (1,271,035)**	**Ps. (1,720,212)**

(Amounts expressed in millions of Colombian pesos)

December 31, 2022

	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Assets Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		
				Financial Instruments	Cash collateral Received	Net Exposure
Offsetting assets						
Derivatives	Ps. 2,062,259	Ps. —	Ps. 2,062,259	Ps. (1,509,856)	Ps. (370,249)	Ps. 182,154
Repurchase agreements	5,343,325	—	5,343,325	(4,882,569)	(47,169)	413,587
Total	**Ps. 7,405,584**	**Ps. —**	**Ps. 7,405,584**	**Ps. (6,392,425)**	**Ps. (417,418)**	**Ps. 595,741**

	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Consolidated Balance Sheet	Net Amounts of Liabilities Presented in the Consolidated Balance Sheet	Gross Amounts Not Offset in the Consolidated Balance Sheet		
				Financial Instruments	Cash collateral Delivered	Net Exposure
Offsetting liabilities						
Derivatives	Ps. 1,761,174	Ps. —	Ps. 1,761,174	Ps. (265,295)	Ps. (316,446)	Ps. 1,179,433
Repurchase agreements	8,348,068	—	8,348,068	(11,091,726)	(1,325,386)	(4,069,044)
Total	**Ps. 10,109,242**	**Ps. —**	**Ps. 10,109,242**	**Ps. (11,357,021)**	**Ps. (1,641,832)**	**Ps. (2,889,611)**

(Amounts expressed in millions of Colombian pesos)

4.2 Market Risk

Market risk refers to the risk that a change in the level of one or more market prices, rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses in a position or in the portfolio.

Grupo Aval´s financial subsidiaries (namely Banco de Bogotá, Banco de Occidente, Banco Popular, Banco AV Villas, Corficolombiana, Porvenir and the trust companies of the financial subsidiaries) actively participate in money markets, foreign exchange markets and capital markets, for both of their books (for balance sheet risk management and trading book) and to provide financial services to their customers. This is done subject to established policies and risk limits. In that regard, they hold financial asset portfolios within the allowed limits and risk levels.

Market risk arises from the positions of Grupo Aval´s financial subsidiaries in debt securities investment portfolios, derivatives and equity instruments. These risks are created by changes in factors such as interest rates, inflation, foreign currency exchange rates, share prices, credit margins of instruments and their volatility, as well as the liquidity in the markets where Grupo Aval operates.

Our business units and trading desks are responsible for ensuring that market risk exposures are well-managed and prudent. The risk management groups and our business unit management ensure that these risks are measured and closely monitored. A variety of limits and controls are designed to manage price and liquidity risk. Market risk is monitored through various mechanisms such as: statistically analysis (using Value-at-Risk models and related analytical measures), risk factor sensitivity analysis, and routine stress testing, conducted in collaboration with the business units by the Market Risk Unit. The material risks identified by these processes are summarized in reports produced by the Market Risk Unit that are circulated to, and discussed with, senior management.

4.2.1 Trading Book Risk

Grupo Aval´s financial subsidiaries trade financial instruments for various reasons, mainly:

- To offer products tailored to specific customer needs. Some of these products are designed to hedge the financial risks of customers.
- To take advantage of arbitrage opportunities among different yield curves, assets and markets, obtaining returns with an adequate use of capital.
- To hedge asset and liability risk positions on proprietary positions, to act on behalf of customers or to take advantage of arbitrage opportunities mainly in foreign exchange and interest rates in both local and foreign markets.

In carrying out these operations, Grupo Aval´s financial subsidiaries take risks, within predetermined limits. These risks are mitigated with the use of derivative products and other financial instruments within limits that are permanently monitored by risk.

The following is a breakdown of Grupo Aval’s financial assets and liabilities exposed to trading risk held at December 31, 2023 and 2022.

Account		December 31, 2023		December 31, 2022
Financial assets				
Debt financial assets				
Trading investments in debt securities	Ps.	7,113,380	Ps.	3,760,887
Investments in debt securities mandatorily at FVTPL		1,889		1,378
Investments in debt securities at FVOCI		23,326,776		22,461,805
Total debt securities	Ps.	**30,442,045**	Ps.	**26,224,070**
Derivative assets instruments	Ps.	2,077,567	Ps.	2,041,405
Hedging derivatives assets		48,662		20,854
		2,126,229		**2,062,259**
Total financial assets	**Ps.**	**32,568,274**	**Ps.**	**28,286,329**
Liabilities				
Derivative liabilities instruments		2,154,361		1,757,606
Hedging derivatives liabilities		217,566		3,568
Total financial liabilities		**2,371,927**		**1,761,174**
Net position	**Ps.**	**30,196,347**	**Ps.**	**26,525,155**

4.2.2 Description of Objectives, Policies and Processes to Manage Trading Risk

Our financial subsidiaries participate in money markets, foreign exchange markets and capital markets to meet their needs and those of their customers, subject to established policies and risk levels. In this respect, they manage different portfolios of financial assets within the limits and risk levels allowed.

The risks assumed by Grupo Aval´s financial subsidiaries in transactions related to the trading or treasury book are consistent with the overall trading strategy, considering the market depth for each instrument, its impact on risk-weighted assets and regulatory capital, the profit budget established for each business unit, and the balance sheet structure.

Trading strategies are established on the basis of approved limits, in an effort to balance the risk / return relationship. Moreover, there is a structure of limits consistent with Grupo Aval's general philosophy and is based on capital levels, earnings performance and risk appetite.

The Market Risk Management System (SARM in Spanish) allows Grupo Aval´s financial subsidiaries to identify, measure, control and monitor the market risk they are exposed to in carrying out their operations.

There are several scenarios in which Grupo Aval´s financial subsidiaries are exposed to trading risks.

- Interest Rate Risk

  Grupo Aval's financial subsidiaries are exposed to interest rate risk as a result of its market-making activities and proprietary trading in interest rate sensitive financial instruments (e.g., risk arising from changes in the level or implied volatility of interest rates, the timing of mortgage prepayments, the shape of the yield curve and credit spreads for credit sensitive instruments). This risk includes the risk of repricing of floating rates. Additionally, as part of the interest rate risk management, asset and liability management committees have been established to monitor the execution of these strategies.

- Foreign Exchange Risk

  Grupo Aval's financial subsidiary's portfolios are exposed to foreign exchange rate and implied volatility risk as a result of market making negotiation in foreign currencies and from maintaining foreign exchange positions.

- Equity Price Risk and Mutual Fund Risk

  Grupo Aval´s financial subsidiaries are exposed to equity price risk in specific investments and are exposed to mutual fund risk.

4.2.2.1 Risk Management

Grupo Aval financial subsidiaries manage their trading positions by employing a variety of risk mitigation strategies. These strategies include diversification of risk exposures and hedging through the purchase or sale of positions in related securities and financial instruments, including a variety of derivative products (e.g., futures, forwards, swaps and options). The financial subsidiaries manage their market risk associated with its trading activities on a decentralized basis. Our corporate risk unit supervises the level of risk taken in order to ensure that its global exposure limits are observed.

Senior management and the Boards of Directors of our banks and their financial subsidiaries play an active role in managing and controlling market risk. They do so by analyzing established reports and through committees that comprehensively monitor - both technically and fundamentally - the different variables that influence domestic and foreign markets. This process is intended to support strategic trading and portfolio decisions.

Analyzing and monitoring the market risks that Grupo Aval´s financial subsidiaries take in their operations is essential for decision making and to assess potential effects on their financial position. An ongoing analysis of macroeconomic conditions is necessary in order to achieve an ideal combination of market risk, return and liquidity.

The risks assumed in financial operations are reflected in a limit structure that includes different types of instruments, specific trading strategies, the market depth in which Grupo Aval´s financial subsidiaries operate, the impact on risk-weighted assets and regulatory capital, as well as the balance sheet structure. These limits are monitored daily and reported regularly to the Board of Directors of Grupo Aval´s financial subsidiaries.

In order to minimize interest rate and exchange rate risks in specific positions and transactions, Grupo Aval´s financial subsidiaries manage hedging strategies by taking positions in derivative instruments such as non-deliverable forwards (NDF) related to securities, money market transactions and foreign exchange forwards.

4.2.2.2 Methods Used to Measure Market Risk

The Market Risk areas independently reviews the Company's trading portfolios on a regular basis from a market risk perspective utilizing Value at Risk (VaR) internal and regulatory models, and other quantitative and qualitative risk measures and analyses. Each trading business and the market risk areas also use, as appropriate, measures such as sensitivity to changes in interest rates, prices, and implied volatilities to monitor and report market risk exposures. Stress testing, which measures the impact on the value of existing portfolios of specified changes in market factors for certain products, is performed periodically and reviewed by our risk and trading areas. Reports summarizing material risk exposures are produced by the market risk areas and are provided to senior management for their review and challenge.

The Boards of Directors and the Risk Committees of Grupo Aval´s financial subsidiaries approve a framework of limits based on the value-at-risk related to the annual budget.

Regulatory VaR (regulatory calculation)

The Regulatory VaR calculation is primarily used for the Superintendency of Finance's solvency ratio calculations. Each bank has standard models for capital purposes; however, they also maintain internal models in order to manage their day-to- day risk and profit decisions.

The Superintendency of Finance methodology is based on the Basel II model. This model applies only to the financial subsidiaries' investment portfolio and excludes investments not classified as trading. Total market risk is calculated on a daily basis by aggregating the VaR for each risk exposure category on a ten-day horizon, based on risk factors calculated under extreme market stress scenarios. VaR at month-end is part of the capital adequacy ratio calculation (as set forth in Decree 2555 of 2010). The Superintendency of Finance's rules require the financial subsidiaries to calculate VaR for the following risk factors: interest rate risk, foreign exchange rate risk, equity price risk and fund risk. Correlations between risk factors are not considered. The fluctuations in the portfolio's VaR depend on sensitivity factors determined by the Superintendency of Finance, modified duration and changes in balances outstanding. The ten-day horizon is defined as the average time in which an entity could sell a trading position in the market.

The VaR calculation includes all the portfolios of the entities and their financial subsidiaries and is estimated under the methodology defined by the Superintendency of Finance of Colombia.

These VaR calculation models are used to determine the occurrence of potential losses among the different business units. The methods also allow comparisons of activities in different markets and identification of the riskiest positions in treasury activities. These tools are also used to determine limits on traders' positions and to promptly review positions and trading strategies in response to changes in market conditions. VaR models have inherent limitations, partially because they rely on historical data, which may not be an indicative of future market conditions. VaR models could overestimate or underestimate the value at risk if market conditions vary significantly and they do not calculate the greatest possible loss. That's why each company uses additional measurement tools in order to compensate for the VaR limitations. Expected Shortfall analysis, stress test and back tests are part of the risk measurement tools in the financial subsidiaries. The methods used to measure VaR are assessed regularly and backtested to check their efficiency.

Grupo Aval´s financial subsidiaries have tools to carry out portfolio stress and/or sensitivity tests, using extreme scenario simulations. Additionally, there are limits according to the "risk type" associated with each of the instruments comprising the different portfolios. These limits are related to sensitivity or impact on the value of the portfolio as a result of fluctuations of specific risk factors such as: interest rate (Rho), exchange rate (Delta) and volatility (Vega).

Grupo Aval´s financial subsidiaries have counterparty and trading limits for each trader in the trading platforms for the markets where they operate. Trading limits are controlled daily by the back and middle offices of each entity. Trading limits for individual traders are assigned based upon the individual´s level in the organization, market and trading experience and product and portfolio management knowledge.

There is also a process to monitor the prices of fixed-income securities traded in foreign markets published by investment price providers for those jurisdictions.

In addition, fixed income securities are subject to a qualitative liquidity analysis to determine the market depth for those instruments.

(Amounts expressed in millions of Colombian pesos)

Finally, the daily transaction monitoring process includes controlling different aspects of trading, such as terms of negotiation, non-conventional or off-market transactions, and related party transactions.

According to the standard model, the market value-at-risk (VaR) for Grupo Aval´s financial subsidiaries consolidated at their level of December 31, 2023 and 2022 was as follows:

		December 31, 2023			December 31, 2022	
Entity		**Value at Risk**	**Basis points of regulatory capital**		**Value at Risk**	**Basis points of regulatory capital**
Banco Bogotá S.A.	Ps.	639,228	111	Ps.	759,623	116
Banco de Occidente S.A.		218,355	67		272,515	90
Banco AV Villas S.A.		47,004	55		96,711	105
Banco Popular S.A. (1)		336,718	206		147,685	116
Corficolombiana S.A. (1)		240,068	519		190,534	464
Porvenir S.A.		10,927	92		13,808	148

(1) The market value at risk information for 2023 corresponds to Banco Popular's consolidated information. Corficolombiana's information is presented separately, due to its materiality.

The following tables show the VaR calculation relating to each of the risk factors described above and based on the Superintendency of Finance Methodology (Regulatory VaR) for the years ended December 31, 2023 and 2022, for a ten-day horizon for each of our Colombian banking subsidiaries. The minimum, maximum and average levels are determined based on end-of-month calculations, using 12 data points between January and December.

Banco de Bogotá S.A

Maximum, Minimum and Average VaR Values
December 31, 2023

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	423,347	428,765	440,804	440,804
Exchange rate		105,390	138,671	175,945	160,165
Shares		3,891	12,573	37,830	37,830
Mutual funds		106	3,860	13,085	429

Maximum, Minimum and Average VaR Values
December 31, 2022

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	426,736	441,281	460,435	440,531
Exchange rate		87,497	133,241	179,646	171,517
Shares		3,759	4,182	4,650	3,870
Mutual funds		108,165	118,107	143,705	143,705

Banco de Bogota´s market risk weighted assets remained on average 6.7% of the total risk-weighted assets during the year ended December 31, 2023 and 8.1% in the year ended December 31, 2022.

(Amounts expressed in millions of Colombian pesos)

Banco de Occidente S.A

Maximum, Minimum and Average VaR Values
December 31, 2023

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	179,858	205,998	251,416	217,031
Exchange rate		717	3,662	11,894	717
Shares		—	—	—	—
Mutual funds		569	15,259	85,455	607

Maximum, Minimum and Average VaR Values
December 31, 2022

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	173,355	196,810	243,326	173,355
Exchange rate		99	3,354	15,681	15,681
Shares		—	—	—	—
Mutual funds		75,869	80,639	83,479	83,479

Banco de Occidente´s market risk weighted assets remained on average 5.2% of the total risk-weighted assets during the year ended December 31, 2023 and 7.0% for the year ended December 31, 2022.

Banco Comercial AV Villas S.A

Maximum, Minimum and Average VaR Values
December 31, 2023

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	46,209	65,592	86,967	46,209
Exchange rate		1	46	153	10
Shares		—	—	—	—
Mutual funds		221	6,930	14,175	785

Maximum, Minimum and Average VaR Values
December 31, 2022

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	82,312	99,727	120,545	84,749
Exchange rate		9	48	106	98
Shares		—	—	—	—
Mutual funds		158	2,090	11,864	11,864

Banco AV Villas’ market risk weighted assets remained on average 4.5% of the total risk-weighted assets during the year ended December 31, 2023 and 8.7% in the year ended December 31, 2022.

Banco Popular S.A

Maximum, Minimum and Average VaR Values
December 31, 2023

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	82,783	114,642	299,985	299,985
Exchange rate		5,050	6,783	7,759	7,221
Shares		148	687	6,586	6,586
Mutual funds		7,255	16,714	22,926	22,926

Maximum, Minimum and Average VaR Values
December 31, 2022

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	121,194	130,739	144,932	121,194
Exchange rate		4,290	5,618	6,711	5,796
Shares		140	143	148	147
Mutual funds		12,209	15,952	20,548	20,548

Banco Popular´s market risk weighted assets remained on average 8.8% of the total risk-weighted assets during the year ended December 31, 2023 and 7.7% in the year ended December 31, 2022.

(Amounts expressed in millions of Colombian pesos)

Corficolombiana S.A

Maximum, Minimum and Average VaR Values
December 31, 2023

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	190,139	209,769	227,913	221,409
Exchange rate		4,381	16,757	24,799	4,381
Shares		7,086	7,501	8,007	7,221
Mutual funds		7,057	8,187	9,856	7,057

Maximum, Minimum and Average VaR Values
December 31, 2022

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	148,170	172,466	185,935	160,195
Exchange rate		3,828	15,882	40,422	23,090
Shares		6,017	9,308	13,350	6,557
Mutual funds		692	1,087	1,609	692

Corficolombiana's market risk weighted assets remained on average 10.2% of the total risk-weighted assets during the year ended December 31, 2023 and 8.9% on the year ended December 31, 2022. As Corficolombiana does not have a relevant number of loans or other significant risk weighted assets, the ratio of the market risk weighted assets to total risk weighted assets is higher than in the banks.

As a pension fund, Porvenir has a value-at-risk measurement methodology that differs from credit establishments and is established by the Superintendency of Finance. The following tables show the VaR calculation relating to each of the risk factors described above and based on that Methodology (Regulatory VaR) for the years ended December 31, 2023, and 2022, for a ten-day horizon.

Porvenir S.A

Maximum, Minimum and Average VaR Values
December 31, 2023

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	12,190	24,500	38,914	18,822
Exchange rate		115	978	2,900	597
Shares		1,710	2,347	3,091	1,973
Mutual funds		457	2,650	5,829	3,094

Maximum, Minimum and Average VaR Values
December 31, 2022

		Minimum	Average	Maximum	Period end
Interest rate	Ps.	25,698	40,927	61,686	29,363
Exchange rate		93	577	1,682	976
Shares		1,404	2,579	3,379	2,541
Mutual funds		788	5,504	15,922	788

Porvenir' market risk weighted assets remained on average 13.7% of the total risk-weighted assets during the year ended December 31, 2023 and 16.9% in the year ended December 31, 2022.

(Amounts expressed in millions of Colombian pesos)

Investment Price Risk in Equity Instruments

Equity Investments

Variations in equity price risk measured based on the regulatory VaR methodology include both equity securities held for trading through profit or losses and non-strategic holdings. In addition, it does not discriminate between listed and unlisted equity investments or between those which consolidate and those which do not. It includes investments in non-financial institutions.

Holding periods for many of Corficolombiana's equity investments exceed ten years. Its largest investments have remained in the portfolio for several years and are intended to remain as permanent investments. Therefore, no value at risk is estimated. At December 31, 2023 and 2022, the only investments subject to regulatory VaR were holdings in Mineros S.A.

The following table breaks down our investments subject to regulatory VaR by time since initial investments at December 31, 2023 and 2022.

	At December 31,					
	2023			2022		
	Investment subject to Regulatory VaR	Regulatory VaR	Percentage of portfolio	Investment subject to Regulatory VaR	Regulatory VaR	Percentage of portfolio
More than 36 months	Ps. 43,765	Ps. 6,433	100 %	Ps. 44,122	Ps. 6,486	100 %
Total	**Ps. 43,765**	**Ps. 6,433**	**100 %**	**Ps. 44,122**	**Ps. 6,486**	**100 %**

4.2.3 Structural foreign exchange risk

Grupo Aval´s financial subsidiaries have agencies and subsidiaries offshore and have assets and liabilities in foreign currencies and are thus exposed to changes in the exchange rates, primarily the United States Dollar. Foreign exchange risk is present when there are assets and liabilities denominated in foreign currency, when investments are made in foreign subsidiaries and branches and when we extend loans or take funds in foreign currency. Foreign exchange risk is also present in foreign currency off- balance sheet transactions.

Subsidiaries of the financial sector in Colombia are authorized by the country's central bank (Banco de la República) to trade currencies and maintain balances in foreign currency in accounts abroad. Colombian law allows banks to maintain a net daily asset or liability position in foreign currency, determined as the difference in foreign currency denominated rights and foreign currency denominated obligations, including both on and off-balance sheet positions. On an entity individual basis, the average of this difference over three business days cannot exceed twenty percent (20%) of the entity's regulatory capital. On a consolidated basis, the average of this difference over three business days (positive or negative) cannot exceed forty percent (40%) of the consolidated entity´s regulatory capital.

The maximum and minimum total foreign currency position and the spot foreign currency position are determined according to each entity´s regulatory capital. The regulatory capital that is used in the calculations, corresponds to the regulatory capital of the last business day of the previous two-months. The exchange rate used in the calculation is the average of the exchange rate of the previous month set by the Superintendency of Finance.

A substantial amount of Grupo Aval's foreign currency assets and liabilities are in U.S. dollars. Details of the assets and liabilities in foreign currency held by Grupo Aval as of December 31, 2023 and 2022 are shown below:

(Amounts expressed in millions of Colombian pesos)

December 31,2023 **Account**	**U.S. dollars (Millions)**	**Other currencies converted to U.S. dollars (Millions)**		**Total in Colombian pesos (Millions)**
Financial assets				
Cash and cash equivalents	1,248	60	Ps.	4,996,706
Trading investments in debt securities	78	—		298,792
Investments in debt securities at FVOCI	1,930	—		7,376,923
Investments in debt securities at amortized cost	597	—		2,280,108
Loan portfolio financial assets at amortized cost	8,043	—		30,739,665
Derivative financial assets held for trading	544	—		2,077,567
Derivative financial assets held for hedging	—	—		687
Trade receivable	719	—		2,748,599
Total financial assets	**13,159**	**60**	**Ps.**	**50,519,047**

Account	**U.S. dollars (Millions)**	**Other currencies converted to U.S. dollars (Millions)**		**Total in Colombian pesos (Millions)**
Financial liabilities				
Derivative financial liabilities held for trading	564	—	Ps.	2,154,361
Derivative financial liabilities held for hedging	53	—		204,202
Customer deposits	7,048	34		27,070,411
Financial obligations	8,072	1		30,857,352
Accounts payable	242	—		921,552
Total financial liabilities	**15,979**	**35**		**61,207,878**
Net financial asset (liability) position	**(2,820)**	**25**	**Ps.**	**(10,688,831)**

December 31,2022 **Account**	**U.S. dollars (Millions)**	**Other currencies converted to U.S. dollars (Millions)**		**Total in Colombian pesos (Millions)**
Financial assets				
Cash and cash equivalents	1,208	34	Ps.	5,972,792
Trading investments in debt securities	37	—		180,032
Investments in debt securities at FVOCI	1,691	—		8,135,015
Investments in debt securities at amortized cost	608	—		2,923,279
Loan portfolio financial assets at amortized cost	7,421	1		35,699,330
Derivative financial assets held for trading	314	—		1,512,459
Derivative financial assets held for hedging	1	—		4,829
Trade receivable	705	63		3,694,659
Total financial assets	**11,985**	**98**	**Ps.**	**58,122,395**

Account	**U.S. dollars (Millions)**	**Other currencies converted to U.S. dollars (Millions)**		**Total in Colombian pesos (Millions)**
Financial liabilities				
Derivative financial liabilities held for trading	237	—	Ps.	1,141,963
Derivative financial liabilities held for hedging	—	—		1,553
Customer deposits	6,482	19		31,269,619
Financial obligations	9,097	5		43,779,895
Accounts payable	122	—		587,589
Total financial liabilities	**15,938**	**24**		**76,780,619**
Net financial asset (liability) position	**(3,953)**	**74**	**Ps.**	**(18,658,224)**

Grupo Aval's financial subsidiaries hedge their foreign exchange exposure using derivatives instruments, especially forwards. The net foreign currency position of each subsidiary is monitored on a daily basis.

Grupo Aval has a number of investments in foreign subsidiaries and branches whose net assets are exposed to foreign exchange risk because of the translation of gains or losses for the purpose of consolidating their financial statements. The exposure arising from net assets in foreign operations is hedged primarily with financial obligations, bonds and foreign exchange derivative instruments.

(Amounts expressed in millions of Colombian pesos)

The following table presents sensitivities of profit or loss before taxes and equity (OCI) to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

December 31,2023	**Increase Ps.100 per U.S. dollar**	**Decrease Ps.100 per U.S. dollar**
Equity (mainly OCI)	Ps. 2,840	Ps. (2,840)
Profit and loss before taxes	(174,869)	174,869

December 31,2022	**Increase Ps.100 per U.S. dollar**	**Decrease Ps.100 per U.S. dollar**
Equity (mainly OCI)	Ps. 13,538	Ps. (13,538)
Profit and loss before taxes	(156,263)	156,263

The sensitivity in equity considers mainly assets and liabilities of entities with functional currencies different from the Group's presentation currency compensated with derivatives and financial labilities designated to hedge net investments in foreign operations.

The sensitivity in profit or loss was calculated for monetary assets and liabilities denominated in currencies other than the functional currency of the respective entities of the Group, including intercompany balances which are not hedged. The Group's exposure to currency risk at the end of the reporting period is not representative of the typical exposure during the year.

4.2.4 Structural Interest Rate Risk

Non-trading instruments consist primarily of loans and deposits. The net interest margin of our financial subsidiaries may be affected by changes in interest rates. Losses can result from unexpected movements in interest rates. For this reason, our financial subsidiaries monitor the interest rate risk daily and set limits on asset and liability mismatches.

Grupo Aval´s financial subsidiaries monitor their interest rate risk daily and set limits to repricing mismatches between assets and liabilities. They analyze their interest rate exposure in a dynamic way. Scenario modelling considers renewal of existing positions, financing alternatives, and hedges. Considering these scenarios, the financial subsidiaries calculate the profit and loss impact of changes in interest rates.

The following table shows interest rates exposure for assets and liabilities at December 31, 2023 and 2022. In this table, fixed rate instruments are classified according to their maturity date and floating rate instruments are classified according to their repricing date. The following analysis includes the interest rate exposure of non-interest-bearing and interest-bearing assets and liabilities by maturity bucket for our financial subsidiaries:

(Amounts expressed in millions of Colombian pesos)

December 31, 2023

Assets	Less than one month	From one to six months	From six to twelve months	More than a year	Non-interest	Total
Cash and cash equivalents	Ps. 5,563,358	Ps. 854	Ps. 1,684	Ps. —	Ps. 13,031,965	Ps. 18,597,861
Trading investments in debt securities	41,179	251,925	539,012	6,281,264	—	7,113,380
Investments in debt securities mandatorily at FVTPL	—	—	439	1,450	—	1,889
Investments in debt securities at FVOCI	110,939	720,636	3,727,517	18,767,684	—	23,326,776
Investments in debt securities at amortized cost	927,454	3,402,597	3,389,804	2,276,706	—	9,996,561
Trade receivable at FVTPL	—	—	—	3,830,916	—	3,830,916
Commercial loans	12,496,990	48,530,829	11,530,367	34,489,631	—	107,047,817
Consumer loans	4,014,604	3,485,355	1,627,002	50,872,650	—	59,999,611
Mortgages loans	3,369,639	218,540	6,817	14,891,210	—	18,486,206
Microcredit loans	23,946	11,431	33,079	209,073	—	277,529
Interbank and overnight founds	247,668	144,939	—	—	—	392,607
Trade receivable	12,346	4,380	3,207	1,704,180	20,447,860	22,171,973
Total Assets	**Ps. 26,808,123**	**Ps. 56,771,486**	**Ps. 20,858,928**	**Ps. 133,324,764**	**Ps. 33,479,825**	**Ps. 271,243,126**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than a year	Non-interest	Total
Checking accounts	Ps. 4,746,654	Ps. —	11,904,157	—	7,159,048	Ps. 23,809,859
Time deposits	8,037,475	39,999,744	21,559,845	17,000,396	—	86,597,460
Saving deposits	71,149,883	—	—	—	—	71,149,883
Other deposits	12,379	15,455	—	—	402,360	430,194
Interbank and overnight funds	13,298,927	1,762,116	—	20,877	—	15,081,920
Leases contracts	3,962	55,871	77,762	2,654,153	—	2,791,748
Borrowing from banks and similar	2,001,170	6,011,525	2,710,163	8,703,854	—	19,426,712
Long-term debt	58,142	4,053,694	565,465	18,750,525	—	23,427,826
Borrowing from development entities	2,441,548	1,082,184	165,940	1,123,461	—	4,813,133
Total Liabilities	**Ps. 101,750,140**	**Ps. 52,980,589**	**Ps. 36,983,332**	**Ps. 48,253,266**	**Ps. 7,561,408**	**Ps. 247,528,735**

December 31, 2022

Assets	Less than one month	From one to six months	From six to twelve months	More than a year	Non-interest	Total
Cash and cash equivalents	Ps. 6,066,944	Ps. —	Ps. —	Ps. —	Ps. 10,965,913	Ps. 17,032,857
Trading investments in debt securities	75,943	715,117	107,442	2,862,385	—	3,760,887
Investments in debt securities mandatorily at FVTPL	—	—	—	1,378	—	1,378
Investments in debt securities at FVOCI	280,301	2,912,007	700,112	18,569,385	—	22,461,805
Investments in debt securities at amortized cost	967,123	5,543,804	294,035	2,966,530	—	9,771,492
Trade receivable at FVTPL	—	—	—	3,507,231	—	3,507,231
Commercial loans	14,928,623	43,243,207	9,111,072	37,492,197	—	104,775,099
Consumer loans	4,310,303	3,698,330	1,321,030	50,089,781	—	59,419,444
Mortgages loans	4,124,086	84,730	12,666	13,661,873	—	17,883,355
Microcredit loans	19,228	10,989	31,573	205,930	—	267,720
Interbank and overnight founds	5,669,519	298,224	—	—	—	5,967,743
Trade receivable	—	162	—	1,947,806	18,307,790	20,255,758
Total Assets	**Ps. 36,442,070**	**Ps. 56,506,570**	**Ps. 11,577,930**	**Ps. 131,304,496**	**Ps. 29,273,703**	**Ps. 265,104,769**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than a year	Non-interest	Total
Checking accounts	Ps. 5,926,936	Ps. —	Ps. —	Ps. —	Ps. 20,005,117	Ps. 25,932,053
Time deposits	7,008,761	33,911,426	19,107,280	12,246,230	—	72,273,697
Saving deposits	74,293,894	—	—	—	—	74,293,894
Other deposits	—	—	—	—	841,505	841,505
Interbank and overnight funds	7,608,690	835,124	77,463	566,644	—	9,087,921
Leases contracts	3,417	48,775	91,354	2,192,398	—	2,335,944
Borrowing from banks and similar	2,262,503	14,698,824	3,877,438	7,134,649	—	27,973,414
Long-term debt	633,431	5,875,058	543,176	21,310,556	—	28,362,221
Borrowing from development entities	2,386,311	708,979	39,901	1,222,084	—	4,357,275
Total Liabilities	**Ps. 100,123,943**	**Ps. 56,078,186**	**Ps. 23,736,612**	**Ps. 44,672,561**	**Ps. 20,846,622**	**Ps. 245,457,924**

As part of their interest rate risk management process, our financial subsidiaries analyze the interest rate mismatches between their interest-earning assets and their interest-earning liabilities. This sensitivity analysis, based on hypothetical changes, assumes that the composition of Grupo Aval´s statement of financial position remains constant over the period being measured.

(Amounts expressed in millions of Colombian pesos)

The following analysis estimates the impact of an accounting sensitivity of outstanding balances of financial assets and financial liabilities to variations in interest rates at December 31, 2023. The analysis assumes constant market parameters, without including the effects of discretional customer decisions and changes in macroeconomic fundamentals over financial assets and liabilities. In Colombia, the information referring to what is known as interest-rate risk in the banking book regulations (IRRBB) will come into effect in December 2024, in the meantime, as indicated, an accounting sensitivity exercise is performed. As a result, if interest rates were to increase 100 basis points, assuming no asymmetrical movement in yield curves and a constant structure of the Statement of Financial Position (no changes in maturities and assuming simultaneous repricing), net income before income tax expense for the year 2023 would have been Ps. 254,981 higher , which represent a 4% of the Net interest income of 2023 (2022: Ps. 353,827 represent a 4.6% of the Net interest income of 2022), mainly as a result of higher interest income on variable interest assets and partially offset by higher interest expenses on variable interest liabilities and lower fair values of securities at fair value through profit or loss. The portion of assets at variable rates is greater than the liabilities at variable rate. Other comprehensive income in equity would have been Ps. 518,156 at December 31, 2023 and December 31, 2022: Ps. 538,385, mainly because of a decrease in the fair value of fixed rate financial assets classified as fair value through OCI.

The following is a breakdown of non-interest-bearing and interest-bearing assets and liabilities by interest rate type and by maturity, as at December 31, 2023 and 2022.

December 31, 2023

	Under one year		Over one year		Non-	
Assets	**Variable**	**Fixed**	**Variable**	**Fixed**	**interest**	**Total**
Cash due from banks and Central Bank	Ps. 2,799,607	Ps. 2,766,289	Ps. —	Ps. —	Ps. 13,031,965	Ps. 18,597,861
Trading investments in debt securities	319,900	512,216	109,777	6,171,487	—	7,113,380
Investments in debt securities mandatorily at FVTPL	—	439	—	1,450	—	1,889
Investments in debt securities at FVOCI	132,430	4,426,662	1,016,347	17,751,337	—	23,326,776
Investments in debt securities at amortized cost	5,112,355	2,607,500	133,704	2,143,002	—	9,996,561
Trade receivable at FVTPL	—	—	3,830,916	—	—	3,830,916
Commercial loans	45,221,180	11,797,765	43,030,934	6,997,938	—	107,047,817
Consumer loans	929,574	9,750,154	5,516,791	43,803,092	—	59,999,611
Mortgages loans	53,719	811,497	3,498,709	14,122,281	—	18,486,206
Microcredit loans	1,170	161,497	696	114,166	—	277,529
Interbank and overnight founds	—	392,607	—	—	—	392,607
Trade receivable	18,707	—	325,016	1,380,390	20,447,860	22,171,973
Total Assets	**Ps. 54,588,642**	**Ps. 33,226,626**	**Ps. 57,462,890**	**Ps. 92,485,143**	**Ps. 33,479,825**	**Ps. 271,243,126**

	Under one year		Over one year		Non-	
Liabilities	**Variable**	**Fixed**	**Variable**	**Fixed**	**interest**	**Total**
Checking accounts	Ps. 1,857,769	Ps. 14,793,042	Ps. —	Ps. —	Ps. 7,159,048	Ps. 23,809,859
Time deposits	13,167,807	53,716,494	5,711,093	14,002,066	—	86,597,460
Saving deposits	8,492,708	62,657,175	—	—	—	71,149,883
Other deposits	12,379	15,455	—	—	402,360	430,194
Interbank and overnight funds	1,023,612	14,037,431	—	20,877	—	15,081,920
Leases contracts	2,989	115,379	356,454	2,316,926	—	2,791,748
Borrowing from banks and other	6,089,836	4,531,168	7,158,457	1,647,251	—	19,426,712
Long-term debt	812,106	771,189	7,133,109	14,711,422	—	23,427,826
Borrowing from development entities	417,219	133,720	3,340,632	921,562	—	4,813,133
Total Liabilities	**Ps. 31,876,425**	**Ps. 150,771,053**	**Ps. 23,699,745**	**Ps. 33,620,104**	**Ps. 7,561,408**	**Ps. 247,528,735**

(Amounts expressed in millions of Colombian pesos)

December 31, 2022

Assets	Under one year Variable	Under one year Fixed	Over one year Variable	Over one year Fixed	Non-interest	Total
Cash due from banks and Central Bank	Ps. 2,682,724	Ps. 3,384,220	Ps. —	Ps. —	Ps. 10,965,913	Ps. 17,032,857
Trading investments in debt securities	337,636	425,970	134,897	2,862,384	—	3,760,887
Investments in debt securities mandatorily at FVTPL	—	—	—	1,378	—	1,378
Investments in debt securities at FVOCI	861,729	2,609,594	1,254,542	17,735,940	—	22,461,805
Investments in debt securities at amortized cost	4,555,437	2,326,296	243,662	2,646,097	—	9,771,492
Trade receivable at FVTPL	—	—	3,507,231	—	—	3,507,231
Commercial loans	42,226,647	9,808,684	47,072,091	5,667,677	—	104,775,099
Consumer loans	1,006,251	8,380,874	6,199,484	43,832,835	—	59,419,444
Mortgages loans	44,520	708,435	4,166,107	12,964,293	—	17,883,355
Microcredit loans	1,296	154,055	1,001	111,368	—	267,720
Interbank and overnight founds	47,128	5,920,615	—	—	—	5,967,743
Trade receivable	162	—	305,684	1,642,122	18,307,790	20,255,758
Total Assets	**Ps. 51,763,530**	**Ps. 33,718,743**	**Ps. 62,884,699**	**Ps. 87,464,094**	**Ps. 29,273,703**	**Ps. 265,104,769**

Liabilities	Under one year Variable	Under one year Fixed	Over one year Variable	Over one year Fixed	Non-interest	Total
Checking accounts	Ps. 735,536	Ps. 5,191,400	Ps. —	Ps. —	Ps. 20,005,117	Ps. 25,932,053
Time deposits	14,474,525	40,361,808	5,887,596	11,549,768	—	72,273,697
Saving deposits	10,472,330	62,653,236	1,168,328	—	—	74,293,894
Other deposits	—	—	—	—	841,505	841,505
Interbank and overnight funds	2,611,592	1,978,380	4,497,949	—	—	9,087,921
Leases contracts	897,471	181,509	244,062	1,012,902	—	2,335,944
Borrowing from banks and other	8,862,681	13,195,008	1,987,704	3,928,021	—	27,973,414
Long-term debt	3,600,832	5,662,371	4,556,550	14,542,468	—	28,362,221
Borrowing from development entities	313,459	171,581	3,121,907	750,328	—	4,357,275
Total Liabilities	**Ps. 41,968,426**	**Ps. 129,395,293**	**Ps. 21,464,096**	**Ps. 31,783,487**	**Ps. 20,846,622**	**Ps. 245,457,924**

4.3 Liquidity Risk

Liquidity risk management has always been a basic element of Grupo Aval's business strategy and a fundamental cornerstone, together with capital, on which the strength of its balance sheet rests. Liquidity risk is related to the inability of Grupo Aval´s subsidiaries to fulfill their obligations with customers, financial market counterparties, lenders, suppliers, authorities or other stakeholders at any given moment, in any currency and in any location.

Structural liquidity management aims to finance the recurring nature of a company's activities under optimal terms of time and cost, avoiding taking unwanted liquidity risks. At Grupo Aval, the financing and liquidity model is decentralized and based on autonomous subsidiaries that are responsible for covering their own liquidity needs. Therefore, each entity reviews its available resources on a daily basis in order to control its liquidity risk.

The financial subsidiaries of Grupo Aval are responsible for complying with the regulatory liquidity requirements, as well as meeting the obligations arising from their current and future activity. In consequence, they will either take deposits from their customers, or by resorting to the wholesale markets where they operate. Grupo Aval's financial subsidiaries have a strong capacity as well as to raise funds in the wholesale markets.

Financial subsidiaries comply with the requirements for liquidity risk management of the jurisdictions in which they operate. They define policies that govern the functions of identification, measurement, control and monitoring required to manage daily liquidity requirements, comply with minimum liquidity buffers and establish liquidity contingency plans to deal with any unexpected situation.

Financial subsidiaries controlled by Grupo Aval, in Colombia, are required to maintain adequate liquidity positions based on the Superintendency of Finance's liquidity parameters, using a short-term liquidity index (Indicador de Riesgo de Liquidez), or "IRL," that measures liquidity for different time horizons from 1 to 90 days. This index is defined as the difference between adjusted liquid assets and net liquidity requirements.

(Amounts expressed in millions of Colombian pesos)

- Liquid assets include total debt securities adjusted by market liquidity and exchange rate, excluding investment securities at amortized cost different from mandatory investments, Central Bank deposits and available cash.

- Net liquidity requirements are the difference between expected contractual asset and contractual and non-contractual liability cash flows. Cash flows from past due loans are not included in this calculation.

During 2020, as part of its convergence towards Basel III standards, the Superintendency of Finance incorporates the segmentation by type of deposits in the calculation of non-contractual liability cash flows. The methodology segments saving deposits in eight categories, according with their balance and the type of customer, then calculates the run-off rate for each category and finally multiplies both to determine the non-contractual reserve.

Grupo Aval´s financial subsidiaries assess the volatility of deposits, debt levels, the asset and liability structure, the liquidity of different asset types, the availability of lines of credit and the effectiveness of asset and liability management. The objective is to have adequate liquidity to manage possible stress scenarios.

The quantification of appropriate money market funding levels is an integral part of the liquidity measurement carried out by each entity. Based on statistical analysis, primary and secondary sources of liquidity are identified in order to ensure funding stability and diversification, and to minimize concentration.

Financial subsidiaries in Colombia must maintain cash on hand and in Central Banks deposits in order to comply with reserve requirements. The calculation of the reserve requirement is based on the daily average of the different types of deposits every two weeks. This requirement is 8% for sight and savings deposits, and 3.5% for term deposits of up to 18 months. For term deposits with terms greater than 18 months, the legal reserve was kept at 0%. As of December 31, 2023, and 2022, all of Grupo Aval´s financial subsidiaries comply with reserve requirements.

There are no reserve requirements for our subsidiaries located in Panamá because there is no Central Bank to regulate such requirements.

The following table presents liquid assets as of the cut-off date and their depletion for each of the time horizons established in the regulatory liquidity risk methodology (1 to 7 days, 1 to 30 days and 31 to 90 days), based on separate figures of our financial subsidiaries in Colombia at December 31, 2023 and 2022:

December 31, 2023

Bank		Liquid assets available at the end of the year (1)		From 1 to 7 days (2)		From 1 to 30 days (2)		From 31 to 90 days (2)
Banco de Bogota	Ps.	11,924,823	Ps.	9,811,253	Ps.	2,568,828	Ps.	(15,278,208)
Banco Occidente		8,638,565		6,727,345		2,531,186		(8,473,508)
Banco Popular		4,896,134		4,641,802		1,525,529		(5,458,950)
Banco AV Villas		2,328,186		2,027,630		992,892		(2,408,230)
Corficolombiana		2,073,055		1,138,855		222,748		(893,740)

December 31, 2022

Bank		Liquid assets available at the end of the year (1)		From 1 to 7 days (2)		From 1 to 30 days (2)		From 31 to 90 days (2)
Banco de Bogota	Ps.	11,749,890	Ps.	10,865,287	Ps.	6,445,745	Ps.	(15,602,231)
Banco Occidente		7,858,675		6,955,066		3,243,471		(5,830,252)
Banco Popular		5,283,312		4,141,163		1,588,642		(5,038,168)
Banco AV Villas		2,299,072		1,828,016		487,831		(3,202,904)
Corficolombiana		2,204,574		1,595,742		729,790		(358,231)

(1) Liquid assets are the sum of assets that are easily convertible into cash. Fixed income investments at amortized cost and financial investments pledged as collateral or subject to any other type of encumbrance, preventive measure or of any nature, that prevent their free assignment or transfer, as well as those that have been transferred under repurchase agreements, simultaneous or temporary transfer of securities are excluded. Liquid assets are measured at fair value (market prices on the evaluation date).

(2) This amount is the remaining value of the liquid assets in the specified time period, or the IRL, that is calculated as the difference between liquid assets and liquid assets requirement, according to the IRL methodology, the liquidity requirement is the difference of contractual cash inflows and contractual and non-contractual cash outflows during a given period.

(Amounts expressed in millions of Colombian pesos)

The following tables show the individual IRL Ratio as of December 31, 2023 and 2022 for each of our banks in Colombia and Corficolombiana, expressed in Ps billions and as a percentage:

	At December 31,									
	Banco de Bogotá		Banco de Occidente		Banco Popular		Banco AV Villas		Corficolombiana	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(in Ps)									
IRL – 7 days	9,811	10,865	5,610	5,338	4,642	4,141	2,028	1,828	1,207	1,542
IRL – 30 days	2,569	6,446	1,816	1,921	1,526	1,589	993	488	661	866

	At December 31,									
	Banco de Bogotá		Banco de Occidente		Banco Popular		Banco AV Villas		Corficolombiana	
	2023	2022	2023	2022	2023	2022	2023	2022	2023	2022
	(in percentages)									
IRL – 7 days	564	1,328	419	744	1,925	463	775	488	255	358
IRL – 30 days	127	222	133	145	145	143	174	127	150	168

Supervised entities are required to calculate and report to the SFC on a weekly basis an indicator of short-term liquidity risk. The IRL is calculated in periods of 7 and 30 days and must be at least 100 percent. During 2023, Grupo Aval's Colombian banks met the minimum regulatory requirement.

The liquidity calculations described above assume normal liquidity conditions, according to the contractual flows and historical experience of each of the financial subsidiaries. for extreme liquidity events caused by unusual deposit withdrawals, the financial subsidiaries have contingency plans that include available credit lines with other financial institutions and access to special lines of credit with Colombia´s Central Bank, in accordance with current regulations. These lines of credit are granted when required, and are collateralized by Colombian government securities or by a portfolio of high-quality loans, as specified in the Central Bank regulations. Grupo Aval´s financial subsidiaries did not access the Central Bank special lines of credit during the years ended at December 31, 2023 and 2022.

The banks in each country are responsible for their liquidity position on a stand-alone basis. They have access to funding mechanisms with their central banks, and to funding through credit lines. Short-term credits are offered by correspondent banks and financing is granted by multilateral organizations, among others.

(Amounts expressed in millions of Colombian pesos)

The following is a breakdown shows the contractual undiscounted cash flows of the financial assets and liabilities including contractual interest receivable and payable at December 31, 2023 and 2022.

December 31, 2023

Assets	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Cash and cash equivalents	Ps. 18,602,500	Ps. 857	Ps. 1,684	Ps. —	Ps. 18,605,041
Trading investments in debt securities	280,749	291,449	702,337	7,344,266	8,618,801
Investments in debt securities at FVOCI	142,920	1,192,286	3,861,978	20,682,574	25,879,758
Investments in debt securities at amortized cost	693,748	2,693,803	2,947,927	2,434,713	8,770,191
Commercial loans	11,914,475	30,973,505	21,141,485	64,172,735	128,202,200
Consumer loans	2,158,202	7,770,536	8,209,258	63,814,118	81,952,114
Mortgages loans	343,857	978,325	1,013,632	33,229,142	35,564,956
Microcredit loans	38,412	87,318	86,420	146,971	359,121
Interbank and overnight funds	392,679	—	—	—	392,679
Trading derivatives	1,172,036	640,291	111,538	110,978	2,034,843
Hedging derivatives	47,977	—	685	—	48,662
Trade receivable	3,127,198	113,763	29,350	22,733,228	26,003,539
Other assets	156,961	—	5	720,429	877,395
Total Assets	**Ps. 39,071,714**	**Ps. 44,742,133**	**Ps. 38,106,299**	**Ps. 215,389,154**	**Ps. 337,309,300**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Checking accounts	Ps. 23,809,859	Ps. —	Ps. —	Ps. —	Ps. 23,809,859
Time Deposits	14,800,170	35,683,285	24,156,548	21,322,829	95,962,832
Saving deposits	71,149,882	—	—	—	71,149,882
Other deposits	374,711	54,195	—	1,287	430,193
Interbank and overnight funds	13,305,891	1,788,786	—	20,877	15,115,554
Leases contracts	13,938	106,429	120,495	3,078,016	3,318,878
Borrowing from banks and other	1,663,276	6,250,680	3,090,588	11,827,108	22,831,652
Long-term debt	121,155	1,272,012	1,344,746	26,135,181	28,873,094
Borrowing from development entities	837,304	657,920	689,454	10,664,762	12,849,440
Trading derivatives	1,263,315	522,915	155,907	176,630	2,118,767
Hedging derivatives	204,251	305	5,252	6,722	216,530
Other liabilities	5,278,275	330,995	189,229	1,951,625	7,750,124
Total Liabilities	**Ps. 132,822,027**	**Ps. 46,667,522**	**Ps. 29,752,219**	**Ps. 75,185,037**	**Ps. 284,426,805**

Commitments Loans	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Guarantees	Ps. 1,813,970	Ps. 80,012	Ps. 30,320	Ps. 497,844	Ps. 2,422,146
Standby letters of credit	606,747	89,801	925	39,000	736,473
Overdraft facility	2,264,226	—	—	—	2,264,226
Standby credit card facility	11,917,268	112,006	84,005	336,019	12,449,298
Undrawn approved loans	4,002,210	218,112	—	—	4,220,322
Others	2,686,426	70,360	—	—	2,756,786
Total Commitments Loans	**Ps. 23,290,847**	**Ps. 570,291**	**Ps. 115,250**	**Ps. 872,863**	**Ps. 24,849,251**

(Amounts expressed in millions of Colombian pesos)

December 31, 2022

Assets	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Cash and cash equivalents	Ps. 17,032,854	Ps. 3	Ps. —	Ps. —	Ps. 17,032,857
Trading investments in debt securities	418,517	342,829	543,610	3,327,753	4,632,709
Investments in debt securities at FVOCI	2,019,842	2,008,753	5,356,480	18,078,127	27,463,202
Investments in debt securities at amortized cost	837,574	3,332,038	3,352,039	3,060,353	10,582,004
Commercial loans	10,636,895	29,541,405	18,415,847	63,675,959	122,270,106
Consumer loans	2,189,168	7,398,698	7,879,319	64,072,652	81,539,837
Mortgages loans	272,343	857,162	867,775	29,404,640	31,401,920
Microcredit loans	33,737	83,934	82,723	140,790	341,184
Interbank and overnight funds	5,966,991	68	—	—	5,967,059
Trading derivatives	1,242,228	367,115	199,530	254,096	2,062,969
Hedging derivatives	15,335	1,886	2,387	1,246	20,854
Trade receivable	2,510,396	161	15,517	21,234,935	23,761,009
Other assets	298,780	—	50,200	1,524,369	1,873,349
Total Assets	**Ps. 43,474,660**	**Ps. 43,934,052**	**Ps. 36,765,427**	**Ps. 204,774,920**	**Ps. 328,949,059**

Liabilities	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Checking accounts	Ps. 25,932,054	Ps. —	Ps. —	Ps. —	Ps. 25,932,054
Time Deposits	9,555,229	31,700,316	20,831,413	17,911,277	79,998,235
Saving deposits	74,293,894	—	—	—	74,293,894
Other deposits	538,387	301,996	—	1,124	841,507
Interbank and overnight funds	6,179,455	771,719	77,350	2,182,987	9,211,511
Leases contracts	12,387	90,521	140,578	2,200,644	2,444,130
Borrowing from banks and other	2,118,373	11,036,815	6,878,016	10,172,835	30,206,039
Long-term debt	356,759	3,550,122	1,144,997	31,041,844	36,093,722
Borrowing from development entities	178,136	1,439,502	485,447	6,426,663	8,529,748
Trading derivatives	860,852	579,886	230,643	278,889	1,950,270
Hedging derivatives	1,531	516	—	3,352	5,399
Other liabilities	4,155,257	145,183	—	1,993,490	6,293,930
Total Liabilities	**Ps. 124,182,314**	**Ps. 49,616,576**	**Ps. 29,788,444**	**Ps. 72,213,105**	**Ps. 275,800,439**

Commitments Loans	Less than one month	From one to six months	From six to twelve months	More than a year	Total
Guarantees	Ps. 2,129,962	Ps. 142,987	Ps. 61,140	Ps. 1,218,215	Ps. 3,552,304
Standby letters of credit	947,723	714	—	18	948,455
Overdraft facility	2,491,299	—	—	—	2,491,299
Standby credit card facility	11,263,240	125,933	94,450	377,799	11,861,422
Undrawn approved loans	3,133,043	98,505	—	—	3,231,548
Others	1,023,527	—	—	—	1,023,527
Total Commitments Loans	**Ps. 20,988,794**	**Ps. 368,139**	**Ps. 155,590**	**Ps. 1,596,032**	**Ps. 23,108,555**

4.4 Regulatory capital management

Grupo Aval Financial Conglomerate

As a result of Colombian Law 1870 of 2017 (also known as the Financial Conglomerates Law), that came in effect on February 6, 2019, Grupo Aval has become subject to the inspection and supervision of the Superintendency of Finance (SFC, for its acronym in Spanish). This law created the legal categories of financial holding companies and of financial conglomerates, and gives the Colombian Finance minister the power, to impose capital adequacy requirements on the financial conglomerates on an aggregate/consolidated basis, among others.

In compliance with Decree 774 issued on May 8th, 2018 by the Colombian Government that came in effect on 8th of November 2019 and the External Circular 012 of June 5, 2019 (in Spanish *Circular Externa 012 del 5 de junio de 2019*) issued by the Superintendency of Finance (SFC), Grupo Aval is subject to minimum capital requirements. As of December 31, 2023, and 2022, Grupo Aval as a Financial Conglomerate, complied with regulatory capital requirements.

Grupo Aval's financial subsidiaries

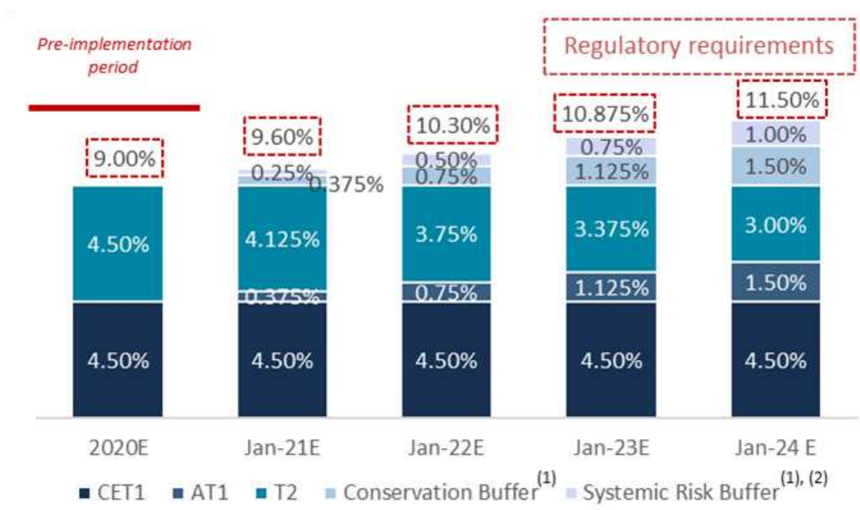
Decree 2555 of 2010 (as modified by Decree 1771 of 2012, Decree 1648 of 2014, Decree 2392 of 2015, Decrees 1477 of 2018 and 1421 of 2019) sets forth capital adequacy requirements for Colombian credit institutions. Starting on January 1, 2021, technical capital for Colombian credit institutions consisted of the sum of total Core Equity Tier I (CET1 or patrimonio básico ordinario), Additional Tier I capital (AT1 or patrimonio básico adicional), and Tier II capital (Tier II or patrimonio adicional). Tier I capital consist of the sum of CET1 (patrimonio básico ordinario) and AT1 (patrimonio básico adicional). Tier I and Tier II, as defined herein, may differ to the manner in which these terms are used in other jurisdictions.

Pursuant to Decrees 1477 of 2018 and 1421 of 2019 Basel III principles were introduced to estimate adequate capital in credit institutions as follows:

- Total solvency ratio is defined as the value of the technical capital (CET1, AT1 and T2) calculated under the terms of the Decree 1477 of 2018 and the Decree 1421 of 2019, divided by risk-weighted assets by level of credit, market and operational risk, at a minimum of 9%. Pursuant to Decree 2555 of 2010 (as amended), the Superintendency of Finance must grant prior approval of the eligibility of a debt, equity or hybrid instrument in order to be classified as AT1;
- A minimum CET1 of 4.5%;
- A minimum Tier I of 6%;
- A capital conservation buffer of 1.5% consisting of CET1;
- A systemic risk buffer of 1.0% for systemically important financial institutions (SIFIS) consisting of CET1; and
- In addition, these Decrees established a minimum leverage ratio of 3%.

These indicators (with the exception of the leverage ratio) must be achieved gradually from January 2021 to January 2024, in accordance with the transition plan established in the regulation. Banco de Bogotá is considered one of the systemically important financial institutions, according to Carta Circular 75 of November 30, 2023 and Carta Circular 72 of November 30, 2021 issued by the Superintendency of Finance, and therefore had to comply with the systemic buffer (explained above) during 2023 and 2022.

The following chart presents the statutory transition period as set forth in the Decrees 1477 of 2018 and 1421 of 2019:



(1) Requires highest quality of capital.
(2) Only apply to SIFIs as defined by the Superintendency of Finance. Banco de Bogotá is the only systemic bank among our Colombian banking subsidiaries, in accordance with the methodology defined for the identification of entities with systemic importance (External Circular 030 of 2019 issued by the same Superintendency).

In addition to compliance with minimum regulatory capital requirements, Grupo Aval's entities aim to maintain capital positions that foster investor, creditor, and market confidence and to sustain future growth of their respective businesses. The capital allocation decision guards that there is balance between a more aggressive structure that can deliver higher returns on equity and a more conservative approach that encourages excess capitalization. Capital allocation decisions also considers each subsidiary's long-term strategic objectives.

(Amounts expressed in millions of Colombian pesos)

On November 22, 2023, Grupo Aval, Banco de Bogotá S.A., Banco de Occidente S.A., and Banco Popular S.A., entered into a shareholders' agreement pursuant to which Banco Popular S.A. will act as the controlling entity of Corporación Financiera Colombiana S.A. ("Corficolombiana S.A.") according to the terms of articles 260 and 261 of the Colombian Code of Commerce. The execution of the agreement does not entail any change in the share ownership of Corficolombiana currently held by the parties to the agreement, nor any modification of the beneficial owner of Corficolombiana.

This agreement, combined with the application of the provisions of Article 2.1.1.1.11 ("Deducciones del Patrimonio Básico Ordinario" or Deductions from Core Equity Tier 1) of the Colombian Decree 2555 of 2010, had a positive effect on the technical capital and capital adequacy of Banco de Bogotá S.A., Banco de Occidente S.A., and Banco Popular S.A.

As of December 31 2023, and 2022, all of Grupo Aval´s individually regulated operations have complied with the minimum regulatory capital requirements.

The following tables show the separate and consolidated (where applicable) capitalization information of our main direct and indirect subsidiaries:

Banco de Bogotá S.A.

	Separate basis		Consolidated basis	
	At December 31,		At December 31,	
	2023	2022	2023	2022
Subscribed and paid-in capital	Ps. 3,553	Ps. 3,553	Ps. 3,553	Ps. 3,553
Reserves and retained earnings	14,635,826	13,507,497	14,988,657	13,301,448
Other comprehensive income	8,114	51,008	(122,944)	41,828
Net income for the period	1,024,884	2,251,716	954,173	2,804,925
Non-controlling interests	—	—	—	—
Deductions:				
Unconsolidated financial sector investments	—	(3,364,280)	—	(3,261,888)
Goodwill and other intangibles	(1,220,146)	(1,054,448)	(1,504,225)	(1,416,196)
Deferred tax assets	(815,194)	(1,306,888)	(672,813)	(1,035,857)
Other	—	—	(1,431)	(111)
Common Equity Tier One Capital - CET1	**Ps. 13,637,037**	**Ps. 10,088,159**	**Ps. 13,644,969**	**Ps. 10,437,701**
Hybrid instruments recognized as additional primary capital	—	—	—	—
Other	—	—	—	—
AT1	**—**	**—**	**—**	**—**
Tier I	**Ps. 13,637,037**	**Ps. 10,088,159**	**Ps. 13,644,969**	**Ps. 10,437,701**
Subordinated instruments	2,573,696	3,135,871	2,573,696	3,135,871
Plus/minus others	160,637	424,829	—	—
Tier II capital	**2,734,333**	**3,560,700**	**2,573,696**	**3,135,871**
Other deductions from technical capital	—	—	—	—
Technical capital	**Ps. 16,371,370**	**Ps. 13,648,858**	**Ps. 16,218,665**	**Ps. 13,573,572**
Risk-weighted assets	76,811,668	68,771,856	91,625,712	88,898,130
Market risk	491,571	495,392	639,228	759,624
Market risk exposure (1)	5,461,900	5,504,360	7,102,531	8,440,262
Operational risk	521,135	527,420	612,546	577,099
Operational risk exposure (2)	5,790,384	5,860,219	6,806,068	6,412,206
Risk-weighted assets including regulatory market risk and operational risk	**Ps. 88,063,952**	**Ps. 80,136,435**	**Ps. 105,534,310**	**Ps. 103,750,598**
CET1 solvency ratio	**15.49%**	**12.59%**	**12.93%**	**10.06%**
AT1 contribution to solvency ratio	0.00%	0.00%	0.00%	0.00%
Tier 1 capital solvency ratio	**15.49%**	**12.59%**	**12.93%**	**10.06%**
Tier II contribution to solvency ratio	3.10%	4.44%	2.44%	3.02%
Total solvency ratio (3)	**18.59%**	**17.03%**	**15.37%**	**13.08%**

(Amounts expressed in millions of Colombian pesos)

	Separate basis		Consolidated basis	
	At December 31,		At December 31,	
	2023	2022	2023	2022
Capital measure	Ps. 13,637,037	Ps. 10,088,159	Ps. 13,644,969	Ps. 10,437,701
Exposure measure	120,114,582	106,717,652	141,766,918	136,096,623
Leverage ratio	**11.35%**	**9.45%**	**9.62%**	**7.67%**

(1) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance.
(2) Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.
(3) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

Banco de Occidente S.A.

	Separate basis		Consolidated basis	
	At December 31,		At December 31,	
	2023	2022	2023	2022
Subscribed and paid-in capital	Ps. 4,677	Ps. 4,677	Ps. 4,677	Ps. 4,677
Reserves and retained earnings	4,782,349	4,525,930	4,996,111	4,791,295
Other comprehensive income	28,731	(124,708)	176,033	(65,254)
Net income for the period	430,603	502,643	473,554	452,493
Non-controlling interests	—	—	11,843	—
Deductions:				
Unconsolidated financial sector investments	—	(224,184)	—	(226,950)
Goodwill and other intangibles	(643,350)	(586,129)	(594,581)	(533,300)
Deferred tax assets	(251,878)	(144,581)	—	—
Other	(2,867)	(4,190)	(2,867)	(4,190)
CET1	**Ps. 4,348,265**	**Ps. 3,949,457**	**Ps. 5,064,770**	**Ps. 4,418,771**
Hybrid instruments recognized as additional primary capital	—	—	—	—
Other	—	—	—	—
AT1	**—**	**—**	**—**	**—**
Tier I	**Ps. 4,348,265**	**Ps. 3,949,457**	**Ps. 5,064,770**	**Ps. 4,418,771**
Subordinated instruments	649,305	834,895	649,305	834,895
Plus/minus others	26,190	85,332	—	—
Tier II capital	**675,495**	**920,227**	**649,305**	**834,895**
Other deductions from technical capital	—	—	—	—
Technical capital	**Ps. 5,023,760**	**Ps. 4,869,684**	**Ps. 5,714,075**	**Ps. 5,253,666**
Risk-weighted assets	38,073,928	34,616,008	41,324,390	37,591,858
Market risk	184,778	229,199	218,356	272,515
Market risk exposure (1)	2,053,092	2,546,656	2,426,174	3,027,946
Operational risk	235,639	203,225	236,239	227,231
Operational risk exposure (2)	2,618,213	2,258,057	2,624,877	2,524,786
Risk-weighted assets including regulatory market risk and operational risk	**Ps. 42,745,234**	**Ps. 39,420,721**	**Ps. 46,375,441**	**Ps. 43,144,590**
CET1 solvency ratio	**10.17%**	**10.02%**	**10.92%**	**10.24%**
AT1 contribution to solvency ratio	0.00%	0.00%	0.00%	0.00%
Tier 1 capital solvency ratio	**10.17%**	**10.02%**	**10.92%**	**10.24%**
Tier II contribution to solvency ratio	1.58%	2.33%	1.40%	1.94%
Total solvency ratio (3)	**11.75%**	**12.35%**	**12.32%**	**12.18%**
Capital measure	Ps. 4,348,265	Ps. 3,949,457	Ps. 5,064,770	Ps. 4,418,771
Exposure measure	65,855,871	56,629,015	70,759,147	62,211,737
Leverage ratio	**6.60%**	**6.97%**	**7.16%**	**7.10%**

(1) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance.
(2) Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

(Amounts expressed in millions of Colombian pesos)

(3) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

Banco Comercial AV Villas S.A.

		Separate basis		
		At December 31,		
		2023		2022
Subscribed and paid-in capital	Ps.	22,297	Ps.	22,297
Reserves and retained earnings		1,658,248		1,524,474
Other comprehensive income		57,285		(30,491)
Net income for the period		(117,126)		112,035
Non-controlling interests		—		—
Deductions:				
Unconsolidated financial sector investments		—		—
Goodwill and other intangibles		(159,586)		(124,474)
Deferred tax assets		(10,239)		—
Other		(123,976)		(153,441)
CET1	**Ps.**	**1,326,904**	**Ps.**	**1,350,401**
Hybrid instruments recognized as additional primary capital		—		—
Other		176		176
AT1		**176**		**176**
Tier I	**Ps.**	**1,327,079**	**Ps.**	**1,350,576**
Subordinated instruments		—		—
Plus/minus others		24,471		25,317
Tier II capital		**24,471**		**25,317**
Other deductions from technical capital		—		—
Technical capital	**Ps.**	**1,351,551**	**Ps.**	**1,375,893**
Risk-weighted assets		10,054,415		10,419,661
Market risk		47,003		96,711
Market risk exposure (1)		522,254		1,074,571
Operational risk		95,732		81,824
Operational risk exposure (2)		1,063,689		909,158
Risk-weighted assets including regulatory market risk and operational risk	**Ps.**	**11,640,358**	**Ps.**	**12,403,391**
CET1 solvency ratio		**11.40%**		**10.89%**
AT1 contribution to solvency ratio		0.00%		0.00%
Tier 1 capital solvency ratio		**11.40%**		**10.89%**
Tier II contribution to solvency ratio		0.21%		0.20%
Total solvency ratio (3)		**11.61%**		**11.09%**
Capital measure	Ps.	1,327,079	Ps.	1,350,576
Exposure measure		18,873,410		19,487,267
Leverage ratio		**7.03%**		**6.93%**

(1) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance.
(2) Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.
(3) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

(Amounts expressed in millions of Colombian pesos)

Banco Popular S.A.

	Separate basis		Consolidated basis	
	At December 31,		At December 31,	
	2023	2022	2023	2022
Subscribed and paid-in capital	Ps. 77,253	Ps. 77,253	Ps. 77,253	Ps. 77,253
Reserves and retained earnings	2,839,567	2,751,656	2,981,939	2,876,025
Other comprehensive income	79,481	68,673	222,322	198,193
Net income for the period	(347,409)	73,035	(402,676)	80,210
Non-controlling interests	—	—	6,794,087	29,714
Deductions:				
Unconsolidated financial sector investments	—	(355,124)	—	(355,124)
Goodwill and other intangibles	(361,170)	(288,139)	(446,032)	(293,825)
Deferred tax assets	—	—	—	—
Other	(87,539)	(157,747)	(89,253)	(157,747)
CET1	**Ps. 2,200,184**	**Ps. 2,169,608**	**Ps. 9,137,641**	**Ps. 2,454,700**
Hybrid instruments recognized as additional primary capital	—	—	—	—
Other	—	—	—	—
AT1	**—**	**—**	**—**	**—**
Tier I	**Ps. 2,200,184**	**Ps. 2,169,608**	**Ps. 9,137,641**	**Ps. 2,454,700**
Subordinated instruments	327,018	177,147	77,018	177,147
Plus/minus others	20,775	25,697	—	—
Tier II capital	**347,793**	**202,844**	**77,018**	**177,147**
Other deductions from technical capital	—	—	(36,876)	—
Technical capital	**Ps. 2,547,976**	**Ps. 2,372,452**	**Ps. 9,177,782**	**Ps. 2,631,847**
Risk-weighted assets	16,670,146	18,453,236	36,166,365	18,473,302
Market risk	83,118	136,503	336,718	147,685
Market risk exposure (1)	923,539	1,516,695	3,741,309	1,640,943
Operational risk	136,419	112,786	462,427	115,899
Operational risk exposure (2)	1,515,762	1,253,181	5,138,073	1,287,767
Risk-weighted assets including regulatory market risk and operational risk	**Ps. 19,109,447**	**Ps. 21,223,112**	**Ps. 45,045,747**	**Ps. 21,402,012**
CET1 solvency ratio	**11.51%**	**10.22%**	**20.29%**	**11.47%**
AT1 contribution to solvency ratio	0.00%	0.00%	0.00%	0.00%
Tier 1 capital solvency ratio	**11.51%**	**10.22%**	**20.29%**	**11.47%**
Tier II contribution to solvency ratio	1.82%	0.96%	0.17%	0.83%
Total solvency ratio (3)	**13.33%**	**11.18%**	**20.37%**	**12.30%**
Capital measure	Ps. 2,200,184	Ps. 2,169,608	Ps. 9,137,641	Ps. 2,454,700
Exposure measure	29,393,566	32,226,919	56,066,107	32,249,192
Leverage ratio	**7.49%**	**6.73%**	**16.30%**	**7.61%**

(1) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance.
(2) Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.
(3) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

(Amounts expressed in millions of Colombian pesos)

Corficolombiana S.A.

Starting November 22, 2023, Corficolombiana is consolidated under Banco Popular as a result of the shareholders' agreement mentioned above. Notwithstanding the above, Corficolombiana has to comply with minimum capital requirements on a separate and consolidated basis.

	Separate basis		**Separate basis**	
	At December 31,		**At December 31,**	
	2023	**2022**	**2023**	**2022**
Subscribed and paid-in capital	Ps. 3,464	Ps. 3,464	Ps. 3,464	Ps. 3,464
Reserves and retained earnings	11,233,257	9,929,403	10,829,636	9,587,611
Other comprehensive income	(76,643)	(383,161)	366,032	47,709
Net income for the period	808,982	1,774,040	886,012	1,713,807
Non-controlling interests	—	—	1,380	1,210
Deductions:				
Unconsolidated financial sector investments	—	—	—	—
Goodwill and other intangibles	(99,130)	(90,578)	(78,011)	(66,553)
Deferred tax assets	—	—	—	(5,191)
Other	(1,480)	(1,350)	(5,964)	(5,847)
CET1	**Ps. 11,868,451**	**Ps. 11,231,819**	**Ps. 12,002,549**	**Ps. 11,276,209**
Hybrid instruments recognized as additional primary capital	—	—	—	—
Other	192	192	192	192
AT1	**192**	**192**	**192**	**192**
Tier I	**Ps. 11,868,643**	**Ps. 11,232,011**	**Ps. 12,002,741**	**Ps. 11,276,401**
Subordinated instruments	—	—	—	—
Plus/minus others	—	—	—	—
Tier II capital	**—**	**—**	**—**	**—**
Other deductions from technical capital	(36,876)	(44,131)	(36,876)	(44,131)
Technical capital	**Ps. 11,831,767**	**Ps. 11,187,880**	**Ps. 11,965,865**	**Ps. 11,232,270**
Risk-weighted assets	19,894,398	18,323,118	20,189,704	18,238,986
Market risk	235,605	185,978	240,068	190,534
Market risk exposure (1)	2,617,835	2,066,426	2,667,427	2,117,047
Operational risk	290,604	259,287	298,733	303,453
Operational risk exposure (2)	3,228,933	2,880,964	3,319,258	3,371,697
Risk-weighted assets including regulatory market risk and operational risk	**Ps. 25,741,166**	**Ps. 23,270,508**	**Ps. 26,176,390**	**Ps. 23,727,731**
CET1 solvency ratio	**46.11%**	**48.27%**	**45.85%**	**47.52%**
AT1 contribution to solvency ratio	0.00%	0.00%	0.00%	0.00%
Tier 1 capital solvency ratio	**46.11%**	**48.27%**	**45.85%**	**47.52%**
Tier II contribution to solvency ratio	0.00%	0.00%	0.00%	0.00%
Total solvency ratio (3)	**45.96%**	**48.08%**	**45.71%**	**47.34%**
Capital measure	Ps. 11,868,643	Ps. 11,232,011	Ps. 12,002,741	Ps. 11,276,401
Exposure measure	27,068,698	24,099,107	27,699,079	24,589,959
Leverage ratio	**43.85%**	**46.61%**	**43.33%**	**45.86%**

(1) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance.
(2) Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.
(3) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

(Amounts expressed in millions of Colombian pesos)

Porvenir S.A.

Likewise, Porvenir has adequately complied with the capital requirements established for pensions fund administrators in Colombia. The following is the detail of the capital requirements defined for this type of financial institution:

		Separate basis At December 31, 2023		2022
Subscribed and paid-in capital	Ps.	109,211	Ps.	109,211
Reserves and retained earnings		2,265,587		2,312,131
Deductions:				
Others		(50,626)		(50,626)
Primary capital	**Ps.**	**2,324,172**	**Ps.**	**2,370,715**
Unrealized gains/losses on securities available for sale(1)		(8,474)		(31,628)
Secondary capital (Tier II)	**Ps.**	**(8,474)**	**Ps.**	**(31,628)**
Deductions:				
Value of the stabilization reserve		(1,911,568)		(1,781,676)
Technical capital	**Ps.**	**404,130**	**Ps.**	**557,412**
Risk-weighted assets		886,689		907,164
Market risk		10,927		13,808
Market risk exposure (1)		121,408		153,419
Operational risk		122,398		127,819
Operational risk exposure (2)		1,359,975		1,420,213
Risk-weighted assets including regulatory market risk and operational risk	**Ps.**	**2,368,072**	**Ps.**	**2,480,795**
Solvency ratio (3)		**17.07%**		**22.47%**

(1) Unrealized gains/losses on securities available for sale do not flow through the Statement of Income until such securities are disposed of and the gain or loss is realized.

(2) Regulatory value at risk consists of value at risk multiplied by (100/9) as required by the Superintendency of Finance. Regulatory operational risk consists of operational risk multiplied by (100/9) as required by the Superintendency of Finance.

(3) Solvency ratio is calculated as technical capital to risk-weighted assets, including regulatory value at risk and regulatory operational risk.

NOTE 5 – ESTIMATION OF FAIR VALUE

The fair value of the financial assets and liabilities traded in active markets (such as financial assets in debt securities, equity securities and derivatives actively listed in stock exchanges or interbank markets) is based on dirty prices supplied by a price vendor. A dirty price includes accrued unpaid interest on the security, from the date of issuance or last payment of interest, up the date at which the security is valued.

An active market is a market where transactions for assets or liabilities are carried out with sufficient frequency and volume in order to provide price information on an ongoing basis. The fair value of financial assets and liabilities that are not traded in an active market is determined through appraisal techniques determined by the price supplier or by the management of Grupo Aval's entities. Appraisal techniques used for non-standardized financial instruments such as options, foreign exchange swaps and derivatives of the over-the-counter market, which include the use of interest rate or currency assessment curves built by providers and extrapolated to the specific conditions of the instrument being appraised, discounted cash flow analysis, options pricing models and other valuation techniques commonly used by market participants who rely mostly on market data and the least possible on specific data of entities.

Grupo Aval may use models developed internally for financial instruments with no active markets. These models are usually based on valuation techniques and methods generally standardized in the financial sector. The valuation models are mainly used for appraising financial equity instruments not listed on the stock exchange, debt certificates and other debt instruments for which the markets were or have been inactive during the financial period. Some inputs of these models may not be observable in the market and are therefore estimated based on assumptions.

(Amounts expressed in millions of Colombian pesos)

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and the valuation techniques used may not fully reflect all the factors relevant to the positions of Grupo Aval. Therefore, the appraisals are adjusted, if necessary, to allow for additional factors, including country risk, liquidity risks and counterparty risks.

The fair value hierarchy has the following levels:

- Level 1 inputs are quoted prices (unadjusted) in active markets for assets or liabilities identical to those which the entity can access as of the date of measurement.
- Level 2 inputs are inputs different than quoted prices included in Level 1 that are observable for the asset or liability, whether directly or indirectly in non-active markets.
- Level 3 inputs are unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which fair value measurement is classified in whole is determined based on the input of the lowest level that is most significant for measuring its total fair value. For such purpose, the relevance of an input is assessed in connection with the measurement of the total fair value. Financial instruments that are listed in markets that are not deemed active, but which are valued based in accordance with quoted market prices, quotes from price vendors or alternative price sources supported by observable inputs, are classified in Level 2.

If a fair value measurement uses observable inputs that require significant adjustments based on unobservable inputs, this measurement is classified as Level 3. The assessment of the importance of a particular input to the measurement of fair value in whole requires judgment, taking into account specific factors of the asset or liability.

Determining what is deemed as ‘observable’ requires a significant judgment by Grupo Aval. Grupo Aval considers as observable data the market data which is already available, distributed or updated by the price suppliers, and it is reliable and verifiable, with no property rights, and provided by independent sources which are actively involved in the reference market.

5.1 Measurements of Fair Value on a Recurring Basis

Measurements of fair value on a recurring basis are those required or allowed in statement of financial position at the end of each accounting period.

The following table presents an analysis, within the hierarchy of fair value, of Grupo Aval´s assets and liabilities (by class), measured at fair value as of December 31, 2023 and 2022, on a recurring basis.

December 31, 2023

	Level 1	Level 2	Level 3	Total
Assets				
Trading investments				
Securities issued or secured by Colombian Government	Ps. 5,692,937	Ps. 101,895	Ps. —	Ps. 5,794,832
Securities issued or secured by other Colombian Government entities	—	155,737	—	155,737
Securities issued or secured by foreign Governments	382	31,697	—	32,079
Securities issued or secured by other financial entities	—	1,084,461	—	1,084,461
Securities issued or secured by non-financial sector entities	—	6,406	—	6,406
Others	—	39,865	—	39,865
Total trading investments	**Ps. 5,693,319**	**Ps. 1,420,061**	**Ps. —**	**Ps. 7,113,380**
Investments in debt securities at fair value through profit or loss				
Others	—	—	1,889	1,889
Total investments in debt securities at fair value through profit or loss	**Ps. 5,693,319**	**Ps. 1,420,061**	**Ps. 1,889**	**Ps. 7,115,269**
Investments in debt securities at fair value through OCI				
Securities issued or secured by Colombian Government	Ps. 14,223,066	Ps. 2,567,727	Ps. —	Ps. 16,790,793
Securities issued or secured by other Colombian Government entities	538,200	325,588	—	863,788
Securities issued or secured by foreign Governments	1,141,875	1,365,163	—	2,507,038
Securities issued or secured by central banks	—	145,489	—	145,489
Securities issued or secured by other financial entities	—	2,142,647	—	2,142,647
Securities issued or secured by non-financial sector entities	—	214,571	—	214,571
Others	1,457	660,993	—	662,450
Total investments in debt securities at fair value through OCI	**Ps. 15,904,598**	**Ps. 7,422,178**	**Ps. —**	**Ps. 23,326,776**

(Amounts expressed in millions of Colombian pesos)

	Level 1	Level 2	Level 3	Total
Total investments in debt securities	**Ps. 21,597,917**	**Ps. 8,842,239**	**Ps. 1,889**	**Ps. 30,442,045**
Equity securities				
Trading equity securities	Ps. 8,949	Ps. 3,605,832	Ps. 2,645,393	Ps. 6,260,174
Investments in equity through OCI	992,136	380	124,833	1,117,349
Total equity securities	**Ps. 1,001,085**	**Ps. 3,606,212**	**Ps. 2,770,226**	**Ps. 7,377,523**
Held for trading derivatives				
Currency forward	Ps. —	Ps. 1,666,852	Ps. —	Ps. 1,666,852
Debt securities forward	—	19,258	—	19,258
Interest rate swap	212	308,156	—	308,368
Currency swap	—	20,195	—	20,195
Currency options	—	62,894	—	62,894
Total held for trading derivatives	**Ps. 212**	**Ps. 2,077,355**	**Ps. —**	**Ps. 2,077,567**
Hedging derivatives				
Currency forward	—	687	—	687
Interest rate swap	—	47,975	—	47,975
Total hedging derivatives	**Ps. —**	**Ps. 48,662**	**Ps. —**	**Ps. 48,662**
Other account receivables				
Financial assets in concession contracts	—	—	3,830,916	3,830,916
Total other account receivables designated at fair value	**Ps. —**	**Ps. —**	**Ps. 3,830,916**	**Ps. 3,830,916**
Non- financial assets				
Biological assets	—	—	230,672	230,672
Investment properties	—	—	906,469	906,469
Total non- financial assets	**Ps. —**	**Ps. —**	**Ps. 1,137,141**	**Ps. 1,137,141**
Total assets at fair value on recurring basis	**Ps. 22,599,214**	**Ps. 14,574,468**	**Ps. 7,740,172**	**Ps. 44,913,854**
Liabilities				
Trading derivatives				
Currency forward	Ps. —	Ps. 1,546,577	Ps. —	Ps. 1,546,577
Debt securities forward	—	129,345	—	129,345
Interest rate futures	3,752	—	—	3,752
Interest rate swap	396	329,358	—	329,754
Currency swap	—	60,846	—	60,846
Currency options	—	84,087	—	84,087
Total trading derivatives	**Ps. 4,148**	**Ps. 2,150,213**	**Ps. —**	**Ps. 2,154,361**
Hedging derivatives				
Currency forward	Ps. —	Ps. 204,202	Ps. —	Ps. 204,202
Interest rate swap	—	13,364	—	13,364
Total hedging derivatives	**Ps. —**	**Ps. 217,566**	**Ps. —**	**Ps. 217,566**
Total liabilities at fair value on recurring basis	**Ps. 4,148**	**Ps. 2,367,779**	**Ps. —**	**Ps. 2,371,927**

December 31, 2022

	Level 1	Level 2	Level 3	Total
Assets				
Trading investments				
Securities issued or secured by Colombian Government	Ps. 2,536,952	Ps. 284,449	Ps. —	Ps. 2,821,401
Securities issued or secured by other Colombian Government entities	—	194,150	—	194,150
Securities issued or secured by foreign Governments	—	57,600	—	57,600
Securities issued or secured by other financial entities	—	651,807	—	651,807
Securities issued or secured by non-financial sector entities	—	11,349	—	11,349
Others	—	24,580	—	24,580
Total trading investments	**Ps. 2,536,952**	**Ps. 1,223,935**	**Ps. —**	**Ps. 3,760,887**
Investments in debt securities at fair value through profit or loss				
Others	—	—	1,378	1,378
Total investments in debt securities at fair value through profit or loss	**Ps. 2,536,952**	**Ps. 1,223,935**	**Ps. 1,378**	**Ps. 3,762,265**
Investments in debt securities at fair value through OCI				
Securities issued or secured by Colombian Government	Ps. 12,592,025	Ps. 2,960,847	Ps. —	Ps. 15,552,872
Securities issued or secured by other Colombian Government entities	510,913	278,335	—	789,248
Securities issued or secured by foreign Governments	1,622,089	1,774,366	—	3,396,455
Securities issued or secured by central banks	—	194,098	—	194,098

(Amounts expressed in millions of Colombian pesos)

	Level 1	Level 2	Level 3	Total
Securities issued or secured by other financial entities	—	1,622,899	5	1,622,904
Securities issued or secured by non-financial sector entities	—	53,807	—	53,807
Others	1,796	850,625	—	852,421
Total investments in debt securities at fair value through OCI	**Ps. 14,726,823**	**Ps. 7,734,977**	**Ps. 5**	**Ps. 22,461,805**
Total investments in debt securities	**Ps. 17,263,775**	**Ps. 8,958,912**	**Ps. 1,383**	**Ps. 26,224,070**
Equity securities				
Trading equity securities	Ps. 4,040	Ps. 4,338,026	Ps. 1,697,049	Ps. 6,039,115
Investments in equity through OCI	871,149	352	605,231	1,476,732
Total equity securities	**Ps. 875,189**	**Ps. 4,338,378**	**Ps. 2,302,280**	**Ps. 7,515,847**
Held for trading derivatives				
Currency forward	Ps. —	Ps. 1,227,660	Ps. —	Ps. 1,227,660
Debt securities forward	—	4,418	—	4,418
Interest rate swap	—	524,528	—	524,528
Currency swap	—	157,747	—	157,747
Currency options	—	127,052	—	127,052
Total held for trading derivatives	**Ps. —**	**Ps. 2,041,405**	**Ps. —**	**Ps. 2,041,405**
Hedging derivatives				
Currency forward	—	4,830	—	4,830
Interest rate swap	—	16,024	—	16,024
Total hedging derivatives	**Ps. —**	**Ps. 20,854**	**Ps. —**	**Ps. 20,854**
Other account receivables				
Financial assets in concession contracts	—	—	3,507,231	3,507,231
Total other account receivables designated at fair value	**Ps. —**	**Ps. —**	**Ps. 3,507,231**	**Ps. 3,507,231**
Non- financial assets				
Biological assets	—	—	212,630	212,630
Investment properties	—	—	880,963	880,963
Total non- financial assets	**Ps. —**	**Ps. —**	**Ps. 1,093,593**	**Ps. 1,093,593**
Total assets at fair value on recurring basis	**Ps. 18,138,964**	**Ps. 15,359,549**	**Ps. 6,904,487**	**Ps. 40,403,000**
Liabilities				
Trading derivatives				
Currency forward	Ps. —	Ps. 885,933	Ps. —	Ps. 885,933
Debt securities forward	—	5,248	—	5,248
Interest rate futures	2,107	—	—	2,107
Interest rate swap	—	608,288	—	608,288
Currency swap	—	112,600	—	112,600
Currency options	—	143,430	—	143,430
Total trading derivatives	**Ps. 2,107**	**Ps. 1,755,499**	**Ps. —**	**Ps. 1,757,606**
Hedging derivatives				
Currency forward	Ps. —	Ps. 1,553	Ps. —	Ps. 1,553
Interest rate swap	—	2,015	—	2,015
Total hedging derivatives	**Ps. —**	**Ps. 3,568**	**Ps. —**	**Ps. 3,568**
Total liabilities at fair value on recurring basis	**Ps. 2,107**	**Ps. 1,759,067**	**Ps. —**	**Ps. 1,761,174**

(Amounts expressed in millions of Colombian pesos)

5.1.1. Trading assets in debt securities pledged as collateral

The following is a list of held-for-trading financial assets that are being used as collateral in repo operations, pledged as collateral for transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks.

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Pledged as collateral in money market operations				
Securities issued or secured by Colombian Government	Ps. 2,702,953	Ps. —	Ps. —	Ps. 2,702,953
Securities issued or secured by other financial entities	—	71,343	—	71,343
	Ps. 2,702,953	**Ps. 71,343**	**Ps. —**	**Ps. 2,774,296**
Pledged as collateral to special entities such as CRCC, BR and BVC (*)				
Securities issued or secured by Colombian Government	Ps. 78,990	Ps. —	Ps. —	Ps. 78,990
	Ps. 78,990	**Ps. —**	**Ps. —**	**Ps. 78,990**
	Ps. 2,781,943	**Ps. 71,343**	**Ps. —**	**Ps. 2,853,286**

(*) Cámara de Riesgo Central de Contraparte ("CRCC"), Banco de la República ("BR") and Bolsa de Valores de Colombia ("BVC")

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Pledged as collateral in money market operations				
Securities issued or secured by Colombian Government	Ps. 1,803,296	Ps. 137,298	Ps. —	Ps. 1,940,594
Securities issued or secured by other Colombian Government entities	—	1,006	—	1,006
Securities issued or secured by other financial entities	—	4,980	—	4,980
	Ps. 1,803,296	**Ps. 143,284**	**Ps. —**	**Ps. 1,946,580**
Pledged as collateral to special entities such as CRCC, BR and BVC (*)				
Securities issued or secured by Colombian Government	Ps. 52,153	Ps. —	Ps. —	Ps. 52,153
	Ps. 52,153	**Ps. —**	**Ps. —**	**Ps. 52,153**
Pledged as collateral in operations with derivative instruments				
Securities issued or secured by Colombian Government	Ps. 1,292	Ps. —	Ps. —	Ps. 1,292
	Ps. 1,292	**Ps. —**	**Ps. —**	**Ps. 1,292**
	Ps. 1,856,741	**Ps. 143,284**	**Ps. —**	**Ps. 2,000,025**

(*) Cámara de Riesgo Central de Contraparte ("CRCC"), Banco de la República ("BR") and Bolsa de Valores de Colombia ("BVC")

5.1.2 Investment in debt at FVOCI securities pledged as collateral

The following is a list of debt securities at FVOCI that are being used as collateral in repo operations, pledged as collateral for transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks.

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Pledged as collateral in money market operations				
Securities issued or secured by Colombian Government	Ps. 8,571,208	Ps. 72,819	Ps. —	Ps. 8,644,027
Securities issued or secured by other Colombian Government entities	15,464	39,785	—	55,249
Securities issued or secured by other financial entities	—	18,479	—	18,479
Securities issued or secured by non-financial sector entities	—	118,865	—	118,865
Securities issued or secured by foreign Governments	662,623	40,262	—	702,885
Securities issued or secured by central banks	—	15,185	—	15,185
Others	—	155,713	—	155,713
	Ps. 9,249,295	**Ps. 461,108**	**Ps. —**	**Ps. 9,710,403**
Pledged as collateral in operations with derivative instruments				
Securities issued or secured by Colombian Government	Ps. 3,650	Ps. —	Ps. —	Ps. 3,650
	Ps. 3,650	**Ps. —**	**Ps. —**	**Ps. 3,650**
Pledged as collateral to special entities such as CRCC, BR and BVC (*)				
Securities issued or secured by Colombian Government	Ps. 1,075,909	Ps. —	Ps. —	Ps. 1,075,909
	Ps. 1,075,909	**Ps. —**	**Ps. —**	**Ps. 1,075,909**
	Ps. 10,328,854	**Ps. 461,108**	**Ps. —**	**Ps. 10,789,962**

(Amounts expressed in millions of Colombian pesos)

(*) Cámara de Riesgo Central de Contraparte (“CRCC”), Banco de la República (“BR”) and Bolsa de Valores de Colombia (“BVC”)

	December 31, 2022			
	Level 1	Level 2	Level 3	Total
Pledged as collateral in money market operations				
Securities issued or secured by Colombian Government	Ps. 3,718,431	Ps. 696,435	Ps. —	Ps. 4,414,866
Securities issued or secured by other Colombian Government entities	138,474	37,047	—	175,521
Securities issued or secured by other financial entities	—	89,982	—	89,982
Securities issued or secured by non-financial sector entities	—	32,955	—	32,955
Securities issued or secured by foreign Governments	1,376,551	275,245	—	1,651,796
Securities issued or secured by central banks	—	39,212	—	39,212
Others	—	163,156	—	163,156
	Ps. 5,233,456	**Ps. 1,334,032**	**Ps. —**	**Ps. 6,567,488**
Pledged as collateral in operations with derivative instruments				
Securities issued or secured by Colombian Government	Ps. 10,177	Ps. —	Ps. —	Ps. 10,177
	Ps. 10,177	**Ps. —**	**Ps. —**	**Ps. 10,177**
Pledged as collateral to special entities such as CRCC, BR and BVC (*)				
Securities issued or secured by Colombian Government	Ps. 1,145,747	Ps. —	Ps. —	Ps. 1,145,747
	Ps. 1,145,747	**Ps. —**	**Ps. —**	**Ps. 1,145,747**
	Ps. 6,389,380	**Ps. 1,334,032**	**Ps. —**	**Ps. 7,723,412**

(*) Cámara de Riesgo Central de Contraparte (“CRCC”), Banco de la República (“BR”) and Bolsa de Valores de Colombia (“BVC”)

5.2 Items Measured at Fair Value on a Non-Recurring Basis

Grupo Aval is required on a nonrecurring basis to adjust the carrying value of certain assets and liabilities or provide valuation allowances. These assets or liabilities primarily include impaired collateralized loans and non-current assets held for sale. The fair value of these assets which are classified as Level 3 are determined using pricing models, discounted cash flow methodologies, current replacement cost or similar techniques, using internal models or external experts with sufficient experience and knowledge of the real estate market or of assets being appraised. Generally, these appraisals are carried out by references to market data or based on the replacement cost, when sufficient market data is not available.

The following table presents Grupo Aval’s assets and liabilities, classified within the fair value hierarchy, which are measured on a nonrecurring basis as of December 31, 2023 and 2022 at fair value less cost of sale:

	Level 1	Level 2	Level 3	Total
December 31, 2023				
Impaired collateralized loans	Ps. —	Ps. —	Ps. 1,494,862	Ps. 1,494,862
Non- current assets held for sale	—	—	101,184	101,184
	Ps. —	**Ps. —**	**Ps. 1,596,046**	**Ps. 1,596,046**

	Level 1	Level 2	Level 3	Total
December 31, 2022				
Impaired collateralized loans	Ps. —	Ps. —	Ps. 1,740,705	Ps. 1,740,705
Non- current assets held for sale	—	—	92,830	92,830
	Ps. —	**Ps. —**	**Ps. 1,833,535**	**Ps. 1,833,535**

5.3 Fair Value determination

The following tables provide information about valuation techniques and significant inputs when measuring fair value on a recurring basis for assets and liabilities, with fair value hierarchy classification of level 2 or level 3.

Level 2 instruments are those which are valued using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

The following table provides information about valuation techniques and significant inputs when measuring fair value on a recurring basis for assets and liabilities classified as level 2.

ASSETS AND LIABILITIES	Valuation technique Level 2	Significant inputs
Investments in debt securities at fair value		
In Colombian Pesos		
Securities issued or secured by the Colombian Government Securities issued or secured by other financial entities Securities issued or secured by non-financial sector entities Others	Income approach Market approach	Theoretical price / estimated price(1) Average price / market price(2)
Securities issued or secured by other Colombian Government entities	Income approach Market approach	Theoretical price / estimated price(1) Yield and margin Average price / market price(2)
In Foreign Currency		
Securities issued or secured by the Colombian Government	Income approach Market approach	Theoretical price / estimated price(1) Average price / market price(2)
Securities issued or secured by foreign Governments	Income approach Market approach	Discounted cash flows using yields from similar securities outstanding Bloomberg Generic Market price(2)
Securities issued or secured by central banks	Market approach	Bloomberg Generic
Securities issued or secured by other financial entities Others	Income approach Market approach	Theoretical price / estimated price(1) Discounted cash flows using yields from similar securities outstanding Bloomberg Generic Market price(2)
Securities issued or secured by non-financial sector entities	Income approach Market approach	Theoretical price / estimated price(1) Discounted cash flows using yields from similar securities outstanding Market price(2)
Equity securities		
Corporate stock	Market approach	Estimated prices(1)
Investment funds (2)	Market approach	Market value of underlying assets, less management and administrative fees
Trading derivatives		
Foreign currency forward	Income approach Market approach	Discounted cash flow FWD points, discount rates of different currencies and Spot exchange rates Cash exchange rate and interest rate US$ and CRC TRM, curves and market price(2)
Debt securities forward	Income approach	Discounted cash flow
Interest rate swap Cross currency swap	Income approach Market approach	Discounted cash flow IBR and fixed rate
Currency options	Income approach Market approach	Discounted cash flow Black&Sholes&Merton model TRM, delta rates interest
Hedging derivatives		

ASSETS AND LIABILITIES	Valuation technique Level 2	Significant inputs
Currency forward	Income approach Market approach	Discounted cash flow TRM, curves
Interest rate swap	Income approach Market approach	Discounted cash flow Curves

(1) Estimated Price: A valuation model based on information obtained from a price vendor when it is not able to supply quoted prices (unadjusted) for each security. This model is the basis for the construction of the valuation margin of the securities that is represented on the assigned curve or reference rate. This margin remains constant on the assigned curve or reference rate when calculating the theoretical valuation price.

(2) Quoted market prices (i.e. obtained from price vendors). The subsidiary Porvenir S. A. according to Colombian rules is required to invest to 1% of its total assets under management from severance and mandatory pension funds.

The following table provides information about valuation techniques and significant unobservable inputs when measuring Level 3 assets and liabilities at recurring fair value.

ASSETS	Valuation technique Level 3	Significant inputs
Investments in debt securities at fair value		
<u>In Colombian Pesos</u>		
Others	Income approach	Yield and margin
<u>In Foreign Currency</u>		
Securities issued or secured by other financial entities	Income approach	Discounted cash flows using yields from similar securities outstanding. Internal rate of return
Equity securities		
Investments in equity securities[1.1]	Discounted cash flow Comparable Multiples	- Growth in values after 5 years - Income - Discount interest rates - Gradient - Multiple of EBITDA
Investments in equity instruments through profit or loss - Nexus [1.2]	Market Comparison Initial capitalization ratio Market Income Cash Flow Discount Rate	Market Comparison Initial capitalization ratio Market Income Cash Flow Discount Rate
Other financial assets		
Assets under concession contracts	Discounted cash flow	- Free-cash flow from concession contracts - Concession contract's maturity period - Perpetuity value of the year "n" free-cash flow - Present value of the discounted residual value at Weighted Average Cost of Capital ("WACC"). The detail of valuation process for financial assets in concession arrangements are outlined in (2)
Non-financial assets		
Biological assets	Discounted cash flow	The processes used to collect data and determine the fair value of biological assets are described in (3)
Investment properties	Discounted cash flow	The processes used to collect data and determine the fair value of investment properties are described in (4)

(1.1) Valuation of equity securities and investment funds Level 3

Investments with fair value hierarchy level 3 have significant unobservable inputs. Level 3 instruments include equity instruments and investments in real estate, the private equity funds, which are not quoted on any stock exchange. Given that observable prices are not available for these securities, Grupo Aval has used valuation techniques as discounted cash flows and comparable multiples to obtain fair value.

The following table includes a sensitivity analysis of main equity securities amounting to Ps. 81,925 as of December 31, 2023 classified at FVOCI level 3.

(Amounts expressed in millions of Colombian pesos)

Methods and Variables	Variation	Favorable impact	Unfavorable impact
Comparable multiples / Recent transaction price			
EBITDA Number of times	+/-1 x	Ps. 557	Ps. (556)
Adjusted discounted cash flow			
Growth in residual values after 5 years	+/-1%	281	(240)
Income	+/-1%	1,035	(1,046)
Discount interest rates	+/- 50 pb	1,066	(988)
Gradient	+/- 30 pb	257	(263)
		Ps. 3,196	**Ps. (3,093)**

(1.2) Valuation of equity instruments through profit or loss

The fair value of real state capital funds' investments classified in level 3 have significant unobservable inputs. These Level 3 instruments include primarily investments in equity instruments, which are not publicly traded. In other cases, such as the Nexus Real Estate Capital Funds, the investments are valued using their unit value (Commercial appraisal). Given that observable prices are not available for these investments, Grupo Aval uses valuation techniques to obtain the fair value.

The following table includes a sensitivity analysis of main equity securities amounting Ps. 2,567,099 Includes investments in the Nexus Real Estate Capital Funds as of December 31, 2023, classified at FVTPL level 3:

	Scenario 1	Scenario 2
Sensitivity impacts	Ps. 38,209	Ps. (75,156)
	Ps. 38,209	**Ps. (75,156)**

	Scenario 1
Increases in the sensitivity of:	
Market value (square meter)	+10%
Market income	+10%
Initial capitalization rate	+50 bp
Cash flow discount rate	+50 bp

	Scenario 2
Decreases in the sensitivity of:	
Market value (square meter)	-10%
Market income	-10%
Initial capitalization rate	-50 bp
Cash flow discount rate	-50 bp

(Amounts expressed in millions of Colombian pesos)

(2) Valuation of financial assets under Gas and Energy concession arrangement rights

Promigas and subsidiaries, designated the financial assets under concession contracts at fair value, the method used to estimate it is discounted cash flows.

The assumptions and inputs used in the calculation of the financial asset estimate were:

- The expiration date of each concession contract.
- The proportion of the expiry period left of each of the concession contracts in force.
- Operational cash flows (only) of the assets under concession.

The components of the calculations are the following:

- Free cash flow generated solely by assets under concession.
- Expiry period of the concession.
- Amount in - perpetuity of the Free Cash Flow (FCF) of the year, estimated factoring in a growth in the residual amount between 1% and 3% each year.
- Current amount of the residual amount Weighted Average Cost of Capital (WACC), between 8.66% and 8.90% each year.
- Financial income: annual adjustment of financial asset balance to WACC (*).

(*) Nominal WACC calculated under the Capital Asset Pricing Model (CAPM) methodology for each entity, updated annually. The following variables were used for determining the WACC:

- Beta unlevered USA (Oil/Gas Distribution): Damodaran. (Unlevered Beta 0.66, 2022)
- Risk Free Rate, Source: Geometric Average 1998-2022 of American bonds “T-Bonds”.
- Market Return, Source: Geometric Average 1998-2022 Damodaran “Stocks” USA.
- Market Premium: Market Return – Risk Free Rate.
- Country Risk Premium: Average last 5 years EMBI (Difference between 10-year Colombian sovereign bonds and 10 years “T-Bonds”). Damodaran.
- Emerging Market: Equity Premium Emerging countries (Lambda - Damodaran)

Sensitivity analysis

The following table includes a sensitivity analysis of the assumptions used by Promigas and its subsidiaries in the calculation of fair value of unconditional transfer rights of gas pipelines to Government entities at the expiration date of the contracts. The value of the financial asset at December 31, 2023 is Ps. 3,830,916 and Ps. 3,507,231 at 2022, the sensitivity analysis shows their increase or decrease.

	December 31, 2023		**December 31, 2022**	
Variable	**+100 bps**	**-100 bps**	**+100 bps**	**-100 bps**
WACC	Ps. (864,845)	Ps. 1,316,441	Ps. (827,154)	Ps. 1,279,273
Perpetuity growth rate	785,847	(552,066)	746,633	(518,685)

(*) Perpetuity growth rate in the case of concessions with renewal clauses that are highly likely to be exercised.

(3) Biological Assets

Fair value of Grupo Aval subsidiaries “biological assets”, which correspond to agricultural activities related to biological assets (animals or plants), is estimated based on internal reports prepared by the companies who own such assets. Fair value of biological assets is determined using valuations performed by experienced internal professionals, using discounted cash flow models. Since no comparable market exist for the biological assets, given their nature, their fair value is determined using discounted cash flows models for each biological asset, based on estimated future quantities of crops, prices, harvesting costs, and maintenance and crop yields, among others, discounted using a risk-free rate adjusted by an appropriate risk premium. See note 15.

The main assumptions used for determining the fair value of the principal biological assets are as follows:

(Amounts expressed in millions of Colombian pesos)

1. Biological assets growing in rubber crops:

The price of natural rubber used to calculate the 2024-2026 cash flows was forecasted based on the average of the last 3 years of the Technically Specified Rubber (TSR20) per ton January 2021 Ps. 0.44 (US$ 1,690/Ton), in order to reflect the behavior of the commodity for an entire economic cycle. Forecasted prices are adjusted annually based on the expected US inflation rate.

2. Biological assets growing in African palm crops:

The price of African palm oil (US$ per ton) used to calculate the 2024-2025 cash flows was forecasted based on the average price of palm oil since January 2022 Ps. 0.31 (US$ 1,165.9/Ton), in order to reflect the behavior of the commodity for an entire economic cycle. Forecasted prices are adjusted annually with the expected US inflation rate.

(4) Investment properties

Investment properties are recognized at fair value, based on a valuation made at each year-end period using, as a basis, independent appraisal expert whose report is obtained and reviewed by management. While in the countries in which we operate, the frequency of transactions in the real state sector is low compared to other more developed markets, management believes there are enough references to assess the fair value of investment properties owned by Grupo Aval and its subsidiaries based on comparable market transactions (See note 15.3).

Fire-sales are excluded from the comparable transactions used to estimate the fair-value of investment properties. Management has reviewed the main assumptions used by the independent external appraisers (such as inflation, interest rates, etc.) and believes they are consistent with market conditions at each end of period. However, management believes that the estimation of the fair value of investment properties depends on significant judgment from the independent expert appraisers, and as such, there could be a significant probability that the actual price of sale of a property differs from its fair value. (See note 5.1)

5.4 Transfers between level 1, level 2 and level 3 of the fair value hierarchy

There were no transfers of fair values between levels as of December 31, 2023.

The following table summarizes the transfer between fair value levels 1, 2 and 3 during 2022. In general, transfers between Levels in the investment portfolios are due, fundamentally, to changes in the liquidity levels of the securities in the markets.

December 31, 2022

	Investments in debt securities at FVTPL Transfers between:			Investments in debt securities at FVOCI Transfers between:		
	Level 2 to 1	**Level 1 to 2**	**Level 3 to 2**	**Level 2 to 1**	**Level 1 to 2**	**Level 3 to 2**
Securities issued or secured by Colombian Government	Ps. 2,826	Ps. —	Ps. —	Ps. 1,836,591	Ps. —	Ps. —
Securities issued or secured by other Colombian Government entities	—	—	—	287,490	—	—
Securities issued or secured by foreign Governments	—	—	57,600	24,098	—	—
Securities issued or secured by other financial entities	—	—	—	—	—	6,980
Securities issued or secured by non-financial sector entities	—	—	—	—	—	3,955
Others	—	—	—	1,796	52,210	4,460
	Ps. 2,826	**Ps. —**	**Ps. 57,600**	**Ps. 2,149,975**	**Ps. 52,210**	**Ps. 15,395**

(Amounts expressed in millions of Colombian pesos)

5.5 Reconciliation Level 3 of the fair value hierarchy

The reconciliation from the opening balances to the closing balances for the fair value measurements categorized within Level 3 is shows in the following table:

	Financial assets in debt securities	Equity instruments	Financial assets in concession arrangements	Biological assets	Investment properties
January 1, 2022	**Ps. 88,821**	**Ps. 1,357,164**	**Ps. 3,228,480**	**Ps. 154,986**	**Ps. 852,935**
Changes in fair value recognised in profit or loss [2]	(58,845)	80,408	278,751	56,859	55,930
Changes in fair value recognised in OCI	671,348	16,613	—	—	797
Transfers to/from non-current assets held for sale	—	—	—	—	31,184
Reclassifications	—	—	—	—	(4,493)
Effect of movements in exchange rates	—	—	—	—	2,282
Additions	227,854	918,046	—	28,368	70,081
Sales / redemptions	(783,552)	(13,062)	—	(27,583)	(127,753)
Discontinued operations [1]	—	1	—	—	—
Loss of control in subsidiary [1]	(71,248)	(56,599)	—	—	—
Transfers from level 3 to level 2	(72,995)	(291)	—	—	—
December 31, 2022	**Ps. 1,383**	**Ps. 2,302,280**	**Ps. 3,507,231**	**Ps. 212,630**	**Ps. 880,963**
Changes in fair value recognised in profit or loss [2]	506	204,276	323,685	18,601	84,958
Changes in fair value recognised in OCI	—	39,566	—	—	557
Transfers to/from non-current assets held for sale	—	—	—	—	95,593
Reclassifications	—	—	—	—	(4,160)
Effect of movements in exchange rates	—	—	—	—	(7,079)
Additions[3]	—	830,718	—	26,118	56,307
Sales / redemptions[4]	—	(606,614)	—	(26,677)	(200,670)
December 31, 2023	**Ps. 1,889**	**Ps. 2,770,226**	**Ps. 3,830,916**	**Ps. 230,672**	**Ps. 906,469**

(1) See note 1.1 "Discontinued operations of BAC Holding"

(2) Included in a) securities in "Net trading income" line; b) financial assets in concession arrangements in "Net income from other financial instruments mandatorily at fair value through profit or loss" line; and c) Biological assets and Investment properties in "Income from sales of goods and services" line.

(3) The increase corresponds mainly to the mobilization of assets to the Nexus Private Investment Fund at the end of December 2023, made by the following entities: Banco de Bogotá for Ps. 466,210, Banco de Occidente for Ps. 60,947, Banco Popular for Ps. 249,732 and Banco Av Villas for Ps. 53,829.

(4) Corresponds mainly to the sale of 4.1% of shares of BAC Holding International Corp for Ps. 519,964 and redemptions of the Nexus Private Investment Fund of Banco de Occidente for Ps. 37,970, Banco de Bogotá for Ps. 39,348 and Banco Popular for Ps. 6,602 Banco Av Villas for Ps. 2,730.

5.6 Fair Value of Financial Assets and Liabilities recognized at Amortized Cost

The following table shows a summary of financial assets and liabilities accounted at amortized cost and valued at fair value as of December 31, 2023 and 2022, only for disclosure purposes.

	December 31, 2023		December 31, 2022	
	Carrying Amount	Fair Value Estimate	Carrying Amount	Fair Value Estimate
Assets				
Investments in debt securities at amortized cost [1]	Ps. 9,979,679	Ps. 9,981,183	Ps. 9,734,562	Ps. 9,744,533
Net credit portfolio at amortized cost [2]	176,168,055	190,375,349	179,115,847	180,119,474
Total financial assets	**Ps. 186,147,734**	**Ps. 200,356,532**	**Ps. 188,850,409**	**Ps. 189,864,007**
Liabilities				
Customer deposits [3]	Ps. 181,987,396	Ps. 183,570,708	Ps. 173,341,149	Ps. 173,929,783
Financial obligations [4]	65,541,339	64,208,758	72,116,775	68,429,431
Total financial liabilities	**Ps. 247,528,735**	**Ps. 247,779,466**	**Ps. 245,457,924**	**Ps. 242,359,214**

The following is a breakdown of how financial assets and liabilities accounted at amortized cost and are measured at fair value for disclosure purposes only.

(1) **Financial assets at amortized cost**

Fair value of fixed income investments at amortized cost was determined using the dirty price given by the price supplier, securities in an active market and with a market price for the day of the valuation are classified as level 1; securities with no active market and/or with an estimated price (present value of the flows of a security, discounted with the reference rate and the corresponding margin) given by the supplier are classified as level 2 and level 3.

(Amounts expressed in millions of Colombian pesos)

(2) **Credit portfolio at amortized cost**

For credit portfolio at amortized cost, the fair value was determined using discounted cash flows models at zero coupon bond, taking into account the credit risk and its maturity; the process of valuation is deemed as level 3.

Accounts receivable and payable are classified as short-term assets and liabilities; in consequence, their fair value is similar to their book value.

(3) **Customer deposits**

The fair value of demand deposits is equal to their carrying value. For fixed-term deposits with maturities of less than 180 days, their fair value is deemed equal to their carrying value. For fixed-term deposits with maturities of more than 180 days, their fair value was estimated using the carrying discounted cash flow models and the interest rates offered by banks in accordance with their maturity. This is considered as a level 2 valuation.

(4) **Financial obligations**

For financial liabilities and other short-term liabilities, the carrying value was considered to be similar to its fair value. The fair value of long-term financial liabilities was determined using the discounted cash flow model at interest rates free of risk adjusted by risk premiums of each entity. The fair value of outstanding bonds is determined according to quoted prices or estimated prices supplied by the price vendor. It is considered that this is a level 2 valuation.

NOTE 6 – CLASSIFICATION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

See accounting policies in Notes 2(2.5).

The following table provides a reconciliation of gross amount between line items in the consolidated statement of financial position and categories of financial instruments as of December 31, 2023 and 2022.

December 31, 2023 Assets	**Note**	**Mandatorily at FVTPL**	**FVOCI – debt instruments**	**FVOCI – equity instruments**	**Amortized Cost**	**Total gross carrying amount**
Cash and cash equivalents	7	Ps. —	Ps. —	Ps. —	Ps. 18,597,861	Ps. 18,597,861
Trading assets	**8**	**15,451,121**	**—**	**—**	**—**	**15,451,121**
Debt securities		7,113,380	—	—	—	7,113,380
Equity securities		6,260,174	—	—	—	6,260,174
Derivative assets		2,077,567	—	—	—	2,077,567
Investment securities	**9**	**1,889**	**23,326,776**	**1,117,349**	**9,996,561**	**34,442,575**
Measured at fair value		1,889	23,326,776	1,117,349	—	24,446,014
Measured at amortized cost		—	—	—	9,996,561	9,996,561
Loans	11	—	—	—	186,203,770	186,203,770
Other accounts receivable	**12**	**3,830,916**	**—**	**—**	**22,171,973**	**26,002,889**
Measured at fair value		3,830,916	—	—	—	3,830,916
Measured at amortized cost		—	—	—	22,171,973	22,171,973
Hedging derivative assets	10	48,662	—	—	—	48,662
Total financial assets		**Ps. 19,332,588**	**Ps. 23,326,776**	**Ps. 1,117,349**	**Ps. 236,970,165**	**Ps. 280,746,878**

Liabilities	**Note**	**Mandatorily at FVTPL**	**FVOCI – debt instruments**	**FVOCI – equity instruments**	**Amortized Cost**	**Total gross carrying amount**
Trading liabilities						
Derivative liabilities	8	Ps. 2,154,361	Ps. —	Ps. —	Ps. —	Ps. 2,154,361
Hedging derivative liabilities	10	217,566	—	—	—	217,566
Customer deposits	20	—	—	—	181,987,396	181,987,396
Financial obligations	21	—	—	—	65,541,339	65,541,339
Total financial liabilities		**Ps. 2,371,927**	**Ps. —**	**Ps. —**	**Ps. 247,528,735**	**Ps. 249,900,662**

(Amounts expressed in millions of Colombian pesos)

December 31, 2022 **Assets**	**Note**	**Mandatorily at FVTPL**	**FVOCI – debt instruments**	**FVOCI – equity instruments**	**Amortized Cost**	**Total gross carrying amount**
Cash and cash equivalents	7	Ps. —	Ps. —	Ps. —	Ps. 17,032,857	Ps. 17,032,857
Trading assets	**8**	**11,841,407**	**—**	**—**	**—**	**11,841,407**
Debt securities		3,760,887	—	—	—	3,760,887
Equity securities		6,039,115	—	—	—	6,039,115
Derivative assets		2,041,405	—	—	—	2,041,405
Investment securities	**9**	**1,378**	**22,461,805**	**1,476,732**	**9,771,492**	**33,711,407**
Measured at fair value		1,378	22,461,805	1,476,732	—	23,939,915
Measured at amortized cost		—	—	—	9,771,492	9,771,492
Loans	11	—	—	—	188,313,361	188,313,361
Other accounts receivable	**12**	**3,507,231**	**—**	**—**	**20,255,758**	**23,762,989**
Measured at fair value		3,507,231	—	—	—	3,507,231
Measured at amortized cost		—	—	—	20,255,758	20,255,758
Hedging derivative assets	10	20,854	—	—	—	20,854
Total financial assets		**Ps. 15,370,870**	**Ps. 22,461,805**	**Ps. 1,476,732**	**Ps. 235,373,468**	**Ps. 274,682,875**

Liabilities	**Note**	**Mandatorily at FVTPL**	**FVOCI – debt instruments**	**FVOCI – equity instruments**	**Amortized Cost**	**Total gross carrying amount**
Trading liabilities						
Derivative liabilities	8	Ps. 1,757,606	Ps. —	Ps. —	Ps. —	Ps. 1,757,606
Hedging derivative liabilities	10	3,568	—	—	—	3,568
Customer deposits	20	—	—	—	173,341,149	173,341,149
Financial obligations	21	—	—	—	72,116,775	72,116,775
Total financial liabilities		**Ps. 1,761,174**	**Ps. —**	**Ps. —**	**Ps. 245,457,924**	**Ps. 247,219,098**

As of December 31, 2023, and 2022 there are not any reclassifications of financial assets and liabilities.

NOTE 7 – CASH AND CASH EQUIVALENTS

Balances of cash and cash equivalents comprise the following as of December 31, 2023 and 2022:

	December 31, 2023	**December 31, 2022**
In Colombian Pesos		
Cash	Ps. 3,723,337	Ps. 3,663,165
Deposits in the Colombian central bank	6,795,015	4,541,687
Demand deposits in banks and other financial entities	549,084	1,712,116
Clearing houses	488	2,109
Liquidity management	1,312,622	4,013
Cash held for specific purposes [(1)]	1,220,609	1,136,975
	Ps. 13,601,155	**Ps. 11,060,065**
In foreign currency		
Cash	Ps. 85,775	Ps. 103,696
Demand deposits in banks and other financial entities	4,600,966	5,245,531
Liquidity management	309,965	623,565
	Ps. 4,996,706	**Ps. 5,972,792**
Total cash and cash equivalents	**Ps. 18,597,861**	**Ps. 17,032,857**

[(1)] The variation in cash held for specific purposes corresponds to: Ps. 90,940 in Covipacifico due to higher funding, collections, payment of the difference in toll rates, and financial yields; Ps. (171,541) in Covioriente and Ps. (67,261) in Episol of restricted cash available for use in properties, networks and environmental, and ANI surpluses, toll collections and Ps. 231,496 in Covimar the transfer of resources from savings accounts to collective investment funds.

Grupo Aval´s banking subsidiaries had cash reserves to comply with the mandatory (see note 4.3) amount for time deposits, checking accounts and savings accounts for Ps. 8,964,594 and Ps. 8,694,583 at December 31, 2023 and 2022, respectively.

(Amounts expressed in millions of Colombian pesos)

NOTE 8 – TRADING ASSETS AND LIABILITIES

Balances of trading asset and liabilities comprise the following as of December 31, 2023 and 2022:

	Note	December 31, 2023	December 31, 2022
Trading assets			
Debt securities	8.1	Ps. 7,113,380	Ps. 3,760,887
Equity securities	8.2	6,260,174	6,039,115
Derivative assets	8.3	2,077,567	2,041,405
		Ps. 15,451,121	**Ps. 11,841,407**
Trading liabilities			
Derivative liabilities	8.3	2,154,361	1,757,606
		Ps. 2,154,361	**Ps. 1,757,606**
Total trading assets and liabilities net		**Ps. 13,296,760**	**Ps. 10,083,801**

8.1 Trading investments in debt securities

The following is the balance at December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
Securities issued or secured by the Colombian Government	Ps. 5,794,832	Ps. 2,821,401
Securities issued or secured by other Colombian Government entities	155,737	194,150
Securities issued or secured by foreign Governments	32,079	57,600
Securities issued or secured by other financial entities	1,084,461	651,807
Securities issued or secured by non-financial sector entities	6,406	11,349
Others	39,865	24,580
Total trading debt securities	**Ps. 7,113,380**	**Ps. 3,760,887**

8.2 Trading investments in equity securities

The following is the balance at December 31, 2023 and 2022.

	December 31, 2023	December 31, 2022
In Colombian Pesos		
Corporate stock	Ps. 8,949	Ps. 4,040
Investment funds [(1)(2)]	4,079,070	3,855,604
Pension and severance funds [(3)]	2,084,955	2,072,765
	Ps. 6,172,974	**Ps. 5,932,409**
In foreign currency		
Corporate stock	Ps. 4,100	Ps. 5,490
Investment funds	83,100	101,216
	Ps. 87,200	**Ps. 106,706**
Total equity securities	**Ps. 6,260,174**	**Ps. 6,039,115**

(1) Grupo Aval has restricted investment funds related to Concesionaria Nueva Vía al Mar Ps. 353,731.
(2) Includes investments in the private real estate fund Nexus as of December 31, 2023 of Ps. 2,567,099 and as of December 31, 2022 of Ps. 1,602,297.
(3) Pursuant to Colombian rules, Porvenir S. A. is required to directly invest 1% of the total assets of these funds in mandatory severance and pension funds managed by Porvenir.

(Amounts expressed in millions of Colombian pesos)

8.3 Trading derivatives assets and liabilities

Trading derivative assets and liabilities comprise the following as of December 31, 2023 and 2022.

	December 31, 2023		December 31, 2022	
	Assets	Liabilities	Assets	Liabilities
Forward contracts				
Foreign currency to buy	Ps. 2,805	Ps. 1,543,886	Ps. 928,797	Ps. 261,614
Foreign currency to sell	1,664,047	2,691	298,863	624,319
Debt securities to buy	18,895	589	104	996
Debt securities to sell	363	128,757	4,314	4,252
Subtotal	**Ps. 1,686,110**	**Ps. 1,675,923**	**Ps. 1,232,078**	**Ps. 891,181**
Swap				
Cross currency	20,195	60,845	157,747	112,600
Interest rate	308,368	329,754	524,528	608,288
Subtotal	**Ps. 328,563**	**Ps. 390,599**	**Ps. 682,275**	**Ps. 720,888**
Futures contracts				
Interest rate to sell	—	3,752	—	2,107
Subtotal	**Ps. —**	**Ps. 3,752**	**Ps. —**	**Ps. 2,107**
Options contracts				
Foreign currency to buy	62,894	—	108,334	127,692
Foreign currency to sell	—	84,087	18,718	15,738
Subtotal	**62,894**	**84,087**	**127,052**	**143,430**
Total derivative assets and liabilities trading	**Ps. 2,077,567**	**Ps. 2,154,361**	**Ps. 2,041,405**	**Ps. 1,757,606**

Derivative instruments contracted by Grupo Aval or its subsidiaries are generally traded in either domestic financial markets or in over-the-counter international markets. Derivative instruments have a net favorable position (asset) or a net unfavorable position (liability) as a result of fluctuations in exchange rates, in interest rates or other variables relating to market conditions. As a result, the aggregate amount of fair values of the assets and liabilities in derivative instruments may vary significantly from time to time.

NOTE 9 – INVESTMENT SECURITIES

Balances of investment securities comprise the following as of December 31, 2023 and 2022:

	Note	December 31, 2023	December 31, 2022
Investments in debt securities mandatorily at FVTPL	9.1	Ps. 1,889	Ps. 1,378
Investments in debt securities at FVOCI	9.2	23,326,776	22,461,805
Investments in debt securities at amortized cost	9.3	9,996,561	9,771,492
Investments in equity securities at FVOCI	9.4	1,117,349	1,476,732
		Ps. 34,442,575	**Ps. 33,711,407**
Loss impairment			
Investments in debt securities at amortized cost	4.1.5	Ps. (16,882)	Ps. (36,930)
		Ps. (16,882)	**Ps. (36,930)**
Total investment securities net		**Ps. 34,425,693**	**Ps. 33,674,477**

9.1 Investments in debt securities mandatorily at FVTPL

The following table includes investments on asset-backed securities mandatorily at FVTPL because the contractual cash flows of these securities are not SPPI on the principal outstanding.

	December 31, 2023	December 31, 2022
Others	1,889	1,378
Total investments in debt securities mandatorily at FVTPL	**Ps. 1,889**	**Ps. 1,378**

(Amounts expressed in millions of Colombian pesos)

9.2 Investments in debt securities at FVOCI

The following table includes investments in debt securities at FVOCI as of December 31, 2023 and 2022:

December 31, 2023

Debt securities	Cost	Unrealized Gain	Unrealized Losses	Fair Value	ECL
Securities issued or secured by Colombian Government	Ps. 17,626,642	Ps. 146,608	Ps. (982,457)	Ps. 16,790,793	Ps. 7,204
Securities issued or secured by other Colombian Government entities	898,373	6,213	(40,798)	863,788	1,183
Securities issued or secured by foreign Governments	2,717,651	6,385	(216,998)	2,507,038	611
Securities issued or secured by central banks	194,480	—	(48,991)	145,489	56
Securities issued or secured by other financial entities	2,159,892	19,370	(36,615)	2,142,647	2,398
Securities issued or secured by non-financial sector entities	215,877	156	(1,462)	214,571	822
Others	704,393	253	(42,196)	662,450	698
Total debt securities at FVOCI	**Ps. 24,517,308**	**Ps. 178,985**	**Ps. (1,369,517)**	**Ps. 23,326,776**	**Ps. 12,972**

December 31, 2022

Debt securities	Cost	Unrealized Gain	Unrealized Losses	Fair Value	ECL
Securities issued or secured by Colombian Government	Ps. 17,891,099	Ps. 15,293	Ps. (2,353,520)	Ps. 15,552,872	Ps. 6,845
Securities issued or secured by other Colombian Government entities	885,106	28	(95,886)	789,248	1,059
Securities issued or secured by foreign Governments	3,734,594	17,215	(355,354)	3,396,455	1,210
Securities issued or secured by central banks	242,047	—	(47,949)	194,098	27
Securities issued or secured by other financial entities	1,718,512	304	(95,912)	1,622,904	2,316
Securities issued or secured by non-financial sector entities	57,252	—	(3,445)	53,807	257
Others	919,107	16,817	(83,503)	852,421	972
Total debt securities at FVOCI	**Ps. 25,447,717**	**Ps. 49,657**	**Ps. (3,035,569)**	**Ps. 22,461,805**	**Ps. 12,686**

The following table shows amounts reclassified to profit or loss from OCI before taxes, related to fixed income investments debt securities measured at FVOCI:

	December 31, 2023	December 31, 2022
Redemptions or sales	(105,248)	(135,465)
ECL allowance	1,236	3,678
Total reclassified to profit or loss	**Ps. (104,012)**	**Ps. (131,787)**

9.3 Investments in debt securities at amortized cost

The following table includes investments in debt securities at amortized cost as of December 31, 2023 and 2022

Debt securities	December 31, 2023	December 31, 2022
Securities issued or secured by Colombian Government	Ps. 2,567,463	Ps. 2,299,618
Securities issued or secured by other Colombian Government entities	5,112,355	4,509,839
Securities issued or secured by foreign Governments	26,515	33,453
Securities issued or secured by other financial entities	2,082,993	2,618,656
Securities issued or secured by non-financial sector entities	143,410	237,537
Others	63,825	72,389
Total debt securities at amortized cost	**Ps. 9,996,561**	**Ps. 9,771,492**

(Amounts expressed in millions of Colombian pesos)

The following is a summary of investments in debt securities at amortized cost by maturity dates:

	December 31, 2023	December 31, 2022
Up to 1 month	Ps. 927,454	Ps. 768,921
More than 1 month and no more than 3 months	26,515	80,379
More than 3 months and no more than 1 year	6,765,886	6,032,434
More than 1 year and no more than 5 years	151,217	187,795
More than 5 years and no more than 10 years	2,098,299	2,668,331
More than 10 years	27,190	33,632
Total	**Ps. 9,996,561**	**Ps. 9,771,492**

9.3.1 Investment in debt at amortized cost securities pledged as collateral

The following is a list of debt securities at amortized cost that are being used as collateral in repo operations, pledged as collateral for transactions with financial instruments, or pledged to third parties as collateral to secure financial obligations with other banks (See note 33).

	December 31, 2023	December 31, 2022
Pledged as collateral in money market operations		
Securities issued or secured by other Colombian Government entities	Ps. 1,667,922	Ps. 118,536
Securities issued or secured by Colombian Government	489,631	—
Securities issued or secured by other financial entities	—	25,449
Securities issued or secured by non-financial sector entities	118,364	236,212
	Ps. 2,275,917	**Ps. 380,197**
Pledged as collateral to special entities such as CRCC, BR and BVC (*)		
Securities issued or secured by Colombian Government	Ps. 539,339	Ps. —
Securities issued or secured by other Colombian Government entities	393,634	999,561
	Ps. 932,973	**Ps. 999,561**
	Ps. 3,208,890	**Ps. 1,379,758**

(*) Cámara de Riesgo Central de Contraparte ("CRCC"), Banco de la República ("BR") and Bolsa de Valores de Colombia ("BVC")

9.4 Investments in equity securities at fair value through OCI

The following is the balance at December 31, 2023 and 2022.

December 31, 2023

	Cost	Unrealized Gain	Unrealized Losses	Fair Value
In Colombian Pesos				
Corporate stock	Ps. 585,354	Ps. 121,017	Ps. (33,137)	Ps. 673,234
In foreign currency				
Corporate stock	9,227	440,562	(5,672)	444,117
Total equity securities	**Ps. 594,581**	**Ps. 561,579**	**Ps. (38,809)**	**Ps. 1,117,351**

December 31, 2022

	Cost	Unrealized Gain	Unrealized Losses	Fair Value
In Colombian Pesos				
Corporate Stock	Ps. 1,109,648	Ps. 385,712	Ps. (20,159)	Ps. 1,475,201
In foreign currency				
Corporate Stock	697	859	(25)	1,531
Total equity securities	**Ps. 1,110,345**	**Ps. 386,571**	**Ps. (20,184)**	**Ps. 1,476,732**

Variations in fair values fundamentally reflect variations in the performance of companies and market conditions mainly due to changes in interest rates and other economic trends in the country where the investment is held. At December 31, 2023 and 2022 Grupo Aval considers that there is no evidence of deterioration.

(Amounts expressed in millions of Colombian pesos)

The details of equity instruments through OCI as of December 31, 2023 and 2022 are as follows.

Entity (*)	December 31, 2023		December 31, 2022	
Empresa de Energía de Bogotá S.A. E.S.P.	Ps.	903,068	Ps.	799,928
BAC Holding International Corp(1)		—		519,964
Mineros S.A.		43,765		44,123
Port operating companies		58,355		36,010
Bolsa de Valores de Colombia S.A.(2)		—		26,920
Holding Bursátil Regional S.A.(2)		45,085		—
Others		67,076		49,787
Total	**Ps.**	**1,117,349**	**Ps.**	**1,476,732**

(*) These investments in equity securities have been designated as FVOCI considering that they represent strategic investments for Grupo Aval and therefore, they are not expected to be sold in a foreseeable future.

(1) On March 17, Banco de Bogotá sold 4.11% of the shares of BAC Holding International Corp's outstanding ordinary shares.
(2) In the frame of the regional integration of the stock exchanges of Chile, Colombia and Peru, on November 14th 2023, a share exchange agreement was signed.

For the years ended December 31, 2023 and 2022, dividends from these equity investments in the amount of Ps. 126,274 and Ps. 119,888 respectively, were recognized in profit or loss in the "Other Income" line (see note 30).

NOTE 10 – HEDGE ACCOUNTING

In accordance with its risk management policies, Grupo Aval uses hedge accounting to manage foreign exchange risk relating to investments in foreign operations and in forecasted transactions; and manage interest risk relating to time deposits issued, as follows:

10.1 Hedges of net investment in foreign operations

Banco de Bogotá, Banco de Occidente and Promigas are exposed to foreign exchange risk related to their investments in foreign subsidiaries, that have the US Dollar as functional currency.

The purpose of hedge accounting is to mitigate and offset any adverse changes resulting from the fluctuation in exchange rate of the Colombian Peso and the functional currency of such investments. The impacts of those movements are reflected in the cumulative translation adjustment in other comprehensive income of the consolidated financial statements.

To cover this risk, Grupo Aval hedges its exposure through foreign currency financial liabilities expressed in U.S. dollars and forward contracts for the sale of U.S. dollars.

Changes in the Colombian peso against the U.S. dollar have been as follows:

Date	Value of US$ 1	Variation in pesos
December 31, 2022	4,810.20	829.04
December 31, 2023	3,822.05	(988.15)

(Amounts expressed in millions of Colombian pesos)

According to the information described above, the following table shows movements of OCI gross of taxes, related to hedges of net investment in foreign operations:

Investment	Hedged Item	Hedging non-derivative instrument	Hedging derivative instrument	Net OCI account
Multi Financial Holding	Ps. (393,836)	Ps. 385,379	Ps. —	Ps. (8,457)
Other subsidiaries and branches Banco de Bogotá	(137,731)	118,577	—	(19,154)
Occidental Bank Barbados Ltd.	(30,956)	30,956	—	—
Banco de Occidente (Panamá) S.A.	(42,091)	42,091	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	(25,513)	25,513	—	—
Gases del Pacífico S.A.C.	(32,050)	23,144	—	(8,906)
Gas Natural de Lima y Callao S.A.C. – Calidda	(106,851)	106,851	—	—
Promigas Perú S.A.C.	(4,763)	4,763	—	—
Gases del Norte del Perú S.A.C.	(23,718)	23,718	—	—
Promigas Panamá Corporation	(5)	5	—	—
Total	**Ps. (797,514)**	**Ps. 760,997**	**Ps. —**	**Ps. (36,517)**

According to information described above, the following table contains details of hedging operations carried out to cover foreign denominated equity investments. The analysis shows current amount of OCI gross of taxes:

December 31, 2023

	Thousands of US$			*Ps. millions*			
Investment	**Hedged investment amount**	**Hedge amount in foreign currency in financial liabilities**	**Hedge amount in forward contracts**	**Current amount Hedged Item**	**Current amount Hedging non-derivative instrument**	**Current amount Hedging derivative instrument**	**Current amount Net OCI account**
Multi Financial Holding	405,867	(390,000)	—	Ps. 6,974	Ps. 46,021	Ps. (435)	Ps. 52,560
Other subsidiaries and branches Banco de Bogotá [(1)]	152,882	(120,000)	—	202,519	115,107	(230,412)	87,214
Occidental Bank Barbados Ltd.	37,341	(37,341)	—	43,626	(43,626)	—	—
Banco de Occidente (Panamá) S.A.	58,877	(58,877)	—	57,337	(57,337)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	26,365	(26,365)	—	26,410	(26,410)	—	—
Gases del Pacífico S.A.C.	31,888	(31,888)	—	6,068	(21,331)	—	(15,263)
Gas Natural de Lima y Callao S.A.C. – Calidda	114,887	(114,887)	—	67,050	(67,050)	—	—
Promigas Perú S.A.C.	4,820	(4,820)	—	741	(741)	—	—
Gases del Norte del Perú S.A.C.	24,006	(24,006)	—	(3,578)	3,578	—	—
Promigas Panamá Corporation	1	(1)	—	2	(2)	—	—
Total	**856,934**	**(808,185)**	**—**	**Ps. 407,149**	**Ps. (51,791)**	**Ps. (230,847)**	**Ps. 124,511**

(1) Includes Banco de Bogotá Panamá, Banco Bogotá Finance, Ficentro, Nassau and contributions of foreign branches in Miami and New York.

(Amounts expressed in millions of Colombian pesos)

December 31, 2022

	Thousands of US$			*Ps. millions*			
Investment	**Hedged investment amount**	**Hedge amount in foreign currency in financial liabilities**	**Hedge amount in forward contracts**	**Current amount Hedged Item**	**Current amount Hedging non-derivative instrument**	**Current amount Hedging derivative instrument**	**Current amount Net OCI account**
Multi Financial Holding	394,372	(390,000)	—	Ps. 400,810	Ps. (339,358)	Ps. (435)	Ps. 61,017
Other subsidiaries and branches Banco de Bogotá (1)	131,923	(120,000)	(281)	340,250	(3,470)	(230,412)	106,368
Occidental Bank Barbados Ltd.	28,755	(28,755)	—	74,582	(74,582)	—	—
Banco de Occidente (Panamá) S.A.	35,151	(35,151)	—	99,428	(99,428)	—	—
Sociedad Portuaria El Cayao S.A. E.S.P.	562,151	(562,151)	—	51,923	(51,923)	—	—
Gases del Pacífico S.A.C.	216,876	(216,876)	—	38,118	(44,475)	—	(6,357)
Gas Natural de Lima y Callao S.A.C. – Calidda	97,109	(97,109)	—	173,901	(173,901)	—	—
Promigas Perú S.A.C.	25,978	(25,978)	—	5,504	(5,504)	—	—
Gases del Norte del Perú S.A.C.	129,382	(129,382)	—	20,140	(20,140)	—	—
Promigas Panamá Corporation	16	(16)	—	7	(7)	—	—
Total	**1,621,713**	**(1,605,418)**	**(281)**	**Ps. 1,204,663**	**Ps. (812,788)**	**Ps. (230,847)**	**Ps. 161,028**

(1) Includes Banco de Bogotá Panamá, Banco Bogotá Finance, Ficentro, Nassau and contributions of foreign branches in Miami and New York.

Hedging with Debt in Foreign Currency in U.S. dollars

Debt financial instruments that are not derivatives can be designated as hedging instruments for changes in foreign currency exchange rates. According to this rule, Banco de Bogotá, Banco de Occidente and Promigas designed debt denominated in U.S. dollar as hedging instruments of their foreign subsidiaries as follows:

(1) Bonds issued by Banco de Bogotá in the international market were designated as hedging instruments of its investment in MFH and other subsidiaries and branches amounting U.S. 510 million in 2023 and U.S. 510 dollar million in 2022.

(2) Other financial liabilities in the amount of U.S. 298 million as of December 31, 2023 (U.S. dollar 1,095 million as of December 31, 2022) were used to hedge part of the net foreign investment that Banco de Occidente and Promigas have in foreign subsidiaries as part of a hedging strategy, by which new obligations are continuously designated as hedging instruments to replace the previous ones as they expire over time.

10.2 Hedging Cash Flow

The movement of the accumulated OCI account related to cash flow hedges in Colombian pesos during the years ended on December 31, 2023 and 2022 is as follows:

	December 31, 2023	**December 31, 2022**
Balance at the beginning of the year	**Ps. 5,542**	**Ps. 7,938**
Changes in the fair value FwD - Future transactions	(26,203)	6,995
Changes in the fair value FwD - financial obligations	(32,672)	—
Changes in the fair value bonds	270,064	—
Changes in the fair value other accounts receivable	(258,982)	—
Reclassified to profit or loss	11,870	(9,391)
Balance at the end of the year	**Ps. (30,381)**	**Ps. 5,542**

During the years ended December 31, 2023, 2022 and 2021, an exchange difference recognized under “Other Comprehensive Income” as a result of cash flow hedge accounting of income (loss) from these highly probable transactions, was reclassified to profit or loss in the amounts of Ps. 11,870, Ps. (9,391) and Ps. 16,859 respectively.

Hedging of Future Transactions

In the ordinary course of its operations Promigas S.A. and its subsidiaries receive income in U.S. Dollars derived from the transportation of gas. Promigas and its subsidiaries hedge the exchange risk arising in future transactions of highly probable gas transportation income, entering into forward contracts for the sale of U.S. dollars with financial entities different from the ones consolidated into Grupo Aval.

The following is the summary of Promigas and its subsidiaries open cash flow hedges:

	December 31, 2023	December 31, 2022
Income in Thousands of U.S. dollar forecasted	643,670	127,695
Notional amount contracts FWDThousands of U.S. dollar	643,670	126,921
% hedged	86 %	88 %
Fair value in Colombian pesos	(59,715)	61,142
# of contracts	46	161

Hedging of exchange rate risk

During the year ended December 31, 2023, Banco de Bogotá hedge the exchange risk arising in a other accounts receivable:

	December 31, 2023	December 31, 2022
Income in Thousands of U.S. dollar forecasted	309,788	—
Notional amount bond Thousands of U.S. dollar	309,788	—
% hedged	100 %	— %
Fair value in Colombian pesos	1,184,025	—
# of contracts	1	—

During the year ended December 31, 2023, Corficolombiana hedge the exchange risk arising in a other accounts receivable:

	December 31, 2023	December 31, 2022
Income in Thousands of U.S. dollar forecasted	7,610	—
Notional amount contracts FWD Thousands of U.S. dollar	7,610	—
% hedged	100 %	— %
# of contracts	74	—

During the year ended December 31, 2023, Banco de Bogotá hedge the exchange risk arising in financial obligations:

	December 31, 2023	December 31, 2022
Income in Thousands of U.S. dollar forecasted	1,097,038	—
Notional amount contracts FWD Thousands of U.S. dollar	1,098,950	—
% hedged	100 %	— %
Fair value in Colombian pesos	4,152,626	—
# of contracts	74	—

10.3 Fair value hedges of interest rate risk

As of December 31, 2023 and 2022, Banco de Bogotá uses interest rate swaps to reduce the risk of interest rates on financial liabilities.

December 31, 2023

			Carrying amount	
Fair value hedges		**Notional amount**	**Assets**	**Liabilities**
Hedging instruments				
Interest rate Swap	Ps.	6,539,684	Ps. 47,975	Ps. 10,871
Items designated hedged				
Time Deposits issued		6,539,684	—	40,289

(Amounts expressed in millions of Colombian pesos)

December 31, 2022

Fair value hedges		Notional amount		Carrying amount Assets		Carrying amount Liabilities
Hedging instruments						
Interest rate Swap	Ps.	235,000	Ps.	—	Ps.	(1,228)
Items designated hedged						
Time Deposits issued		235,000		—		—

As of December 31, 2023, Banco de Occidente uses interest rate swaps to reduce the risk of interest rates on financial liabilities.

December 31, 2023

Fair value hedges		Notional amount		Carrying amount Assets		Carrying amount Liabilities
Hedging instruments						
Interest rate Swap	Ps.	435,000	Ps.	850	Ps.	—
Items designated hedged						
Time Deposits issued		435,000		—		734

As of December 31, 2022, the Multi Financial Holding uses interest rate swaps to reduce the risk of interest rates on financial assets and financial liabilities. Said contracts are recorded at fair value in the consolidated statement of financial position, under the line of derivatives for hedging assets or liabilities, as appropriate. As of December 31, 2023, this hedge is no longer applied.

December 31, 2022

Fair value hedges		Notional amount		Carrying amount Assets		Carrying amount Liabilities
Hedging instruments						
Interest rate Swap	Ps.	98,609	Ps.	107	Ps.	786
Items designated hedged						
Securities issued or secured by Government and Corporate issuers		98,609		969		—

Changes in fair value and interest expense during the years ended on December 31, 2023 and 2022 is as follows:

December 31, 2023

		Change in fair value		Interest expense (1)
Banco de Bogotá	Ps.	79,864	Ps.	(61,906)
Banco de Occidente		116		(1,427)
Total	**Ps.**	**79,980**	**Ps.**	**(63,333)**

(1) See note 21.3 “Interest expense”.

December 31, 2022

		Change in fair value		Interest expense (1)
Banco de Bogotá	Ps.	(14)	Ps.	(1,242)
Multi Financial Holding		168		—
Total	**Ps.**	**154**	**Ps.**	**(1,242)**

(1) See note 21.3 “Interest expense”.

10.4 Testing of Hedge Effectiveness

Grupo Aval's subsidiaries consider hedging as highly effective if at the beginning and in subsequent periods, the hedging instrument highly offsets changes in fair value or in cash flows attributable to the risk hedged during the period for which the hedging has been designated. The hedging is considered as such if the effectiveness of the hedging is in a range between 80% and 125%. Such effectiveness is assessed by Grupo Aval's entities at least quarterly and at the end of each accounting period. During year 2022 and 2021 each hedging relationship has been effective.

Grupo Aval's subsidiaries have documented the hedging effectiveness of its foreign currency denominated investments based on the portion of the net investment hedged at the beginning of the hedging relationship. Since the net balance of these investments fluctuates during the year, Grupo Aval's subsidiaries evaluate the hedging relationship on a daily basis as well as the result of the testing of hedge effectiveness.

Hedge Effectiveness with Forward Contracts

Grupo Aval's subsidiaries applies the method of the forward rate used in forward contracts to evaluate the hedge effectiveness; for such purpose, Grupo Aval measures the hedge ineffectiveness comparing the value of current forward contracts, which serve as hedge, with the change in the value of a hypothetical derivative with the same maturity.

Hedge Effectiveness with Debt Instruments in Foreign Currency

For debt instruments in foreign currency designated as a hedging instruments, the gain or loss arising from the conversion of the debt to Colombian Pesos is based on the current exchange rate between the U.S. dollar and the Colombian Peso, which is the functional currency of Grupo Aval. If the notional amount of the hedging instrument exactly matches with the portion of the hedged investment in foreign operations, no ineffectiveness is registered in the statement of income.

(Amounts expressed in millions of Colombian pesos)

Derivative Financial Instruments for hedging purposes comprise the following:

According to information described above, the following table contains the fair value of derivative financial instruments used for hedging:

	December 31, 2023		December 31, 2022	
Item	**Assets**	**Liabilities**	**Assets**	**Liabilities**
Forward contracts				
Foreign currency to buy	Ps. 687	Ps. 204,202	Ps. 4,630	Ps. 1,416
Foreign currency to sale	—	—	200	137
Subtotal	**Ps. 687**	**Ps. 204,202**	**Ps. 4,830**	**Ps. 1,553**
Swap				
Cross currency	—	—	—	—
Interest rate	47,975	13,364	16,024	2,015
Subtotal	**Ps. 47,975**	**Ps. 13,364**	**Ps. 16,024**	**Ps. 2,015**
Total hedge derivatives	**Ps. 48,662**	**Ps. 217,566**	**Ps. 20,854**	**Ps. 3,568**

NOTE 11 – LOANS

11.1 Loan Portfolio by Product

The distribution of the loan portfolio of Grupo Aval by product is shown as follows:

	December 31, 2023	December 31, 2022
General purpose loans	Ps. 73,738,900	Ps. 74,621,729
Payroll loans	32,619,563	33,306,684
Working capital loans	16,413,196	14,631,609
Mortgages	16,294,206	15,488,044
Personal loans	14,232,850	13,425,625
Credit Cards	7,937,759	7,341,533
Automobile and vehicle loans	5,332,355	5,421,073
Loans funded by development banks	4,464,785	4,053,300
Commercial financial leases	11,706,825	10,861,995
Housing leases	2,192,000	2,395,311
Consumer financial leases	15,509	18,491
Overdrafts	585,686	512,504
Interbank & overnight funds	392,607	5,967,743
Microcredit	277,529	267,720
Gross balance of loan portfolio	**Ps. 186,203,770**	**Ps. 188,313,361**
Loss allowance loan portfolio (1)	(10,035,715)	(9,197,514)
Net balance of loan portfolio	**Ps. 176,168,055**	**Ps. 179,115,847**

(1) See loss allowance reconciliations from the opening to the closing balance in note 4.1.5.

11.2 Loan portfolio by maturity

The distribution of Grupo Aval´s loan portfolio by contractual maturity period is as follows:

December 31, 2023

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Commercial – Client portfolio	Ps. 57,018,945	Ps. 27,895,921	Ps. 12,044,149	Ps. 10,088,802	Ps. 107,047,817
Consumer	10,679,728	13,325,877	11,496,786	24,497,220	59,999,611
Mortgage	865,216	1,187,222	1,317,412	15,116,356	18,486,206
Microcredit	162,667	108,095	5,266	1,501	277,529
Interbank and overnight funds	392,607	—	—	—	392,607
Total gross loan portfolio	**Ps. 69,119,163**	**Ps. 42,517,115**	**Ps. 24,863,613**	**Ps. 49,703,879**	**Ps. 186,203,770**

(Amounts expressed in millions of Colombian pesos)

December 31, 2022

	Up to 1 year	From 1 to 3 years	From 3 to 5 years	More than 5 years	Total
Commercial – Client portfolio	Ps. 52,035,331	Ps. 29,192,573	Ps. 13,784,223	Ps. 9,762,972	Ps. 104,775,099
Consumer	9,387,125	12,229,155	10,996,682	26,806,482	59,419,444
Mortgage	752,955	1,078,137	1,190,998	14,861,265	17,883,355
Microcredit	155,351	105,603	5,692	1,074	267,720
Interbank and overnight funds	5,967,743	—	—	—	5,967,743
Total gross loan portfolio	**Ps. 68,298,505**	**Ps. 42,605,468**	**Ps. 25,977,595**	**Ps. 51,431,793**	**Ps. 188,313,361**

11.3 Interest income by portfolio

The interest income of the loan portfolio of Grupo Aval by portfolio is shown as follows:

	December 31, 2023	December 31, 2022
Commercial – Client portfolio	Ps. 14,497,926	Ps. 8,608,592
Consumer	9,208,508	7,048,747
Mortgage	1,687,962	1,349,898
Microcredit	71,352	64,582
Repos, interbank loans portfolio	1,068,367	487,697
Total interest income	**Ps. 26,534,115**	**Ps. 17,559,516**

11.4 Financial Leasing portfolio

As of December 31, 2023, and 2022 the following table shows the reconciliation between gross investment in financial leasing and the present value of minimum payments to be received in these dates:

	December 31, 2023	December 31, 2022
Total gross rent payments receivable	Ps. 29,491,587	Ps. 21,766,425
Less amounts representing running costs (such as taxes, maintenance, insurances, etc.,)	(495)	(544)
Plus, estimated residual amount of assets given for rental (without guarantee)	32,657	36,559
Gross investment in contracts of financial leasing	**29,523,749**	**21,802,440**
Less unrealized financial income	(15,609,415)	(8,526,643)
Net investment in contracts of financial leasing	**Ps. 13,914,334**	**Ps. 13,275,797**
Loss allowance of net investment in financial leasing	**Ps. (460,528)**	**Ps. (678,367)**

The detailed information of gross investment and net investment in financial leasing contracts receivable as of December 31, 2023 and 2022 in each period is as follows:

	December 31, 2023	
	Gross investment	Net investment
Up to 1 year	Ps. 13,480,780	Ps. 6,398,382
From 1 to 5 years	6,560,824	2,532,708
More than 5 years	9,482,145	4,983,244
Total	**Ps. 29,523,749**	**Ps. 13,914,334**

	December 31, 2022	
	Gross investment	Net investment
Up to 1 year	Ps. 4,378,980	Ps. 1,962,546
From 1 to 5 years	8,502,594	5,585,560
More than 5 years	8,920,866	5,727,691
Total	**Ps. 21,802,440**	**Ps. 13,275,797**

The banks of Grupo Aval grant loans through financial leasing mainly for acquisition of vehicles and computer equipment, generally with terms between 36 and 60 months, with a purchase option at the end of the contract, for acquisition machinery and equipment with terms between 60 to 120 months, with a purchase option, and for housing leasing with terms between 120 to 240 months, transferring the asset at the end of the contract. These leasing contracts are granted at current market interest rates at inception.

(Amounts expressed in millions of Colombian pesos)

NOTE 12 – OTHER ACCOUNTS RECEIVABLE, NET

Balances of other accounts receivable, net of impairment losses, comprise the following as of December 31, 2023 and 2022:

	Note	December 31, 2023	December 31, 2022
Contract assets	12.1	Ps. 17,821,214	Ps. 16,161,187
Other accounts receivable	12.2	8,181,675	7,601,802
Total other accounts receivable		**26,002,889**	**23,762,989**
Loss allowance	4.1.5	(385,664)	(382,416)
Total other accounts receivable, net		**Ps. 25,617,225**	**Ps. 23,380,573**

12.1 Financial assets in concession arrangements

The following table provides information about assets from contracts with customers as of December 31, 2023 and 2022:

Contract assets	**December 31, 2023**	**December 31, 2022**
Financial assets in concession arrangements rights at fair value (1)	Ps. 3,830,916	Ps. 3,507,231
Financial assets in concession arrangements rights at amortized cost (1)	13,990,298	12,653,956
Gross balance of other accounts receivable	**Ps. 17,821,214**	**Ps. 16,161,187**
Loss allowance (2)	(8,394)	(8,171)
Total contract assets	**Ps. 17,812,820**	**Ps. 16,153,016**

(1) See note 16 details regarding concession arrangements rights.

(2) See reconciliations simplified approach and general approach loss allowance on note 4.1.5.

(Amounts expressed in millions of Colombian pesos)

12.2 Other accounts receivable

The detailed information of other accounts receivable measured at amortized cost, except for prepaid expenses, as of December 31, 2023 and 2022 is as follows:

Other accounts receivable		**December 31, 2023**		**December 31, 2022**
Accounts receivable for goods and services sales in Non-financial sector companies	Ps.	1,469,899	Ps.	1,455,555
Debtors		1,889,732		2,061,364
Credit card compensations and network compensation		1,348,140		658,721
Payment in advance		760,877		633,358
Government		579,701		577,117
Conditional contributions		712,135		694,018
Taxes		35,667		30,862
Others		1,385,524		1,490,807
Gross balance of other accounts receivable	**Ps.**	**8,181,675**	**Ps.**	**7,601,802**
Loss allowance		(377,270)		(374,245)
Other accounts receivable, net	**Ps.**	**7,804,405**	**Ps.**	**7,227,557**

NOTE 13 – NON-CURRENT ASSETS HELD FOR SALE

The movement of the non-current assets held for sale during the years ended December 31, 2023 and 2022 is as follows:

		December 31, 2023		**December 31, 2022**
Balance at the beginning of the year	**Ps.**	**92,830**	**Ps.**	**208,426**
Additions for foreclosed assets		72,466		74,812
Assets sold, net (1)		(118,808)		(51,863)
Increase / decrease by changes in fair value		(268)		(76)
Reclassifications (2)		62,058		(88,609)
Effect of movements in exchange rates		(7,094)		13,960
Loss of control in subsidiary (3)		—		(72,014)
Discontinued operations (3)		—		8,194
Balance at year end	**Ps.**	**101,184**	**Ps.**	**92,830**

(1) From the leaseback operation with the NEXUS Real Estate Capital Funds includes withdrawals for December 31, 2023 by Ps. (79,546) and for December 31, 2022 by Ps. (15,179).

(2) Includes for December 31, 2023 reclassifications to i) to investment properties by Ps. (95,593), ii) from other assets by Ps. 25,654 and iii) from Properties, plant and equipment for Ps. 131,997 and for December 31, 2022 reclassifications to i) to investment properties by Ps. (31,184), ii) to other assets by Ps. (62,943) and iii) from Properties, plant and equipment for Ps. 5,536.

(3) See note 1.1 "Discontinued operations of BAC Holding".

(Amounts expressed in millions of Colombian pesos)

The following is the detail of the non-current assets held for sale:

		December 31, 2023		December 31, 2022
Foreclosed assets				
Movable property	Ps.	3,421	Ps.	2,245
Residential real estate		15,070		23,802
Other real estate		35,024		36,929
	Ps.	**53,515**	**Ps.**	**62,976**
Assets received from leasing agreements				
Vehicles		559		134
Real estate		10,373		4,891
	Ps.	**10,932**	**Ps.**	**5,025**
Other non-current assets held for sale				
Land	Ps.	15,534	Ps.	3,023
Real estate		20,925		19,911
Other		278		1,895
	Ps.	**36,737**	**Ps.**	**24,829**
Total	**Ps.**	**101,184**	**Ps.**	**92,830**

Following is the detail of the associated liabilities to assets held for sale:

		December 31, 2023		December 31, 2022
Other accounts payable	Ps.	4,338	Ps.	12,646
Provisions		532		—
Total	**Ps.**	**4,870**	**Ps.**	**12,646**

Non-current assets held for sale are primarily assets received through foreclosure of assets pledged as loan collateral. Accordingly, the banks of Grupo Aval has the intention to sell them immediately, our subsidiaries have departments, processes and special sales programs for this purpose. Foreclosed assets are either sold for cash or financing for their sale is provided to potential buyers under normal market conditions. These are expected to be sold within a period of 12 months subsequent to their classification as assets held for sale. There are option contracts in place for some of these assets. Note (4.1.8) on credit risk contains information on assets received through foreclosure and sold during the period.

NOTE 14 – INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

The detail of the investments in associates and joint ventures for the years ended December 31, 2023, and 2022 is as follows:

		December 31, 2023		December 31, 2022
Associates	Ps.	1,288,641	Ps.	1,419,296
Joint ventures		2,042		4,047
Total	**Ps.**	**1,290,683**	**Ps.**	**1,423,343**

(Amounts expressed in millions of Colombian pesos)

The following table shows the balances of each investment in associates and joint ventures as of December 31, 2023 and 2022, and Grupo Aval's ownership interest percentage in those entities:

	December 31, 2023		December 31, 2022	
	Ownership interest	Book value	Ownership interest	Book value
Associates				
Gas Natural de Lima y Callao S.A. - Cálidda	40 %	Ps. 614,577	40 %	Ps. 768,953
Gases del Caribe S.A. E.S.P.	31 %	328,661	31 %	313,968
Credibanco S.A.	25 %	210,399	25 %	205,604
Redeban Multicolor S.A.	20 %	41,562	20 %	33,183
A.C.H Colombia S.A.	34 %	32,580	34 %	32,134
Aerocali S.A.	50 %	24,389	50 %	30,499
Colombiana de Extrusión S.A. - Extrucol	30 %	14,507	30 %	12,321
ADL Digital Lab S.A.S.	34 %	12,231	34 %	8,439
Servicios de Identidad Digital S.A.S.	33 %	4,039	33 %	7,050
Energía Eficiente S.A.	33 %	3,485	33 %	4,136
Metrex S.A.	18 %	2,211	18 %	2,596
Concentra Inteligencia en Energía S.A.S.(1)	— %	—	24 %	413
		Ps. 1,288,641		**Ps. 1,419,296**

.(1) The investment in associated was liquidated on November 29th, 2023.

	December 31, 2023		December 31, 2022		
	Ownership interest	Book value	Ownership interest	Book value	Book value
Joint ventures					
Renting Automayor S.A.S. (1)	50 %	Ps. 2,042	50 %	Ps.	4,047

(1) Joint businesses executed by Grupo Aval's subsidiaries with specific purposes wherein the joint business assumes no responsibilities for business results, not requiring significant equity resources from Grupo Aval.

All of our associates and joint ventures are domiciled in Colombia, with the exception of Gas Natural de Lima y Callao S.A. – Cálidda which resides in Perú.

The main corporate purpose of Grupo Aval´s associates is described as follows:

	Associate	Corporate purpose
1	Gas Natural de Lima y Callao S.A. - Cálidda	Gas distribution
2	Gases del Caribe S.A. E.S.P.	Gas distribution
3	Credibanco S.A.	Payment processing
4	Redeban Multicolor S.A.	Payment processing
5	A.C.H Colombia S.A.	Automated clearing house
6	Aerocali S.A.	Projects in airport infrastructure
7	Colombiana de Extrusión S.A. - Extrucol	Networks and infrastructure
8	ADL Digital Lab S.A.S.	Tecnology or digital services
9	Servicios de Identidad Digital S.A.S.	Digital services
10	Energía Eficiente S.A.	Gas distribution
11	Metrex S.A.	Manufacturing and commercialization of industrial equipment
12	Concentra Inteligencia en Energía S.A.S.	Gas distribution

As of December 31, 2023, and 2022, Grupo Aval did not have contingent assets as income receivable that arose from any contractual difference with any concession, other than a tariff recognition. There were also no contingent liabilities for fines or sanctions imposed by the Government in the development of concession contracts for possible contractual breaches.

(Amounts expressed in millions of Colombian pesos)

A roll-forward of investments in associates and joint ventures accounts is shown below for the years ended December 31, 2023 and 2022:

Associates

	December 31, 2023	December 31, 2022
Balance at the beginning of the year	**Ps. 1,419,296**	**Ps. 1,170,435**
Acquisitions	2,433	7,267
Participation in the profit or loss of the period	373,402	371,127
Participation in Other Comprehensive Income	(35,892)	81,730
Dividends declared	(363,466)	(301,895)
Entity Liquidation	(282)	—
Exchange difference	(106,850)	90,632
Year-end balance	**Ps. 1,288,641**	**Ps. 1,419,296**

Joint ventures

	December 31, 2023	December 31, 2022
Balance at the beginning of the year	**Ps. 4,047**	**Ps. 2,394**
Participation in the period profit or loss	(2,005)	1,650
Acquisitions	—	3
Year-end balance	**Ps. 2,042**	**Ps. 4,047**

The condensed financial information of the associates and joint ventures accounted for under the equity method is as follows:

Associates

At the time calculating the equity method, the year-end financial information of associates was not available. Therefore, the financial information of the immediately preceding month for the years 2023 and 2022 was used, this information corresponds to 100% after homogenizations.

December 31, 2023

	Assets	Liabilities	Equity	Income	Expenses	Net income LTM
Gas Natural de Lima y Callao S.A. - Cálidda	Ps. 6,116,364	Ps. 4,521,154	Ps. 1,595,210	Ps. 3,832,676	Ps. 3,378,051	Ps. 454,625
Gases del Caribe S.A. E.S.P.	4,066,193	2,974,633	1,091,560	3,104,261	2,730,690	373,571
Redeban Multicolor S.A.	2,101,985	1,918,782	183,203	443,196	423,438	19,758
Credibanco S.A.	431,534	180,505	251,029	329,109	293,021	36,088
A.C.H Colombia S.A.	342,153	232,328	109,825	292,592	184,168	108,424
Energía Eficiente S.A.	124,797	100,424	24,373	328,840	325,794	3,046
Colombiana de Extrusión S.A. - Extrucol	112,151	63,795	48,356	183,121	167,562	15,559
Aerocali S.A.	92,950	44,172	48,778	254,751	209,945	44,806
ADL Digital Lab S.A.S.	71,577	35,602	35,975	74,645	63,492	11,153
Servicios de Identidad Digital S.A.S.	50,428	22,812	27,616	857	19,694	(18,837)
Metrex S.A.	41,458	29,170	12,288	80,944	78,229	2,715
	Ps. 13,551,590	**Ps.10,123,377**	**Ps. 3,428,213**	**Ps. 8,924,992**	**Ps. 7,874,084**	**Ps. 1,050,908**

(Amounts expressed in millions of Colombian pesos)

December 31, 2022

	Assets	Liabilities	Equity	Income	Expenses	Net income LTM
Gas Natural de Lima y Callao S.A. - Cálidda	Ps. 6,733,310	Ps. 4,832,852	Ps. 1,900,458	Ps. 3,459,381	Ps. 3,016,832	Ps. 442,549
Gases del Caribe S.A. E.S.P.	3,608,541	2,547,812	1,060,729	3,049,998	2,678,762	371,236
Credibanco S.A.	416,819	189,622	227,197	283,294	258,230	25,064
Redeban Multicolor S.A.	981,505	817,262	164,243	363,785	331,105	32,680
A.C.H Colombia S.A.	215,653	120,605	95,048	245,030	148,782	96,248
Aerocali S.A.	106,967	45,969	60,998	247,929	188,515	59,414
Colombiana de Extrusión S.A. - Extrucol	100,728	59,658	41,070	160,587	151,815	8,772
ADL Digital Lab S.A.S.	63,442	38,620	24,822	57,360	44,344	13,016
Servicios de Identidad Digital S.A.S.	25,995	4,846	21,149	754	22,101	(21,347)
Energía Eficiente S.A.	106,493	80,168	26,325	271,988	267,999	3,989
Metrex S.A.	54,170	39,743	14,427	79,880	74,959	4,921
Concentra Inteligencia en Energía S.A.S.	1,987	253	1,734	1,138	1,912	(774)
	Ps. 12,415,610	**Ps. 8,777,410**	**Ps. 3,638,200**	**Ps. 8,221,124**	**Ps. 7,185,356**	**Ps. 1,035,768**

Joint Ventures

At the time calculating the equity method, the year-end financial information of joint ventures was not available. Therefore, the information of the immediately preceding month for the years 2023 and 2022 was used, is presented below.

December 31, 2023

	Assets	Liabilities	Equity	Income	Expenses	Net income LTM
Renting Automayor S.A.	Ps. 120,113	Ps. 115,786	Ps. 4,327	Ps. 34,762	Ps. 38,774	Ps. (4,012)
	Ps. 120,113	**Ps. 115,786**	**Ps. 4,327**	**Ps. 34,762**	**Ps. 38,774**	**Ps (4,012)**

December 31, 2022

	Assets	Liabilities	Equity	Income	Expenses	Net income LTM
Renting Automayor S.A.	Ps. 104,729	Ps. 96,345	Ps. 8,384	Ps. 8,473	Ps. 5,168	Ps. 3,305
	Ps. 104,729	**Ps. 96,345**	**Ps. 8,384**	**Ps. 8,473**	**Ps. 5,168**	**Ps 3,305**

NOTE 15 – TANGIBLE ASSETS

The movement of the carrying value amounts of tangible assets for the years ended on December 31, 2023 and 2022 is as follows:

Cost	For own use (1)	Right-of-use assets	Investment properties (2)	Given in operating leases	Biological assets	Total
Balance as of January 1, 2022	**Ps. 10,385,357**	**Ps. 2,839,802**	**Ps. 852,935**	**Ps. 48,203**	**Ps. 154,986**	**Ps. 14,281,283**
Increase / (decrease) due to changes in the lease variables	—	89,087	—	—	—	89,087
Purchases or capitalized expenses (3)	477,795	205,587	70,081	58,884	28,368	840,715
Withdrawals / Sales (4)	(413,817)	(152,284)	(127,753)	—	(27,583)	(721,437)
Changes in fair value	—	—	55,930	—	56,859	112,789
Revaluation of investment properties	—	—	797	—	—	797
Transfers to/from non-current assets held for sale	(9,174)	—	31,184	—	—	22,010
Loss of control in subsidiary (5)	(3,071,270)	(928,279)	—	—	—	(3,999,549)
Discontinued operations (5)	(26,314)	—	—	—	—	(26,314)
Effect of movements in exchange rates	118,393	38,353	2,282	—	—	159,028
Reclassifications	(4,467)	3,573	(4,493)	(6,287)	—	(11,674)
Balance as of December 31, 2022	**Ps. 7,456,503**	**Ps. 2,095,839**	**Ps. 880,963**	**Ps. 100,800**	**Ps. 212,630**	**Ps. 10,746,735**
Increase / (decrease) due to changes in the lease variables	—	636,227	—	—	—	636,227

(Amounts expressed in millions of Colombian pesos)

Cost	For own use (1)	Right-of-use assets	Investment properties (2)	Given in operating leases	Biological assets	Total
Purchases or capitalized expenses (3)	561,009	236,652	56,307	30,587	26,118	910,673
Withdrawals / Sales (4)	(544,864)	(174,060)	(200,670)	(16)	(26,677)	(946,287)
Changes in fair value	—	—	84,958	—	18,601	103,559
Revaluation of investment properties	—	—	557	—	—	557
Transfers to/from non-current assets held for sale	(189,295)	—	95,593	—	—	(93,702)
Loss of control in subsidiary	(565)	—	—	—	—	(565)
Effect of movements in exchange rates	(151,520)	(39,001)	(7,079)	—	—	(197,600)
Reclassifications	(17,712)	(504,889)	(4,160)	(2,290)	—	(529,051)
Balance as of December 31, 2023	**Ps. 7,113,556**	**Ps. 2,250,768**	**Ps. 906,469**	**Ps. 129,081**	**Ps. 230,672**	**Ps. 10,630,546**

Accumulated Depreciation:	For own use (1)	Right-of-use assets	Investment properties (2)	Given in operating leases	Biological assets	Total
Balance as of January 1, 2022	**Ps. (4,225,609)**	**Ps. (939,406)**	**Ps. —**	**Ps. (9,979)**	**Ps. —**	**Ps. (5,174,994)**
Depreciation of the year charged against profit or loss	(308,642)	(236,587)	—	(14,646)	—	(559,875)
Withdrawals / Sales (4)	183,180	84,643	—	—	—	267,823
Transfers to/from non-current assets held for sale	3,638	—	—	—	—	3,638
Loss of control in subsidiary (5)	1,679,433	370,917	—	—	—	2,050,350
Discontinued operations (5)	(29,380)	(29,625)	—	—	—	(59,005)
Effect of movements in exchange rates	(18,418)	(10,274)	—	—	—	(28,692)
Reclassification	(5,091)	(5,913)	—	6,212	—	(4,792)
Balance December 31, 2022	**Ps. (2,720,889)**	**Ps. (766,245)**	**Ps. —**	**Ps. (18,413)**	**Ps. —**	**Ps. (3,505,547)**
Depreciation of the year charged against profit or loss	(289,999)	(248,488)	—	(18,575)	—	(557,062)
Withdrawals / Sales (4)	246,794	90,904	—	16	—	337,714
Transfers to/from non-current assets held for sale	57,298	—	—	—	—	57,298
Loss of control in subsidiary	476	—	—	—	—	476
Effect of movements in exchange rates	29,602	11,611	—	—	—	41,213
Reclassification	(3,694)	(1,593)	—	2,290	—	(2,997)
Balance December 31, 2023	**Ps. (2,680,412)**	**Ps. (913,811)**	**Ps. —**	**Ps. (34,682)**	**Ps. —**	**Ps. (3,628,905)**

Impairment losses:	For own use (1)	Right-of-use assets	Investment properties (2)	Given in operating leases	Biological assets	Total
Balance as of January 1, 2022	**Ps. (5,580)**	**Ps. —**	**Ps. —**	**Ps. (156)**	**Ps. —**	**Ps. (5,736)**
Year impairment charge	(997)	—	—	(219)	—	(1,216)
Withdrawals	1,205	—	—	—	—	1,205
Balance as of December 31, 2022	**Ps. (5,372)**	**Ps. —**	**Ps. —**	**Ps. (375)**	**Ps. —**	**Ps. (5,747)**
Year impairment charge	31	—	—	(35)	—	(4)
Balance as of December 31, 2023	**Ps. (5,341)**	**Ps. —**	**Ps. —**	**Ps. (410)**	**Ps. —**	**Ps. (5,751)**

Tangible assets, net:	For own use (1)	Right-of-use assets	Investment properties (2)	Given in operating leases	Biological assets	Total
Balance as of December 31, 2022	**Ps. 4,730,242**	**Ps. 1,329,594**	**Ps. 880,963**	**Ps. 82,012**	**Ps. 212,630**	**Ps. 7,235,441**
Balance as of December 31, 2023	**Ps. 4,427,803**	**Ps. 1,336,957**	**Ps. 906,469**	**Ps. 93,989**	**Ps. 230,672**	**Ps. 6,995,890**

(1) Only assets for own use different than assets given in operating lease are included. See note 15.4.

(2) Cost is included at fair value. The total of purchases of investment properties, includes assets received in total or partial settlement of the payment obligations of debtors, at December 31, 2023 Ps.56,144 and Ps. 64,429 at December 31, 2022. Includes at December 31, 2022 Ps. 5,652 by the recognition a new investment property in Corficolombiana.

(3) The amount of purchases for own use assets include: (i) Capitalized expenses at December 31, 2023 for Ps. 802 and at December 31, 2022 for Ps. 2,113; (ii) Dismantling cost at December 31, 2023 for Ps. 1,723 and at December 31, 2022 for Ps. 666; and (iii) at December 31, 2022 an amount transferred from concessions arrangements as a result of the change in the conditions of the contracts by the grantor for Ps. 14,532.

(4) Withdrawals or sales includes the de-recognition of the assets transferred to NEXUS Real Estate Capital Funds. For December 31, 2023 for own use assets the net values of the most significant disposals are: Banco de Bogotá by Ps. (25,400), Banco Popular by Ps. (114,771) and Banco Av Villas by Ps. (33,053); and for investments properties the net values of withdrawals correspond to: at December de 2023 Banco de Bogotá Ps. (41,412), Banco Popular Ps. (21,459) and Banco de Occidente Ps. (6,704). For December 31, 2022 for own use assets are: Banco de Bogotá by Ps. (68,530), Banco Av Villas by Ps. (36,319) and Banco Popular by Ps. (11,303) and for investments properties the net values of withdrawals correspond to: Banco de Bogotá Ps. (10,500), Banco Av. Villas Ps. (11,510) and Banco Popular Ps. (6,398).

(5) See note 1.1. "Discontinued operations of BAC Holding" for Ps. (1,899,743), allocated as follows: Property, plant and equipment for Ps. (1,361,821) and assets for rights of use for Ps. (537,922).

(Amounts expressed in millions of Colombian pesos)

15.1. Tangible assets for own use

The following tables shows the balance at December 31, 2023 and 2022, by type of asset:

December 31, 2023	Cost	Accumulated depreciation	Impairment loss	Carrying amount
Land	Ps. 766,013	Ps. —	Ps. (1,865)	Ps. 764,148
Buildings	1,703,700	(411,582)	(3,151)	1,288,967
Office equipment and accessories	628,991	(480,429)	(49)	148,513
Information technology equipment	1,465,341	(1,021,448)	(58)	443,835
Vehicles	100,840	(80,863)	—	19,977
Equipment and machinery	1,786,790	(526,930)	(218)	1,259,642
Warehouses	17,769	(6,700)	—	11,069
Improvements in leaseholds properties	202,886	(113,614)	—	89,272
Construction in progress	149,480	—	—	149,480
Bearer plants	291,746	(38,846)	—	252,900
Balance as of December 31, 2023	**Ps. 7,113,556**	**Ps. (2,680,412)**	**Ps. (5,341)**	**Ps. 4,427,803**

December 31, 2022	Cost	Accumulated depreciation	Impairment loss	Carrying amount
Land	Ps. 884,828	Ps. —	Ps. (1,786)	Ps. 883,042
Buildings	2,035,987	(468,445)	(3,142)	1,564,400
Office equipment and accessories	632,318	(477,584)	(29)	154,705
Information technology equipment	1,425,844	(1,033,280)	(198)	392,366
Vehicles	99,156	(80,156)	—	19,000
Equipment and machinery	1,690,012	(487,558)	(217)	1,202,237
Silos	8,613	(6,827)	—	1,786
Warehouses	64,091	(36,764)	—	27,327
Improvements in leaseholds properties	198,725	(100,047)	—	98,678
Construction in progress	143,250	—	—	143,250
Bearer plants	273,679	(30,228)	—	243,451
Balance as of December 31, 2022	**Ps. 7,456,503**	**Ps. (2,720,889)**	**Ps. (5,372)**	**Ps. 4,730,242**

The cost of the tangible assets for own use includes borrowing costs capitalized for Ps. 9,769, at December 31, 2023 and for Ps. 1,921, at December 31, 2022 with a capitalized interest rate (weighted average) of 11.82% and 10.10% respectively.

15.2 Right-of-use assets:

The following tables shows the balance at December 31, 2023 and 2022, by type of asset:

December 31, 2023	Cost	Accumulated depreciation	Carrying amount
Land	Ps. 41,973	Ps. (8,473)	Ps. 33,500
Buildings	1,627,781	(600,942)	1,026,839
Office equipment and accessories	5,322	(2,400)	2,922
Information technology equipment	126,714	(81,493)	45,221
Vehicles	66,123	(35,235)	30,888
Equipment and machinery	223,434	(102,795)	120,639
Warehouses	159,421	(82,473)	76,948
Balance as of December 31, 2023	**Ps. 2,250,768**	**Ps. (913,811)**	**Ps. 1,336,957**

December 31, 2022	Cost	Accumulated depreciation	Carrying amount
Land	Ps. 38,876	Ps. (6,880)	Ps. 31,996
Buildings	1,526,488	(508,092)	1,018,396
Office equipment and accessories	1,882	(745)	1,137
Information technology equipment	122,098	(60,526)	61,572
Vehicles	57,038	(31,484)	25,554
Equipment and machinery	204,044	(91,097)	112,947
Warehouses	145,413	(67,421)	77,992
Balance as of December 31, 2022	**Ps. 2,095,839**	**Ps. (766,245)**	**Ps. 1,329,594**

(Amounts expressed in millions of Colombian pesos)

15.3 Investment properties

The following table summarizes investment properties as of December 31, 2023 and 2022:

December 31, 2023		Cost		Accumulated adjustments to fair value		Carrying amount
Land	Ps.	301,519	Ps.	184,715	Ps.	486,234
Buildings		335,770		84,465		420,235
Balance as of December 31, 2023	**Ps.**	**637,289**	**Ps.**	**269,180**	**Ps.**	**906,469**

December 31, 2022		Cost		Accumulated adjustments to fair value		Carrying amount
Land	Ps.	346,398	Ps.	175,866	Ps.	522,264
Buildings		283,155		75,544		358,699
Balance as of December 31, 2022	**Ps.**	**629,553**	**Ps.**	**251,410**	**Ps.**	**880,963**

The following amounts have been recognized in the Consolidated Statement of Income during the years ended on December 31, 2023 and 2022 in relation to investments properties:

		December 31, 2023		December 31, 2022
Income from rents	Ps.	9,618	Ps.	11,930
Direct operating expenses deriving from property investments which create income from rent		(1,294)		(919)
Direct operating expenses deriving from property investments which do not create income from rent		(13,733)		(6,852)
	Ps.	**(5,409)**	**Ps.**	**4,159**

15.4 Tangible assets given in operating leases:

The following tables shows the balance at December 31, 2023 and 2022, by type of asset:

December 31, 2023		Cost		Accumulated depreciation		Impairment loss		Carrying amount
Computing equipment	Ps.	45,873	Ps.	(19,959)	Ps.	—	Ps.	25,914
Vehicles		55,009		(9,335)		—		45,674
Machinery and equipment		28,199		(5,388)		(410)		22,401
Balance as of December 31, 2023	**Ps.**	**129,081**	**Ps.**	**(34,682)**	**Ps.**	**(410)**	**Ps.**	**93,989**

December 31, 2022		Cost		Accumulated depreciation		Impairment loss		Carrying amount
Computing equipment	Ps.	47,094	Ps.	(11,807)	Ps.	—	Ps.	35,287
Vehicles		48,210		(4,240)		—		43,970
Machinery and equipment		5,496		(2,366)		(375)		2,755
Balance as of December 31, 2022	**Ps.**	**100,800**	**Ps.**	**(18,413)**	**Ps.**	**(375)**	**Ps.**	**82,012**

NOTE 16 – CONCESSION ARRANGEMENTS RIGHTS

The following is the balance of the assets in concession arrangements registered in the Group as of December 31, 2023 and 2022:

		December 31, 2023		December 31, 2022
Financial assets at fair value	Ps.	3,830,916	Ps.	3,507,231
Financial asset at amortized cost net (1)		13,981,904		12,645,785
Total financial assets in concession arrangements rights (2)	**Ps.**	**17,812,820**	**Ps.**	**16,153,016**
Intangible assets		13,557,267		13,242,706
Total assets in concession arrangements rights	**Ps**	**31,370,087**	**Ps.**	**29,395,722**

(1) At December 31, 2023 and 2022, the balance of the financial asset at amortized cost includes an impairment expense of Ps. (223) and Ps. (1,220) respectively, see note 16.1.

(2) See note 12.1, "Contract assets".

(Amounts expressed in millions of Colombian pesos)

16.1 Financial Assets in Concession Arrangements

The following table shows the changes in financial assets in concession arrangements registered in Grupo Aval's subsidiaries for the years ended on December 31, 2023 and 2022:

	Gas and Energy			Infrastructure	
	At fair value	At amortized cost	Total	At amortized cost	Total
Balance as of January 1, 2022	**Ps. 3,228,480**	**Ps. —**	**Ps. 3,228,480**	**Ps. 9,853,052**	**Ps. 13,081,532**
Additions or new concession arrangements [1]	—	4,575	4,575	1,690,450	1,695,025
Collections during the year	—	—	—	(732,647)	(732,647)
Adjustment to fair value	278,751	—	278,751	—	278,751
Accrued interest	—	—	—	1,831,326	1,831,326
Impairment expense	—	—	—	(1,220)	(1,220)
Effect of movements in exchange rates	—	249	249	—	249
Balance as of December 31, 2022	**Ps. 3,507,231**	**Ps. 4,824**	**Ps. 3,512,055**	**Ps. 12,640,961**	**Ps. 16,153,016**
Additions or new concession arrangements [1]	—	118,109	118,109	877,884	995,993
Collections during the year	—	—	—	(1,144,396)	(1,144,396)
Adjustment to fair value	323,685	—	323,685	—	323,685
Accrued interest	—	—	—	1,493,115	1,493,115
Impairment expense	—	—	—	(223)	(223)
Effect of movements in exchange rates	—	(8,370)	(8,370)	—	(8,370)
Balance as of December 31, 2023	**Ps. 3,830,916**	**Ps. 114,563**	**Ps. 3,945,479**	**Ps. 13,867,341**	**Ps. 17,812,820**

(1) Includes work progress on the Covioriente and Covipacífico concessions; as of December 31, 2023 Ps. 715,573 and Ps. 130,105 respectively and as of December 31, 2022 Ps. 1,043,138 and Ps. 621,988 respectively.

16.2 Intangible Assets in Concession Arrangements

The following table shows the movements of the main concession arrangements in Grupo Aval's subsidiaries under intangible assets during years ended at December 31, 2023 and 2022:

Cost	Gas and energy	Infrastructure	Total
Balance as of January 1, 2022	**Ps. 5,893,832**	**Ps. 6,418,058**	**Ps. 12,311,890**
Additions [1]	809,085	1,103,283	1,912,368
Reclassification to / from PPE	113	—	113
Withdrawals	(11,724)	—	(11,724)
Effect of movements in exchange rates	547,529	—	547,529
Balance as of December 31, 2022	**Ps. 7,238,835**	**Ps. 7,521,341**	**Ps. 14,760,176**
Additions [1]	588,454	714,489	1,302,943
Reclassification to / from PPE	229	4,041	4,270
Withdrawals	(6,489)	—	(6,489)
Effect of movements in exchange rates	(712,856)	—	(712,856)
Balance as of December 31, 2023	**Ps. 7,108,173**	**Ps. 8,239,871**	**Ps. 15,348,044**
Accumulated Amortization	**Gas and energy**	**Infrastructure**	**Total**
Balance as of January 1, 2022	**Ps. (1,055,525)**	**Ps. (146,847)**	**Ps. (1,202,372)**
Amortization of the year	(253,692)	(19,016)	(272,708)
Withdrawals	835	—	835
Effect of movements in exchange rates	(30,801)	—	(30,801)
Balance as of December 31, 2022	**Ps. (1,339,183)**	**Ps. (165,863)**	**Ps. (1,505,046)**
Amortization of the year	(277,702)	(39,385)	(317,087)
Reclassification to / from PPE	—	(2,184)	(2,184)
Withdrawals	289	—	289
Effect of movements in exchange rates	41,062	—	41,062
Balance as of December 31, 2023	**Ps. (1,575,534)**	**Ps. (207,432)**	**Ps. (1,782,966)**
Impairment loss	**Gas and energy**	**Infrastructure**	**Total**
Balance as of January 1, 2022	**Ps. (7,146)**	**Ps. (4,256)**	**Ps. (11,402)**
Period impairment charge	(665)	(357)	(1,022)
Balance as of December 31, 2022	**Ps. (7,811)**	**Ps. (4,613)**	**Ps. (12,424)**
Period impairment charge	—	4,613	4,613
Balance as of December 31, 2023	**Ps. (7,811)**	**Ps. —**	**Ps. (7,811)**

(Amounts expressed in millions of Colombian pesos)

Total Intangible Assets		Gas and energy		Infrastructure		Total
Balance as of January 1, 2022	**Ps.**	**4,831,161**	**Ps.**	**6,266,955**	**Ps.**	**11,098,116**
Cost		1,345,003		1,103,283		2,448,286
Amortization		(283,658)		(19,016)		(302,674)
Impairment loss		(665)		(357)		(1,022)
Balance as of December 31, 2022 (2)	**Ps.**	**5,891,841**	**Ps.**	**7,350,865**	**Ps.**	**13,242,706**
Cost		(130,662)		718,530		587,868
Amortization		(236,351)		(41,569)		(277,920)
Impairment loss		—		4,613		4,613
Balance as of December 31, 2023 (2)	**Ps.**	**5,524,828**	**Ps.**	**8,032,439**	**Ps.**	**13,557,267**

(1) Gas and Energy, includes borrowing costs capitalized for Ps. 31,672 as of December 31, 2023 and Ps. 26,134 as of December 31, 2022 with a capitalized interest rate (weighted average) of 12.17% and 8.98% respectively.
(2) Includes intangible assets derived from concession contracts in construction phase for Infrastructure and Gas and Energy by Ps. 7,833,886 and Ps. 130,936 as of December 31, 2023 respectively and Ps. 7,136,073 and Ps. 193,627 as of December 31, 2022 respectively.

The following is a summary of the main concession contracts granted to Grupo Aval's subsidiaries as of December 31, 2023:

Concession Owner	Recognition	Business and country	Objective	Current stage	Contract date	Year of construction start	% progress of construction		Concession end date
Gas and Energy									
Surtigas S.A. E.S.P.	Fair value / Intangible assets	Gas and Energy Colombia	Purchase, storage, packaging and distribution of gases derived from hydrocarbons.	Operation	03/1984 to 04/1994	1984	100	%	2034 to 2045
Transmetano E.S.P. S.A.	Fair value / Intangible assets	Gas and Energy Colombia	Construction, operation and maintenance of gas transportation systems.	Operation	08/1994	1996	100	%	2044
Promigas S.A. E.S.P.	Fair value / Intangible assets	Gas and Energy Colombia	Purchase, sale, transportation, distribution, exploitation and exploration of natural gas, oil and hydrocarbons in general.	Operation	05/1976 to 11/1994	1976	100	%	2026 to 2044
Promioriente S.A. E.S.P.	Fair value / Intangible assets	Gas and Energy Colombia	Construction, operation and maintenance of gas pipelines.	Operation	09/1995	1995	100	%	2045
Gases de Occidente S.A. E.S.P.	Fair value / Intangible assets	Gas and Energy Colombia	Transportation and distribution of liquefied petroleum gas and natural gas.	Operation	08/1998	1998	100	%	2047
Compañía Energética de Occidente S.A. E.S.P. (1)	Intangible assets	Gas and Energy Colombia	Administrative, operational, technical and commercial management for the provision of electrical energy.	Operation and maintenance	01/2010	2010	100	%	2035
Sociedad Portuaria El Cayao S.A. E.S.P.	Intangible assets	Gas and Energy Colombia	Construction, maintenance and administration of ports.	Operation	07/2015	2015	100	%	2035
Gases del Pacífico S.A.C.	Amortized cost / Intangible assets	Gas and Energy Perú	Purchase, sale, production, commercialization of energy in any of its forms.	Operation	10/2013	2015	100	%	2034
Gases del Norte del Perú S.A.C.	Amortized cost / Intangible assets	Gas and Energy Perú	Construction and distribution service of natural gas.	Construction and Operation	11/2019	2020	85.84	%	2051
Infrastructure									
Proyectos de Infraestructura S.A.	Intangible assets	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Operation	12/1993	1994	100	%	2033

(Amounts expressed in millions of Colombian pesos)

Concession Owner	Recognition	Business and country	Objective	Current stage	Contract date	Year of construction start	% progress of construction	Concession end date
Concesiones CCFC S.A.S.	Intangible assets	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Operation	06/1995	2001	100 %	2024
Concesionaria Panamericana S.A.S.	Amortized cost / Intangible assets	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Operation	12/1997	2009	100 %	2035
Concesionaria Vial del Pacífico S.A.S.	Amortized cost	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Construction	09/2014	2018	95.93 %	2043
Concesionaria Nueva Vía del Mar S.A.S.	Amortized cost	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Preconstruction	01/2015	2024	4.11 %	2044
Concesionaria Vial Andina S.A.S.	Intangible assets	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Operation and maintenance	06/2015	2016	100 %	2054
Concesionaria Vial Del Oriente S.A.S.	Amortized cost	Infrastructure Colombia	Design, construction, equipment, conservation, operation and maintenance of road infrastructure.	Construction	07/2015	2018	92.41 %	2043

(1) The concession has an investment commitment for the expansion, replacement and improvement of the infrastructure which as of December 31, 2023 has an advance of 54.33%.

(Amounts expressed in millions of Colombian pesos)

NOTE 17 – GOODWILL

The following table shows the movement of the goodwill balance during the years ended December 31, 2023 and 2022:

	December 31, 2023		December 31, 2022	
Balance at the beginning of the year	**Ps.**	**2,248,217**	**Ps.**	**8,486,560**
Impairment charge		(10,000)		(12,257)
Loss of control in subsidiary (1)		—		(5,902,410)
Effect of movements in exchange rates (2)(3)		(35,995)		(323,676)
Balance at the end of the year	**Ps.**	**2,202,222**	**Ps.**	**2,248,217**

(1) See note 1.1. (A), "Discontinued operations of BAC Holding".
(2) The foreign exchange adjustment is attributable to Multifinancial Group Inc. for Ps. 30,200 in 2022.
(3) Includes the effect of exchange rates for the discontinued operation of BAC Holding International Corp. for Ps. (353,876) in 2022.

The following is the detail of goodwill assigned per Cash Generating Units (CGU), representing the smallest identifiable levels which are monitored by Grupo Aval's management and which are not greater than the business' segments:

Goodwill carrying amount				
CGU	**December 31, 2023**		**December 31, 2022**	
Sociedad Administradora de Pensiones y Cesantías Porvenir S.A.	Ps.	538,231	Ps.	538,231
Banco de Bogotá S.A. over Megabanco (1)		465,905		465,905
Banco Popular S.A.		358,401		358,401
Banco de Bogotá S.A.		301,222		301,222
Banco de Bogotá S.A. over Multi Financial Group Inc. (2)		139,226		175,221
Promigas S.A. and Subsidiaries		169,687		169,687
Banco de Occidente S.A.		127,571		127,571
Concesionaria Panamericana S.A.S.		72,594		82,594
Banco de Occidente S.A. over Banco Unión (1)		22,724		22,724
Hoteles Estelar S.A.		6,661		6,661
	Ps.	**2,202,222**	**Ps.**	**2,248,217**

(1) Goodwill recognized as a result of mergers between Banco de Bogotá with Megabanco and Banco de Occidente with Banco Unión.
(2) The variation presented corresponds to the foreign exchange adjustment attributable to Multi Financial Group Inc.

The recoverable amount of each cash generating unit was determined based on a valuation carried out by an appropriate expert. Such calculations used cash flow projections, covering periods from 5 to 20 years. Cash flows subsequent to these periods were extrapolated using estimated growth rates for such flows, not exceeding the average of the economic sector where the cash generating unit operates.

Below is the detail of the most significant values that comprise Goodwill:

A. Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.

Porvenir absorbed AFP Horizonte Pensiones y Cesantías S.A. and the goodwill in question was allocated to the groups of cash-generating units that together made up Porvenir later that same year.

The latest valuation update for the business lines of the groups of cash-generating units to which this goodwill was allocated, was done by an external adviser and reviewed by management. This valuation was conducted in February, 2024 and is based on financial statements of Porvenir on September 30, 2023. The conclusion was that there are no situations that imply a possible impairment, given that the value in use of the groups of cash generating units associated with goodwill was Ps. 9,666,524, exceeding the book value by Ps. 6,618,375.

The following are the main assumptions used in the impairment test reports taken as the basis for impairment testing on the dates listed, even though the valuation exercise includes a 13-years projection, the following tables only shows the first 5 years as rates, following the first year of projection, are generally stable with no significant variations.

(Amounts expressed in millions of Colombian pesos)

December 31, 2023					
	2024	2025	2026	2027	2028
Interest rate on investments	8.3 %	6.4 %	6.2 %	6.1 %	6.0 %
Borrowing rate	5.8 %	5.8 %	5.8 %	5.8 %	5.8 %
Growth in income from commissions	0.8 %	48.5 %	3.3 %	4.9 %	6.1 %
Growth in expenses	7.7 %	12.4 %	7.1 %	5.4 %	5.0 %
Inflation	5.8 %	3.5 %	3.2 %	3.1 %	3.1 %
Discount interest rate after taxes	14.2 %	11.5 %	10.2 %	9.1 %	9.1 %
Growth rate after thirteen years	3.1 %				

December 31, 2022					
	2023	2024	2025	2026	2027
Interest rate on investments	7.7 %	4.5 %	4.9 %	4.9 %	4.9 %
Borrowing rate	5.8 %	5.8 %	5.8 %	5.8 %	5.8 %
Growth in income from commissions	(6.4)%	55.6 %	2.5 %	2.3 %	4.6 %
Growth in expenses	(5.3)%	11.4 %	7.2 %	4.9 %	4.5 %
Inflation	7.4 %	2.7 %	2.9 %	2.9 %	2.9 %
Discount interest rate after taxes	14.4 %	9.5 %	9.0 %	8.2 %	8.1 %
Growth rate after thirteen years	2.9 %				

A 13-years projection was made to estimate goodwill based on macroeconomic assumptions and those related to the business of Porvenir, as indicated in the foregoing tables. The following is a description of that process.

- Investments and borrowing rates were projected using historical data and data provided by the Company on the business.
- The estimated increases in commissions and expenses are based on business growth and other transactions estimated by the Company.
- The inflation rate used in the projections is based on reports from outside sources, such as Oxford Economist.
- The growth rate used for the terminal value was 3.1%, which is the average projected inflation provided by the independent specialists.

The after-tax discount interest rate that was used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the estimated discount rate had been 0.5% higher than the estimated rate in the valuation done by external experts, there would be no need to reduce the book value of goodwill, since the value in use of the groups of cash-generating units associated with goodwill would be Ps. 8,958,407 and still exceeding book value as of December, 2023 of Ps. 3,048,149.

B. Cash-generating units inside Banco de Bogotá

Goodwill was generated in 2006 with the acquisition of 94.99% of the shares of Banco de Crédito y Desarrollo Social – MEGABANCO S.A. and later merged with Banco de Bogotá. This operation was authorized by the Office of the Superintendency of Finance in Resolution No. 917 dated June 2, 2006.

The latest valuation update for the business lines of the groups of cash-generating units to which this goodwill was allocated, was performed by an independent adviser and reviewed by management. This valuation was conducted in January, 2024 and is based on Banco de Bogotá´s financial statements as of September 30, 2023. It was concluded that there are no situations that imply a possible impairment, given that the value in use of the groups of cash generating units associated with goodwill was Ps. 12,391,866 exceeds the book value by Ps. 6,039,628.

(Amounts expressed in millions of Colombian pesos)

The following table shows the main assumptions used in the latest impairment tests of the groups of cash-generating units with allocated goodwill.

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

December 31, 2022	2023	2024	2025	2026	2027
Lending rate on the loan portfolio and investments	12.3 %	11.2 %	10.5 %	10.4 %	10.2 %
Borrowing rate	6.9 %	5.4 %	4.6 %	4.5 %	4.5 %
Growth in income from commissions	15.4 %	10.8 %	14.9 %	15.3 %	15.3 %
Growth in expenses	14.6 %	8.2 %	8.2 %	8.2 %	8.2 %
Inflation	7.4 %	2.7 %	2.9 %	2.9 %	2.9 %
Discount rate after taxes	17.6 %	12.6 %	11.8 %	10.9 %	10.7 %
Growth rate after five years	6.4 %				

A 5-years projection was made to estimate goodwill, based on macroeconomic assumptions and those related to the businesses listed in the foregoing tables. The following is a description of that process:

- The lending rates on loans and investments were projected based on the company and independent specialist expectations.
- The borrowing rates were projected based on the company and independent specialist expectations.
- Estimated growths for commissions are based on historical percentages. The commission income was estimated as a percentage of net portfolio and the commission expense was calculated as a percentage of deposits.
- Estimated growth for expenses are based on the growth expectations of the company to support the growth of assets and the development of its operation.
- The inflation used in the projections is based on reports from external sources such as Oxford Economics.
- The growth rate used for the terminal value was 6.5%, which corresponds to the growth company expectation for the long term.

The discount rate after taxes used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the estimated discount rate had been 0.5% higher than the rate estimated in the models, the book value of goodwill would not have to be impaired, since the value in use of the groups of cash-generating units associated with goodwill would have been Ps. 11,213,891, still exceeding book value as of December, 2023 of Ps. 6,352,238.

C. Banco Popular S.A.

The acquisition process of Grupo Aval's stake in Banco Popular S.A. began in December 2006 and ended in September 2011, where Grupo Aval closed with a direct participation of 93.74%.

The latest valuation update for the business lines of the groups of cash-generating units to which this goodwill was allocated, was performed by an independent adviser and reviewed by management. This valuation was conducted in February, 2024 and is based on Banco Popular´s financial statements as of December 31, 2023. It was concluded that there are no situations that imply a possible impairment, given that the value in use of the groups of cash generating units associated with goodwill was Ps. 3,776,691 exceeds the book value by Ps. 838,149.

(Amounts expressed in millions of Colombian pesos)

The following table shows the main assumptions used in the latest impairment tests of the groups of cash-generating units with allocated goodwill.

December 31, 2023	2024	2025	2026	2027	2028
Lending rate on the loan portfolio and investments	12.5 %	12.3 %	12.0 %	11.6 %	10.9 %
Borrowing rate	8.2 %	6.1 %	5.2 %	4.7 %	4.1 %
Growth in income from commissions	6.8 %	3.4 %	16.5 %	6.8 %	6.5 %
Growth in expenses	8.3 %	(13.2)%	1.5 %	7.7 %	7.5 %
Inflation	7.2 %	3.8 %	3.0 %	3.0 %	3.0 %
Discount rate after taxes	17.3 %	13.6 %	12.0 %	11.4 %	11.6 %
Growth rate after five years	6.0 %				

December 31, 2022	2023	2024	2025	2026	2027
Lending rate on the loan portfolio and investments	12.9 %	12.6 %	10.9 %	10.9 %	10.9 %
Borrowing rate	9.2 %	7.4 %	5.8 %	5.2 %	4.8 %
Growth in income from commissions	6.1 %	11.4 %	16.7 %	11.3 %	8.4 %
Growth in expenses	13.2 %	6.6 %	7.5 %	7.6 %	6.8 %
Inflation	7.4 %	2.7 %	2.9 %	2.9 %	2.9 %
Discount rate after taxes	17.6 %	12.6 %	11.8 %	10.9 %	10.7 %
Growth rate after five years	6.4 %				

A 5-years projection was made to estimate goodwill, based on macroeconomic assumptions and those related to the businesses listed in the foregoing tables. The following is a description of that process:

- The lending rates on loans and investments were projected based on the company and independent specialist expectations.
- The borrowing rates were projected based on the company and independent specialist expectations.
- Estimated growths for commissions are based on historical percentages. The commission income was estimated as a percentage of net portfolio and the commission expense was calculated as a percentage of deposits.
- Estimated growth for expenses are based on the growth expectations of the company to support the growth of assets and the development of its operation.
- The inflation used in the projections is based on reports from external sources such as Oxford Economics.
- The growth rate used for the terminal value was 6.0%, which corresponds to the growth company expectation for the long term.

The discount rate after taxes used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the estimated discount rate had been 0.5% higher than the rate estimated in the models, the book value of goodwill would not have to be impaired, since the value in use of the groups of cash-generating units associated with goodwill would have been Ps. 3,442,796, still exceeding book value as of December, 2023 of Ps. 2,938,542.

D. Banco de Bogotá S.A.

The latest valuation update for the business lines of the groups of cash-generating units to which this goodwill was allocated, was performed by an independent adviser and reviewed by management. This valuation was conducted in February, 2024 and is based on Banco de Bogotá´s financial statements as of December 31,2023. It was concluded that there are no situations that imply a possible impairment, given that the value in use of the groups of cash generating units associated with goodwill was Ps. 14,060,477 exceeds the book value by Ps. 5,054,718.

(Amounts expressed in millions of Colombian pesos)

The following table shows the main assumptions used in the latest impairment tests of the groups of cash-generating units with allocated goodwill.

December 31, 2023					
	2024	2025	2026	2027	2028
Lending rate on the loan portfolio and investments	12.9 %	11.2 %	10.5 %	10.3 %	10.1 %
Borrowing rate	7.2 %	5.6 %	4.9 %	4.7 %	4.6 %
Growth in income from commissions	(3.4)%	14.2 %	14.3 %	11.7 %	11.0 %
Growth in expenses	9.5 %	8.7 %	8.4 %	6.9 %	5.1 %
Inflation	7.2 %	3.8 %	3.0 %	3.0 %	3.0 %
Discount rate after taxes	17.3 %	13.6 %	12.1 %	11.4 %	11.7 %
Growth rate after five years	6.0 %				

December 31, 2022					
	2023	2024	2025	2026	2027
Lending rate on the loan portfolio and investments	12.9 %	11.7 %	11.0 %	10.8 %	10.6 %
Borrowing rate	6.9 %	5.3 %	4.6 %	4.6 %	4.5 %
Growth in income from commissions	16.7 %	11.5 %	13.8 %	14.4 %	13.7 %
Growth in expenses	15.9 %	9.8 %	9.8 %	9.7 %	6.0 %
Inflation	7.4 %	2.7 %	2.9 %	2.9 %	2.9 %
Discount rate after taxes	17.6 %	12.6 %	11.8 %	10.9 %	10.7 %
Growth rate after five years	6.4 %				

A 5-years projection was made to estimate goodwill, based on macroeconomic assumptions and those related to the businesses listed in the foregoing tables. The following is a description of that process:

- The lending rates on loans and investments were projected based on the company and independent specialist expectations.
- The borrowing rates were projected based on the company and independent specialist expectations.
- Estimated growths for commissions are based on historical percentages. The commission income was estimated as a percentage of net portfolio and the commission expense was calculated as a percentage of deposits.
- Estimated growth for expenses are based on the growth expectations of the company to support the growth of assets and the development of its operation.
- The inflation used in the projections is based on reports from external sources such as Oxford Economics.
- The growth rate used for the terminal value was 6.0%, which corresponds to the growth company expectation for the long term.

The discount rate after taxes used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the estimated discount rate had been 0.5% higher than the rate estimated in the models, the book value of goodwill would not have to be impaired, since the value in use of the groups of cash-generating units associated with goodwill would have been Ps. 12,865,943, still exceeding book value as of December, 2023 of Ps. 9,005,759.

E. Multi Financial Group Inc.

On May 22, 2020, Banco de Bogotá acquired 96.6% of the shares of Multi Financial Group (MFG) through its subsidiary Leasing Bogotá S.A. Panama (LBP), and subsequently between the months of June and December 2020, acquired the additional 2.97%, for a 99.6% total. As of December 31, 2020 the Purchase Price Allocation process (PPA) was finished, and the final goodwill value was determined.

As of September 2021, Leasing Bogotá Panama changed its business name to BAC Holding International (BAC Holding) and spun-off Multi Financial Group. As a result, Banco de Bogotá took control of the company through Multi Financial Holding, therefore the goodwill of Bac Credomatic and its subsequent acquisitions belong to BAC Holding International, and the goodwill of Multi Financial Group belongs to Multi Financial Holding.

The latest valuation update for the business lines of the groups of cash-generating units to which this goodwill was allocated, was performed by an independent adviser and reviewed by management. This valuation was conducted in January, 2024 and is based on Multi Financial Group´s financial statements as of September 30, 2023. It was concluded that there are no situations that imply a possible impairment, given that the value in use of the groups of cash generating units associated with goodwill was Ps. 2,503,432 exceeds the book value by Ps. 829,630.

(Amounts expressed in millions of Colombian pesos)

The following table shows the main assumptions used in the latest impairment tests of the groups of cash-generating units with allocated goodwill.

	December 31, 2023				
	2024	2025	2026	2027	2028
Lending rate on the loan portfolio and investments	6.9 %	6.9 %	6.9 %	6.9 %	6.9 %
Borrowing rate	4.8 %	4.4 %	4.3 %	4.2 %	4.2 %
Growth in income from commissions	(22.0)%	8.6 %	12.6 %	11.7 %	11.9 %
Growth in expenses	(1.6)%	2.1 %	1.4 %	2.6 %	3.0 %
Discount rate after taxes	11.3 %				
Growth rate after ten years	5.6 %				

	December 31, 2022				
	2023	2024	2025	2026	2027
Lending rate on the loan portfolio and investments	6.4 %	6.6 %	6.8 %	6.9 %	7.0 %
Borrowing rate	4.0 %	4.0 %	4.0 %	4.1 %	4.1 %
Growth in income from commissions	9.4 %	7.2 %	8.9 %	9.4 %	8.7 %
Growth in expenses	4.5 %	3.0 %	2.8 %	1.9 %	3.1 %
Discount rate after taxes	10.6 %				
Growth rate after ten years	4.0 %				

The averages of the main premises used are listed in the foregoing tables. The following is a description of that process.

- Lending rates on loans and investments were projected based on historical data and on the management expectations, considering the competitiveness of the different services in their respective markets and the growth strategies for each segment.
- For its part, for the growth in commissions was projected considering the increase in loan portfolios; this allows promoting greater income collection through products and services such as insurance, memberships, exchange commissions, among others, as well as the implementation of new services. As well as more competitive markets over the projected timeline.
- The future flows of funds are denominated in US dollars and are discounted at a nominal rate in US dollars, estimated as "Ke".
- The discount rate has been estimated considering the risk profile of the market where MFG operates.
- To estimate the terminal value, a perpetuity has been projected based on the normalized cash flow, adjusted according to the expectations of stabilized long-term growth. This evolution is in line with the long-term average growth rate for the country's economy. In this case, an annual long-term average nominal growth rate in dollars of 5.6% was considered.

The discount rate after taxes used to discount dividend flows reflects the specific risks relative to each cash-generating unit. If the estimated discount rate had been 0.5% higher than the rate estimated in the models, the book value of goodwill would not have to be impaired, since the value in use of the groups of cash-generating units associated with goodwill would have been Ps. 2,273,792, still exceeding book value as of December, 2023 of Ps. 1,673,802.

NOTE 18 – OTHER INTANGIBLE ASSETS

The following table shows the movements of the other intangible assets during years ended on December 31, 2023 and 2022:

	Internally generated		Separate acquisition	Total
	Developing	In use		
Balance as of January 1, 2022	**Ps. 563,261**	**Ps. 378,956**	**Ps. 943,825**	**Ps. 1,886,042**
Capitalizations / Acquisitions / Purchases	494,055	—	105,623	599,678
Amortization	—	(70,538)	(187,379)	(257,917)
Transfers	(252,193)	155,588	96,605	—
Withdrawals	(3,619)	(46)	(1,335)	(5,000)
Discontinued operations (1)	—	—	(23,239)	(23,239)
Reclassification BAC (1) (2)	(13,538)	—	(177,432)	(190,970)
Effect of movements in exchange rates	1,720	—	29,844	31,564
Balance as of December 31, 2022	**Ps. 789,686**	**Ps. 463,960**	**Ps. 786,512**	**Ps. 2,040,158**
Capitalizations / Acquisitions / Purchases	629,807	—	52,889	682,696
Amortization	—	(89,949)	(187,073)	(277,022)
Transfers	(191,381)	111,365	80,016	—

(Amounts expressed in millions of Colombian pesos)

	Internally generated		Separate	
	Developing	In use	acquisition	Total
Withdrawals	(11,244)	—	(1,962)	(13,206)
Arrangement of entities [3]	(14,333)	—	(459)	(14,792)
Effect of movements in exchange rates	(1,092)	—	(34,315)	(35,407)
Balance as of December 31, 2023	**Ps. 1,201,443**	**Ps. 485,376**	**Ps. 695,608**	**Ps. 2,382,427**

(1) See note 1.1 "Discontinued operations of BAC Holding".
(2) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.
(3) Includes the sale of Peajes Electrónicos.

NOTE 19 – INCOME TAX

19.1 Components of the income tax expense:

The income tax expense for the years ended on December 31, 2023 and 2022 comprises the following:

	December 31, 2023	December 31, 2022
Current period income tax	Ps. 1,017,411	Ps. 822,758
Income tax surcharge	27,627	15,625
Subtotal current period taxes	**Ps. 1,045,038**	**Ps. 838,383**
Prior years adjustments	(20,491)	(35,553)
Adjustment due to settlement of uncertain tax positions from prior years	(772)	(6,802)
Deferred taxes		
Deferred taxes current period	286,824	1,467,519
Deferred taxes - Prior years adjustments	(165)	7,857
Subtotal deferred taxes	**Ps. 286,659**	**Ps. 1,475,376**
Total continued operations	**Ps. 1,310,434**	**Ps. 2,271,404**

19.2 Reconciliation of the Nominal Tax Rate and the Effective tax Rate:

The tax rules in relation to the income tax applicable during the years 2023 and 2022, among other things, establish the following:

In Colombia

- The income tax rate to be 35% plus an income tax surcharge of 5% applicable to financial institutions in 2023, 35% plus an income tax surcharge of 3% applicable to financial institutions in 2022.

- The income tax rate applicable to corporations is 35% for the year 2024 and subsequent years and the income surtax applicable to financial institutions with taxable income equal to or greater than 120,000 UVT in the period is 5% for the years 2024, 2025, 2026 and 2027.

- Gains on the sale or disposal of non-current assets held for more than two years is taxed at 15% in 2023 and 10% in 2022.

- Gains of the entities that belong to the special free zone regime in Colombia is taxed at 20%.

- In 2023, there is the possibility of taking as a deduction in income tax 100% of the industry and commerce tax (ICA) paid in the taxable period. For the years 2022, the tax rule allows, that the ICA can be treated as a deduction or as a tax discount at the convenience of each company.

- The withholding rate at source for dividends received by national companies that do not constitute income or occasional profit is 10% in 2023 and 7.5% for 2022. This withholding will be transferable. to the resident natural person or the foreign investor.

- Tax loss carry-forwards incurred since 2017 may be offset against company taxable income over the following twelve years. Tax loss-carry forwards incurred prior to 2017 may be offset on the same terms applicable for 2016, but they may not be fiscally readjusted.

(Amounts expressed in millions of Colombian pesos)

- The "presumptive income" incurred since 2017 may be offset by taxable income over the following five years. Considering that presumptive income only existed in Colombia until 2020, the excess presumptive income generated in 2020 will be the last subject to compensation in subsequent years.

- For the determination of income current tax as from January 1, 2017 the value of assets, liabilities, equity, income, costs and expenses, will apply the recognition and measurement systems, in accordance with the technical accounting regulatory frameworks in Colombia when the tax law expressly refers to them and in the cases in which it does not regulate the matter. The tax law may expressly provide for a different treatment.

- Social Investment Law extended the audit benefit for the years 2022 and 2023 for taxpayers who increase the net income tax for the taxable year in relation to the net income tax of the prior year by at least 35% and 25%, with which the tax return will be firm within 6 or 12 months following the date of its presentation, respectively.

- The statute of limitations of the tax return taxpayers who determine or compensate for tax losses or are subject to the transfer pricing regime will be 5 years since Law 2010 of 2019.

In other countries

After the spin-off of BAC Holding, the international presence of Grupo Aval includes participation in jurisdictions such as Panama, Peru and Barbados. Subsidiaries with a local license in Panama are taxed at a rate of 25%, while companies responsible for income tax in Peru are taxed at a rate of 29.5% as of 2017. Barbados is taxed at a rate of 4.25%. from the year 2022.

Previously, BAC Holding through its subsidiaries had a presence in Central America as well: BAC Holding had an international license in Panamá it is subject to a tax rate of 0%. The subsidiaries in Guatemala were taxed at a rate of 25%; the subsidiaries in El Salvador, Honduras, Costa Rica and Nicaragua were taxed at a rate of 30%.

Below is the detailed reconciliation between total expenses of the income tax of Grupo Aval calculated at the applicable enacted tax rate and the tax expense recognized in the statement of income for the years ended on December 31, 2023 and 2022:

	Years ended on:			
		December 31, 2023		December 31, 2022
Profit before income tax	Ps.	3,487,550	Ps.	6,274,371
Enacted tax rate in Colombia		40 %		38 %
Theoretical income tax expense		1,395,020		2,384,261
Nondeductible expenses		872,723		465,986
Tax losses considered non recoverable for income tax purpose (1)		71,741		192,470
Presumptive income considered non recoverable for income tax purpose		(23)		(7,666)
Nontaxable dividends		(47,242)		(40,420)
Nontaxable income under equity method in associates		(150,626)		(141,655)
Profit (loss) on sales or appraisal of investment		(5,009)		(439)
Nontaxable interest income and other income		(274,758)		(281,715)
Other nontaxable income		(182,121)		(578,592)
Non-accountable tax revenues in sale of BHI		114,201		543,879
Revenues taxable at different tax rate		47,139		9,218
Tax benefits in the acquisition of property and equipment		(32,493)		(34,018)
Tax Discounts		(25,086)		(80,804)
Profits (losses) in Subsidiaries in tax free countries or with different tax rate		(246,999)		(188,701)
Effect on the deferred income tax due to changes in tax rates (2)		(176,764)		56,129
Prior year adjustments		(20,491)		(35,553)
Adjustments due to uncertain tax positions in previous year		(772)		(6,802)
Deferred taxes - Prior years adjustments		(165)		7,857
With holding tax		9,479		654
Other		(37,320)		7,315
Total tax expense of the year	**Ps.**	**1,310,434**	**Ps.**	**2,271,404**
Effective income tax rate		**37.57 %**		**36.20 %**

(1) Corficolombiana and its subsidiaries recorded tax losses on which no deferred tax asset was recorded for Ps. 71,741 in 2023, Ps. 192,470 in 2022, because there is no certainty of their recoverability in the future.

(2) In 2023 corresponds to the effect of the difference between the rate applied in the calculation of the deferred tax and the statutory rate for the period. The greatest impact is mainly recorded by Corficolombiana with Ps. 87,085, explained by the recalculation of the deferred tax liability of the concessions, Banco Popular for Ps. 57,700, explained by the calculation of the deferred tax at the 35% rate, Banco Occidente for Ps. 36,523, explained by the differences in rates of its subsidiaries Nexa and Barbados and other entities for Ps (4,544). In 2022 corresponds to the effect of the difference in rate applied by entities with respect to the statutory rate

(Amounts expressed in millions of Colombian pesos)

of 36%. Banco Bogotá records an effect of Ps. 262,901 explained by the differential rates of BAC Holding and subsidiaries. Corficolombiana records an effect of Ps. 133,329 explained by their subsidiaries that are not subject to the 4% income tax surcharge rate. Other entities contribute Ps. 7,611.

19.3 Tax Losses and excess of Presumptive Income:

The following table shows the detail of the tax loss carry forward and excess of presumptive income over taxable income of the entities of Grupo Aval which are not recognized as deferred tax assets, as of December 31, 2023 and 2022.

		December 31, 2023		December 31, 2022
Tax loss carry forwards expiring on:				
December 31, 2023	Ps.	—	Ps.	1,323
December 31, 2024		4,902		4,846
December 31, 2025		2,179		2,748
December 31, 2026		5,908		40
December 31, 2029		173,448		170,835
December 31, 2030		289,982		279,605
December 31, 2031		248,444		215,970
December 31, 2032		169,572		15,799
December 31, 2033		37,969		6,931
December 31, 2034		262,578		516,801
December 31, 2035		383,897		122
Without expiration date		414,318		414,234
Subtotal	**Ps.**	**1,993,196**	**Ps.**	**1,629,254**
Excess of presumptive income expiring on:				
December 31, 2023	Ps.	—	Ps.	44,246
December 31, 2024		26,883		24,492
December 31, 2025		7,642		6,791
Subtotal	**Ps.**	**34,525**	**Ps.**	**75,529**
Total	**Ps.**	**2,027,721**	**Ps.**	**1,704,783**

19.4 Deferred Taxes from Investments in Subsidiaries:

According with IAS 12, Grupo Aval did not record deferred income tax liabilities related to temporary differences of investments in subsidiaries because: i) Grupo Aval has control over the subsidiaries and the dividend policy of its subsidiaries and it can decide about the reversal of such temporary differences; and ii) Grupo Aval does not expect their realization in the short term; therefore, it is probable that such temporary differences will not be reversed in the foreseeable future. As of December 31, 2023 and 2022, Grupo Aval did not record deferred tax liabilities related to taxable temporary differences of investments in subsidiaries of Ps. 8,955,318 and Ps. 8,981,905, respectively.

(Amounts expressed in millions of Colombian pesos)

19.5 Deferred taxes by Type of Temporary Difference:

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

Year ended on December 31, 2023

	Balance as of January 1, 2023	Credited (charged) to profit or loss	Credited (charged) to OCI	Foreign exchange adjustments	Balance as of December 31, 2023
Deferred tax assets					
Debt securities at fair value	Ps. 857,505	Ps. (64,839)	Ps. (520,770)	Ps. (252)	Ps. 271,644
Equity securities at fair value	165	1,245	—	—	1,410
Derivative instruments	452,394	674,733	9,793	3,001	1,139,921
Allowance of investments securities	1,468	(1,468)	—	—	—
Accounts receivable	258,765	(168,647)	—	(52)	90,066
Allowance for accounts receivable	80,839	(71,334)	—	342	9,847
Loans and receivables	905	3,674	—	(9)	4,570
Allowance for impairment on loans and receivables	292,841	(33,103)	—	(40,463)	219,275
Allowance for foreclosed assets	8,750	(3,216)	—	(1,054)	4,480
Property, plant and equipment costs	349,485	121,098	—	(96)	470,487
Depreciation of property, plant and equipment	18,018	(39,387)	—	44,879	23,510
Investment property	31,061	(31,061)	—	—	—
Deferred charges and of intangible assets	237,436	61,968	—	29	299,433
Tax losses carry forward	272,020	778,311	—	5,049	1,055,380
Surplus of presumptive income	18,350	(16,044)	—	—	2,306
Provisions	326,889	23,237	—	(14,532)	335,594
Employee benefits	73,732	(25,676)	14,386	(737)	61,705
Financial assets in concession contracts	1,585,925	(333,025)	—	(10,059)	1,242,841
Biological assets	167	(17)	—	—	150
Lease agreements	619,032	16,044	—	(15,625)	619,451
Foreign currency bonds	1,421,540	(620,538)	(273,608)	—	527,394
Foreign currency financial liabilities	365,565	(365,565)	—	—	—
Other	396,367	(71,664)	(89,171)	27,825	263,357
Subtotal	**Ps. 7,669,219**	**Ps. (165,274)**	**Ps. (859,370)**	**Ps. (1,754)**	**Ps. 6,642,821**
Deferred tax liabilities					
Debt securities at fair value	Ps. (3,568)	Ps. (5,673)	Ps. (5,346)	Ps. 77	Ps. (14,510)
Equity securities at fair value	(172,559)	(32,989)	3,542	(175)	(202,181)
Derivative instruments	(663,726)	8,847	—	(438)	(655,317)
Accounts receivable	(257,754)	225,450	—	(25)	(32,329)
Allowance of investments securities	(2,577)	2,155	—	—	(422)
Loans and receivables	(37,469)	12,636	—	—	(24,833)
Allowance for impairment on loans and receivables	(700,024)	29,937	—	13,931	(656,156)
Foreclosed assets	(75,396)	25,870	—	—	(49,526)
Property plant and equipment costs	(234,385)	4,968	1,051	1,748	(226,618)
Depreciation of property, plant and equipment	(462,695)	(27,481)	—	1,080	(489,096)
Investment property	(97,608)	51,362	—	112	(46,134)
Right-of-use	(314,062)	35,513	—	2,125	(276,424)
Deferred charges and of intangible assets	(326,052)	(94,613)	—	2,885	(417,780)
Provisions	(3,474)	(619)	—	433	(3,660)
Employee benefits	(24,321)	23,050	710	114	(447)
Goodwill	(326,661)	—	—	—	(326,661)
Deferred Income	(1,027,577)	(281,375)	—	—	(1,308,952)
Financial assets in concession arrangements	(197,679)	(6,957)	—	—	(204,636)
Intangible assets in concession arrangements	(5,348,922)	140,818	—	32,807	(5,175,297)
Biological assets	(63,378)	(5,373)	—	—	(68,751)
Lease agreements	(346,541)	(35,077)	—	—	(381,618)
Foreign currency financial liabilities	—	(312,319)	45,229	—	(267,090)
Other	(194,243)	120,485	33	(6,386)	(80,111)
Subtotal	**Ps. (10,880,671)**	**Ps. (121,385)**	**Ps. 45,219**	**Ps. 48,288**	**Ps. (10,908,549)**
Total	**Ps. (3,211,452)**	**Ps. (286,659)**	**Ps. (814,151)**	**Ps. 46,534**	**Ps. (4,265,728)**

(Amounts expressed in millions of Colombian pesos)

Year ended on December 31, 2022

	Balance as of January 1, 2022	Loss of control in a Subsidiary (1)	Discontinued operations (1)	Credited (charged) to profit or loss	Credited (charged) to OCI	Foreign exchange adjustments	Balance as of December 31, 2022
Deferred tax assets							
Debt securities at fair value	Ps. 385,338	Ps. (73,729)	Ps. 6,567	Ps. 4,195	Ps. 537,052	Ps. (1,918)	Ps. 857,505
Equity securities at fair value	1,028	—	—	(4,371)	3,508	—	165
Derivative instruments	699,311	818,130	—	(296,033)	(768,615)	(399)	452,394
Allowance of investments securities	1,155	—	—	313	—	—	1,468
Accounts receivable	146,496	—	—	111,687	—	582	258,765
Allowance for accounts receivable	59,604	—	—	20,489	—	746	80,839
Loans and receivables	1,157	—	—	(252)	—	—	905
Allowance for impairment on loans and receivables	562,730	(303,273)	2,425	(3,091)	18,952	15,098	292,841
Allowance for foreclosed assets	21,082	(13,173)	556	(170)	—	455	8,750
Property, plant and equipment costs	339,049	—	—	(30,500)	—	40,936	349,485
Depreciation of property, plant and equipment	34,614	—	—	(16,022)	—	(574)	18,018
Investment property	30,021	—	—	1,323	(283)	—	31,061
Deferred charges and of intangible assets	243,170	—	—	(5,734)	—	—	237,436
Tax losses carry forward	117,025	—	—	142,435	—	12,560	272,020
Surplus of presumptive income	4,351	—	—	13,876	—	123	18,350
Provisions	324,063	(28,108)	(1,779)	32,570	—	143	326,889
Employee benefits	102,662	(11,440)	(1,736)	15,523	(29,818)	(1,459)	73,732
Financial assets in concession contracts	1,368,490	—	—	217,435	—	—	1,585,925
Biological assets	101	—	—	66	—	—	167
Lease agreements	693,388	(151,767)	(2,301)	83,544	—	(3,832)	619,032
Foreign currency bonds	720,109	1,005,896	—	378,971	(683,436)	—	1,421,540
Foreign currency financial liabilities	83,072	—	—	282,493	—	—	365,565
Other	233,775	—	—	137,533	21,482	3,577	396,367
Subtotal	**Ps. 6,171,791**	**Ps. 1,242,536**	**Ps. 3,732**	**Ps. 1,086,280**	**Ps. (901,158)**	**Ps. 66,038**	**Ps. 7,669,219**
Deferred tax liabilities							
Debt securities at fair value	Ps. (73,895)	Ps. 103,081	Ps. (7,060)	Ps. (24,749)	Ps. 22	Ps. (967)	Ps. (3,568)
Equity securities at fair value	(253,422)	135,876	5,910	(26,573)	(42,746)	8,396	(172,559)
Derivative instruments	(32,668)	—	—	(631,300)	286	(44)	(663,726)
Accounts receivable	(177,642)	—	—	(80,114)	—	2	(257,754)
Allowance of investments securities	(1,421)	—	(7,772)	6,616	—	—	(2,577)
Loans and receivables	(29,531)	—	—	(7,938)	—	—	(37,469)
Allowance for impairment on loans and receivables	(612,925)	112,665	—	(199,764)	—	—	(700,024)
Foreclosed assets	(65,167)	—	—	(10,229)	—	—	(75,396)
Provision for foreclosed assets	(16,521)	12,817	2,619	1	—	1,084	—
Property plant and equipment costs	(283,593)	60,039	1,942	(10,472)	—	(2,301)	(234,385)
Depreciation of property, plant and equipment	(410,226)	—	—	(49,811)	—	(2,658)	(462,695)
Investment property	(96,342)	—	—	(330)	(863)	(73)	(97,608)
Right-of-use	(437,169)	133,232	1,586	(19,367)	—	7,656	(314,062)
Deferred charges and of intangible assets	(320,906)	315	(3)	(1,838)	—	(3,620)	(326,052)
Provisions	(16,542)	11,252	1,231	1,315	—	(730)	(3,474)
Employee benefits	(41,367)	39,124	(1,578)	(22,395)	(550)	2,445	(24,321)
Goodwill	(327,070)	—	—	409	—	—	(326,661)
Deferred Income	(917,159)	—	—	(110,418)	—	—	(1,027,577)
Financial assets in concession arrangements	(175,332)	—	—	31,036	—	(53,383)	(197,679)
Intangible assets in concession arrangements	(3,994,977)	—	—	(1,292,165)	—	(61,780)	(5,348,922)
Biological assets	(45,827)	—	—	(17,551)	—	—	(63,378)
Lease agreements	(317,539)	—	—	(28,992)	—	(10)	(346,541)
Other	(91,651)	(26,045)	(3,680)	(67,027)	(10,521)	4,681	(194,243)
Subtotal	**Ps. (8,738,892)**	**Ps. 582,356**	**Ps. (6,805)**	**Ps. (2,561,656)**	**Ps. (54,372)**	**Ps. (101,302)**	**Ps. (10,880,671)**
Total	**Ps. (2,567,101)**	**Ps. 1,824,892**	**Ps. (3,073)**	**Ps. (1,475,376)**	**Ps. (955,530)**	**Ps. (35,264)**	**Ps. (3,211,452)**

(Amounts expressed in millions of Colombian pesos)

Grupo Aval offsets deferred tax assets and liabilities by entity and tax authority, considering the application of the tax provisions in Colombia and other countries in which the legal right to offset tax assets and liabilities and other requirements in IAS 12, according to the following breakdown:

December 31, 2023		Gross Deferred tax amounts		Offset		Balances on Statement of financial position
Deferred tax asset	Ps.	6,642,821	Ps.	(5,361,909)	Ps.	1,280,912
Deferred tax liability		(10,908,549)		5,361,909		(5,546,640)
Net	**Ps.**	**(4,265,728)**	**Ps.**	**—**	**Ps.**	**(4,265,728)**

December 31, 2022		Gross Deferred tax amounts		Offset		Balances on Statement of financial position
Deferred tax asset	Ps.	7,669,219	Ps.	(5,818,001)	Ps.	1,851,218
Deferred tax liability		(10,880,671)		5,818,001		(5,062,670)
Net	**Ps.**	**(3,211,452)**	**Ps.**	**—**	**Ps.**	**(3,211,452)**

Grupo Aval estimates to recover its income tax assets and settle its income tax liabilities as shown below:

Deferred tax		December 31, 2023		December 31, 2022
Deferred tax asset recoverable before 12 months	Ps.	1,720,235	Ps.	2,012,448
Deferred tax asset recoverable after 12 months		4,922,586		5,656,771
Total Deferred tax asset	**Ps.**	**6,642,821**	**Ps.**	**7,669,219**
Deferred tax liability to settle before 12 months	Ps.	(999,487)	Ps.	(1,320,594)
Deferred tax liability to settle after 12 months		(9,909,062)		(9,560,077)
Total Deferred tax liability	**Ps.**	**(10,908,549)**	**Ps.**	**(10,880,671)**
Total Deferred tax Net	**Ps.**	**(4,265,728)**	**Ps.**	**(3,211,452)**

Grupo Aval estimates to recover current tax assets and current tax liabilities as follows:

Current tax		December 31, 2023		December 31, 2022
Current tax asset recoverable before 12 months	Ps.	2,388,441	Ps.	1,192,330
Current tax asset recoverable after 12 months		208,396		590,328
Total Current tax asset	**Ps.**	**2,596,837**	**Ps.**	**1,782,658**
Current tax liability to settle before 12 months	Ps.	(268,347)	Ps.	(225,380)
Current tax liability to settle after 12 months		—		(3,437)
Total Current tax liability	**Ps.**	**(268,347)**	**Ps.**	**(228,817)**

19.6 Effect of the current and deferred taxes in each component of other comprehensive income in equity:

The effects of the current and deferred taxes in each component of other comprehensive income are detailed below during the years ended on December 31, 2023 and 2022:

	December 31, 2023							
Items that will be reclassified to profit or loss		**Amount before taxes**		**Current tax (expense) Income**		**Deferred tax (expense) income**		**Net (1)**
Hedged Items (2)	Ps.	(797,514)	Ps.	—	Ps.	3,972	Ps.	(793,542)
Hedging derivatives in foreign currency		—		919		(2,930)		(2,011)
Hedging financial liabilities in foreign currency		760,997		—		(266,321)		494,676
Cash Flow hedging (3)		(35,923)		—		(83,357)		(119,280)
Foreign currency translation differences for foreign operations		(409,671)		—		44,884		(364,787)
Investment in associates and join ventures		(35,892)		—		1,660		(34,232)
Debt financial instruments		1,795,666		—		(517,560)		1,278,106
Subtotal Items that will be reclassified to profit or loss	**Ps.**	**1,277,663**	**Ps.**	**919**	**Ps.**	**(819,652)**	**Ps.**	**458,930**
Items that will not be reclassified to profit or loss								
Effect of moving investment properties for own use	Ps.	(1,963)	Ps.	—	Ps.	1,051	Ps.	(912)
Equity financial instruments		156,383		—		(10,646)		145,737
Actuarial gains (losses) from defined benefit pension plans		(56,324)		—		15,096		(41,228)
Subtotal Items that will not be reclassified to profit or loss	**Ps.**	**98,096**	**Ps.**	**—**	**Ps.**	**5,501**	**Ps.**	**103,597**
Total "other comprehensive income" during the period	**Ps.**	**1,375,759**	**Ps.**	**919**	**Ps.**	**(814,151)**	**Ps.**	**562,527**

(1) See Note 25.5 "Consolidated Other Comprehensive Income (OCI)"

(Amounts expressed in millions of Colombian pesos)

(2) The tax effect only includes deferred tax on those investments where there is no control of the reversal of the temporary difference
(3) See note 10.2 "Cash flow hedges". The effect of changes in the fair value of the account receivable of Ps. (258,982) which is part of the tax basis is not deferred tax.

	December 31, 2022			
Items that will be reclassified to profit or loss	**Amount before taxes**	**Current tax (expense) Income**	**Deferred tax (expense) income**	**Net (1)**
Hedged Items (2)	Ps. (6,675,329)	Ps. —	Ps. (3,264)	Ps. (6,678,593)
Hedging derivatives in foreign currency	4,051,499	(700,522)	(818,130)	2,532,847
Hedging financial liabilities in foreign currency	2,549,821	(337,996)	(586,846)	1,624,979
Cash Flow hedging	(2,396)	—	2,543	147
Foreign currency translation differences for foreign operations	1,356,213	—	(24,593)	1,331,620
Investment in associates and joint ventures	81,730	—	(3,054)	78,676
Debt financial instruments	(2,187,495)	—	545,791	(1,641,704)
Subtotal Items that will be reclassified to profit or loss	**Ps. (825,957)**	**Ps. (1,038,518)**	**Ps. (887,553)**	**Ps. (2,752,028)**
Items that will not be reclassified to profit or loss				
Effect of moving investment properties for own use	Ps. 461	Ps. —	Ps. (1,146)	Ps. (685)
Equity financial instruments	(439,150)	—	(36,462)	(475,612)
Actuarial gains (losses) from defined benefit pension plans	95,819	—	(30,369)	65,450
Subtotal Items that will not be reclassified to profit or loss	**Ps. (342,870)**	**Ps. —**	**Ps. (67,977)**	**Ps. (410,847)**
Total "other comprehensive income" during the period	**Ps. (1,168,827)**	**Ps. (1,038,518)**	**Ps. (955,530)**	**Ps. (3,162,875)**

(1) See Note 25.5 "Consolidated Other Comprehensive Income (OCI)"
(2) The tax effect only includes deferred tax on those investments where there is no control of the reversal of the temporary difference

19.7 Uncertainties in Open Tax Positions

As of December 31, 2023, and 2022, Grupo Aval recognized tax uncertainty liabilities for Ps. 3,535 and Ps. 4,307 respectively. Uncertain tax positions corresponding to expenses, considered deductible, and which, according to decisions of the tax authorities, could be considered as non-deductible. The balance as of December 31, 2023 is expected to be used fully or released when the inspection rights of the tax authorities with respect to the open tax returns expire.

(Amounts expressed in millions of Colombian pesos)

19.8 Withholdings tax on dividends paid between entities.

Decree 1457 of November 12, 2020, regulates the articles 242, 242-1, 245, 26-1 y 895 of Colombian Tax Code. This Decree specifies the rules for the application of the special rate for dividends and participations, together with the procedures for the application of withholding tax (¨WHT"). This WHT at the source is paid by the withholding agent in the period in which it is applied. The WHT on distributions made to entities, which is treated as a tax credit deducted at source when a subsequent distribution is made by the entity to an individual. In essence, the tax credit resulting from the WHT is awarded to the ultimate beneficiary, not to the entity receiving the dividend in the first place. When the entity first receives the distribution, it accounts for the WHT in equity, as a reduction in dividends payable to individuals in accordance with paragraph 65A of IAS 12. Grupo Aval recorded WHT for Ps. 164 and Ps. 5,363 during years 2023 and 2022, respectively. The figure of transferable withholdings applies to Colombian companies.

19.9 Minimum Tax Rate

The Government of Colombia create a minimum tax rate of 15% in 2023 for income tax taxpayers in Colombia, called the Minimum Tax Rate. To determine the rate, taxpayers must: (i) Determine the adjusted tax of the Colombian taxpayer, or the adjusted tax of the group in the event that it becomes part of a business group. (ii) Determine the adjusted profit of the Colombian taxpayer or the group in case it becomes part of a business group, and (iii) Determine the adjusted tax rate of the Colombian taxpayer or the group in case it becomes part of a business group. a business groups. If the effective rate calculated (adjusted tax/adjusted profit) is less than 15%, the tax to be added to the income tax by the taxpayer or the business group must be calculated.

Grupo Aval is a company whose financial statements are subject to consolidation in Colombia. The paragraph 6 of article 240 of the Tax Statute of Colombia incorporate the calculation of the Group Minimum Tax Rate (TTDG) whose result for the year 2023 is higher than the 15% established by Law as the minimum tax base, therefore, it does not give rise to the calculation and recognition of the tax to be added to the Group's income tax.

NOTE 20 – CUSTOMER DEPOSITS

20.1 Detail of the composition of the deposits

The following is the detail of the balances of the deposits received from Grupo Aval´s customer and subsidiaries in development of their deposit collection operations as of December 31, 2023 and 2022:

Detail		December 31, 2023		December 31, 2022
Demand				
Checking accounts	**Ps.**	23,809,859	**Ps.**	25,932,053
Savings accounts		71,149,883		74,293,894
Other funds on demand		430,194		841,505
		95,389,936		**101,067,452**
Term deposits				
Fixed term deposit certificates [1]		86,597,460		72,273,697
Total deposits	**Ps.**	**181,987,396**	**Ps.**	**173,341,149**
Per currency				
In Colombian Pesos	Ps.	154,916,985	Ps.	142,071,530
In foreign currency		27,070,411		31,269,619
Total per currency	**Ps.**	**181,987,396**	**Ps.**	**173,341,149**

(1) The amount of term deposits due over 12 months as December 31, 2023 is Ps. 19,732,877 and December 31, 2022 is Ps. 14,702,118.

(Amounts expressed in millions of Colombian pesos)

20.2 Detail of the effective interest rates

The following is a summary of the effective interest rates which are accrued on customer deposits is as follows:

December 31, 2023

	Deposits			
	In Colombian Pesos Rate		In foreign currency Rate	
	Minimum	Maximum	Minimum	Maximum
	%	%	%	%
Interest-bearing checking accounts	0.11 %	13.40 %	0.25 %	5.30 %
Saving accounts	0.01 %	16.13 %	0.25 %	5.30 %
Fixed term deposit certificates	0.05 %	23.52 %	0.45 %	8.46 %

December 31, 2022

	Deposits			
	In Colombian Pesos Rate		In foreign currency Rate	
	Minimum	Maximum	Minimum	Maximum
	%	%	%	%
Interest-bearing checking accounts	0.01 %	13.20 %	0.02 %	4.40 %
Saving accounts	0.01 %	17.20 %	0.01 %	4.00 %
Fixed term deposit certificates	0.05 %	19.54 %	0.15 %	8.05 %

20.3 Detail of the concentration of deposits received from customers per economic sector

	December 31, 2023		December 31, 2022	
	Amount	%	Amount	%
Financial	Ps. 33,873,473	18.6 %	Ps. 29,871,901	17.2 %
Individuals	32,755,163	18.0 %	36,618,776	21.1 %
Government and Colombian Government entities	20,927,670	11.5 %	19,655,737	11.3 %
Services	17,303,980	9.5 %	16,143,899	9.3 %
Insurance	10,619,085	5.8 %	10,206,023	5.9 %
Commerce	10,390,440	5.7 %	10,030,824	5.8 %
Real Estate	9,252,682	5.1 %	3,109,595	1.8 %
Manufacturing	3,753,556	2.1 %	3,689,037	2.1 %
Agriculture and livestock	2,210,914	1.2 %	2,314,989	1.3 %
Education	1,794,592	1.0 %	1,438,654	0.8 %
Transport	1,523,858	0.8 %	1,849,662	1.1 %
Exploitation of mines and quarries	1,071,957	0.6 %	1,700,628	1.0 %
Colombian Municipalities	635,410	0.3 %	433,063	0.2 %
Artistic, entertainment and recreation activities	316,956	0.2 %	1,035,984	0.6 %
Foreign Governments	269,659	0.1 %	425,450	0.2 %
Telecommunications	234,786	0.1 %	895,281	0.5 %
Tourism	86,661	0.1 %	25	0.1 %
Other	34,966,554	19.3 %	33,921,621	19.7 %
Total	**Ps. 181,987,396**	**100 %**	**Ps. 173,341,149**	**100 %**

(Amounts expressed in millions of Colombian pesos)

NOTE 21 – FINANCIAL OBLIGATIONS

21.1 Financial obligations other than issued bonds

a) Interbank borrowings, overnight funds and borrowings from banks and others

The following is a summary of the financial obligations of Grupo Aval as of December 31, 2023 and 2022:

		December 31, 2023		December 31, 2022
Local Currency				
Interbank funds				
Overnight funds	**Ps.**	24,539	**Ps.**	10,049
Interbank funds purchased		671,542		271,843
Commitments to transfer open and closed repo operations		3,746,752		2,221,471
Commitments to transfer simultaneous operations		9,158,585		4,106,145
Commitments originated in short positions simultaneous operations		1,093,314		784,651
Total interbank funds	**Ps.**	**14,694,732**	**Ps.**	**7,394,159**
Borrowings from banks and others				
Borrowings		3,605,693		3,986,088
Leases contracts		1,793,568		1,566,279
Overdrafts in bank checking account		13		52
Other financial obligations		237,129		237,993
Total borrowings from banks and others	**Ps.**	**5,636,403**	**Ps.**	**5,790,412**
Foreign currency				
Interbank funds				
Overnight funds		14,241		7,199
Interbank funds purchased		—		450,762
Commitments to transfer open and closed repo operations		372,947		1,162,612
Commitments to transfer simultaneous operations		—		73,189
Total interbank funds	**Ps.**	**387,188**	**Ps.**	**1,693,762**
Borrowings from banks and others				
Borrowings		12,077,906		18,699,150
Leases contracts		998,180		769,665
Letters of credit		1,026,404		1,256,283
Bankers acceptances		2,479,567		3,793,848
Total borrowings from banks and others	**Ps.**	**16,582,057**	**Ps.**	**24,518,946**
Total interbank borrowings, overnight funds and borrowings from banks and others	**Ps.**	**37,300,380**	**Ps.**	**39,397,279**

The amount of interbank borrowings, overnight funds and borrowings from banks and others due over 12 months as of December 31, 2023 was Ps. 11,586,737 and as of December 31, 2022 was Ps. 10,952,395.

The amount of obligations under money market transactions, associated with simultaneous and repo operations as of December 31, 2023 is Ps. 9,158,585, which are guaranteed by investments of Ps. 16,874,942; and as of December 31, 2022 is Ps. 4,179,334, which are guaranteed by investments of Ps. 11,091,726.

Borrowings from development entities

The Colombian Government has established certain credit programs for promoting the development of specific sectors of the economy, including foreign trade, agriculture, tourism, housing construction and other industries. The programs are managed by many entities of the Government such as Banco de Comercio Exterior ("Bancoldex"), Fondo para el Financiamiento del Sector Agropecuario ("Finagro") and Financiera de Desarrollo Territorial ("Findeter").

(Amounts expressed in millions of Colombian pesos)

The details of the borrowings from these entities as of December 31, 2023, and 2022 and are as follows:

	Interest rates in force at cut off	December 31, 2023	December 31, 2022
Banco de Comercio Exterior - "BANCOLDEX"	Fix between 2.19% and 20.96%, DTF + 0.30% to 12.64%, IBR + 0.05% to 19.17%, SOFR6 + 5.33% to 5.49%	Ps. 1,136,527	Ps. 1,632,763
Fondo para el Financiamiento del Sector Agropecuario - "FINAGRO"	Fix between 7.30% and 15.69%, DTF + 0.50% to 8.60% and IBR + 0.40% to 15.38%	1,482,091	722,857
Financiera de Desarrollo Territorial "FINDETER"	Fix between 9.47% and 19.57%, DTF + 1.00% to 7.92%, IBR + 0.40% to 19.12%, CPI + 0.50% and 7.92%	2,194,515	2,001,655
Total		**Ps. 4,813,133**	**Ps. 4,357,275**

The amount of borrowings from development entities due over 12 months as of December 31, 2023 was Ps. 4,083,085, and as of December 31, 2022 was Ps. 3,854,907.

The amount of financial obligations with development entities in Colombian pesos as of December 31, 2023 is Ps.4,798,022 and as of December 31, 2022 is Ps. 4,241,367; in foreign currency, as of December 31, 2023 is Ps.15,111 and as of December 31, 2022 is Ps.115,908.

21.2 Financial obligations from issued bonds

Grupo Aval and some of its subsidiaries have been authorized by the Superintendency of Finance and by the applicable regulatory entities in other jurisdictions to issue either bonds or general guarantee bonds. The bonds issued by Grupo Aval and subsidiaries are non-guaranteed and represent exclusively the obligations of each of the issuers.

The detail of issued bonds as of December 31, 2023 and 2022, by issuance date and maturity date was as follows:

Issuer	Issue Date (*)	December 31, 2023	December 31, 2022	Maturity Date (*)	Interest Rate (*)
Local Currency					
Banco Av. Villas S.A.	23/02/2021	Ps. 296,689	Ps. 361,268	Between 23/02/2024 and 23/02/2026	CPI + 0.71% to 1.36%
Banco de Bogotá S.A.	Between 24/09/2020 and 10/02/2021	791,579	906,568	Between 10/02/2024 and 10/02/2026	CPI + 1.16%; and Fix Between 3.40% and 4.75%
Banco de Occidente S.A	Between 09/08/2012 and 20/08/2020	2,121,344	2,269,916	Between 27/04/2024 and 14/12/2032	CPI + 2.37% to 4.65%; and Fix 5.83%
Corporación Financiera Colombiana S.A.	Between 27/08/2009 and 20/10/2021	3,205,530	3,509,805	Between 27/08/2024 and 19/11/2045	CPI + 1.58% to 5.99%; and Fix Between 3.77%
Banco Popular S.A	Between 12/10/2016 and 10/03/2022	2,002,987	2,725,242	Between 13/02/2024 and 10/03/2027	CPI + 2.58% to 4.13%; IBR + 1.59% to 2.68% and Fix Between 6.12% and 10.20%
Grupo Aval Acciones y Valores S.A.	Between 03/12/2009 and 14/11/2019	1,136,702	1,138,143	Between 14/11/2024 and 28/06/2042	CPI + 3.69% to 5.20% and Fix 6.42%
Peso denominated Total		**Ps. 9,554,831**	**Ps. 10,910,942**		
Foreign Currency					
Banco de Bogotá S.A. Under rule 144A.	Between 12/05/2016 and 24/03/2023	Ps. 6,750,155	Ps. 9,897,818	Between 12/05/2026 and 24/03/2033	Fix Between 4.38% to 6.25% and SOFR6 3.75%
MFH	Between 04/02/2020 and 28/12/2023	1,377,782	331,209	Between 12/01/2024 and 28/12/2033	Fix Between 2.50% to 7.25%
Banco Bogotá and MFH Total		**Ps. 8,127,937**	**Ps. 10,229,027**		
Grupo Aval Limited	04/02/2020	3,834,985	4,822,146	04/02/2030	Fix 4.38%

(Amounts expressed in millions of Colombian pesos)

Issuer	Issue Date (*)	December 31, 2023	December 31, 2022	Maturity Date (*)	Interest Rate (*)
Promigas S.A. and Gases del Pacífico S.A.C. Under rule 144A.	Between 16/10/2019 and 22/10/2020	1,910,073	2,400,106	Between 16/10/2029 and 22/10/2029	Fix 3.75%
Foreign Currency Total		**Ps. 13,872,995**	**Ps. 17,451,279**		
Total of Bonds		**Ps. 23,427,826**	**Ps. 28,362,221**		

(*) This information as of December 31, 2023

The amount of issued bonds due over 12 months as of December 31, 2023 was Ps. 21,664,811 and as of December 31, 2022 was Ps. 24,405,886.

Grupo Aval had no defaults on principal or interest payments or other breaches with respect to its liabilities during the years ended December 31, 2023 and 2022, and Grupo Aval is complying with the related covenants agreed with investors and debtors.

21.3 Interest expense

The interest expense information as of December 31, 2023 and 2022 corresponds to:

		For the twelve-months periods ended December 31,		
		2023		2022
Interest expense				
Deposits				
Checking accounts	Ps.	(253,043)	Ps.	(159,114)
Savings accounts		(5,953,426)		(3,555,844)
Time deposits		(9,944,424)		(4,040,232)
Interest of the derivative designated as the hedging instrument (*)		(63,333)		(1,242)
Total		**(16,214,226)**		**(7,756,432)**
Financial obligations				
Interbank borrowings and overnight funds	Ps.	(1,856,263)	Ps.	(678,114)
Borrowings from banks and similar		(1,601,927)		(739,803)
Leases contracts		(208,781)		(147,330)
Bonds issued		(2,159,948)		(2,092,843)
Borrowing from development entities		(591,285)		(249,873)
Total		**(6,418,204)**		**(3,907,963)**
Total interest expense	**Ps.**	**(22,632,430)**	**Ps.**	**(11,664,395)**

(*) Corresponds to the coverage of interest expense for Term Certificates of Deposit "CDTs" over 12 months.

(Amounts expressed in millions of Colombian pesos)

21.4 Analysis of changes in financing during the year

Reconciliation of movements of liabilities to cash flows arising from financing activities:

		Liabilities			Equity				Total
	Notes	**Dividends payable**	**Bonds issued**	**Leases contracts**	**Subscribed and paid-in capital**	**Additional paid-in capital**	**Appropriated retained earnings**	**Non-controlling interest**	
Balance at December 31, 2021		**Ps. 598,534**	**Ps. 32,257,933**	**Ps. 2,882,157**	**Ps. 22,281**	**Ps. 8,490,799**	**Ps. 13,383,387**	**Ps. 16,457,994**	**Ps. 74,093,085**
Cash flows from financing activities:									
Dividends paid to shareholders		(414,267)	—	—	—	—	—	-	**(414,267)**
Dividends paid to non-controlling interest	**26**	(615,177)	—	—	—	—	—	-	**(615,177)**
Issuance of debt securities		—	695,136	—	—	—	—	-	**695,136**
Payment of outstanding debt securities		—	(7,837,898)	—	—	—	—	-	**(7,837,898)**
Leases contracts		—	—	(383,472)	—	—	—	-	**(383,472)**
Equity transaction		—	—	—	—	7,280	—	(22,294)	**(15,014)**
Net cash used in financing activities		**(1,029,444)**	**(7,142,762)**	**(383,472)**	**—**	**7,280**	**—**	**(22,294)**	**(8,570,692)**
Cash flows from operating activities:									
Accrued interest		—	2,147,935	148,806	—	—	—	-	2,296,741
Interest paid		—	(2,109,636)	(146,275)	—	—	—	-	(2,255,911)
Other Changes		**651,725**	**3,208,751**	**(165,272)**	**1,463**	**1,082,307**	**(1,193,728)**	**(542,353)**	**3,042,893**
Total liabilities related to other changes		**651,725**	**3,247,050**	**(162,741)**	**1,463**	**1,082,307**	**(1,193,728)**	**(542,353)**	**3,083,723**
Total equity related to other changes		**—**	**—**	**—**	**—**	**(9,012)**	**(4,171,242)**	**(1,538,658)**	**(5,718,912)**
Balance at December 31, 2022		**Ps. 220,815**	**Ps. 28,362,221**	**Ps. 2,335,944**	**Ps. 23,744**	**Ps. 9,571,374**	**Ps. 8,018,417**	**Ps. 14,354,689**	**Ps. 62,887,204**
Cash flows from financing activities:									
Dividends paid to shareholders		(766,537)	—	—	—	—	—	-	(766,537)
Dividends paid to non-controlling interest	**26**	(915,933)	—	—	—	—	—	-	(915,933)
Issuance of debt securities		—	2,609,994	—	—	—	—	-	2,609,994
Payment of outstanding debt securities		—	(4,072,742)	—	—	—	—	-	(4,072,742)
Leases contracts		—	—	(391,667)	—	—	—	-	(391,667)
Net cash used in financing activities		**(1,682,470)**	**(1,462,748)**	**(391,667)**	**—**	**—**	**—**	**-**	**(3,536,885)**
Cash flows from operating activities:									
Accrued interest		—	2,212,345	210,041	—	—	—	-	2,422,386
Interest paid		—	(2,171,231)	(202,551)	—	—	—	-	(2,373,782)
Other Changes		**1,989,639**	**(3,512,761)**	**839,981**	**—**	**—**	**(982,868)**	**(1,006,721)**	**(2,672,730)**
Total liabilities related to other changes		**1,989,639**	**(3,471,647)**	**847,471**	**—**	**—**	**(982,868)**	**(1,006,721)**	**(2,624,126)**
Total equity related to other changes		**—**	**—**	**—**	**—**	**—**	**696,224**	**1,389,776**	**2,086,000**
Balance at December 31, 2023		**Ps. 527,984**	**Ps. 23,427,826**	**Ps. 2,791,748**	**Ps. 23,744**	**Ps. 9,571,374**	**Ps. 7,731,773**	**Ps. 14,737,744**	**Ps. 58,812,193**

(Amounts expressed in millions of Colombian pesos)

NOTE 22 – EMPLOYEE BENEFITS

In accordance with labor legislation in the countries in which Grupo Aval operates, and based on labor conventions and collective bargaining agreements signed between Grupo Aval's subsidiaries and their employees, employees have short term benefits (including but not limited to salaries, holidays, legal and extralegal premiums, interests on severances and defined contribution plans such as severances), long-term benefits (including but not limited to seniority bonuses), post-employment benefits (including but not limited to medical aids) and retirement benefits (including but not limited to severance payments to employees in Colombia who continue with labor regime before Law 50 of 1990 and legal and extralegal retirement pensions). Compensation of key management personnel (see note 34) includes salaries.

Through personnel benefits plans, Grupo Aval is exposed to several risks (interest rates), which are intended to be minimized by applying the risk management policies and procedures defined under Note 4.

The detail of the balance of liabilities for employee benefits as of December 31, 2023, and 2022 is as follows:

		December 31, 2023		December 31, 2022
Short term	Ps.	385,296	Ps.	425,523
Post-employment		380,207		349,587
Long term		159,329		133,085
Total	**Ps.**	**924,832**	**Ps.**	**908,195**
Plan Asset	Ps.	(17,024)	Ps.	(18,176)
Net employee benefits	**Ps.**	**907,808**	**Ps.**	**890,019**

22.1 Post-employment benefits

In Colombia, when employees retire after completing certain thresholds of years and time of service, retirement pensions are assumed by public or private pension funds based on defined contribution plans. Entities and employees contribute monthly defined amounts by law to gain entitlement to a pension at the time of retirement.

Unlike in Central America, in Colombia according to prior labor regimes, post-employment benefits for employees hired before (i) 1968 require pensions to be directly assumed the company for those employees that have fulfilled the requirements of age and years of service and (ii) 1990 entitle employees to receive a compensation equivalent to the last month of salary multiplied by each year of service.

Some subsidiaries have labor conventions or pay extra-legal premiums to employees retiring in compliance with the required age and time of service, when they start enjoying the pension granted by the pension funds.

Some retirees of Grupo Aval and its subsidiaries receive benefits including coverage of medical treatments.

As of December 31, 2023 and 2022, the post-employment benefit expense is composed of:

		December 31, 2023		December 31, 2022
Defined contribution plan	Ps.	108,059	Ps.	101,862
Defined benefit plan		44,426		34,623
Total	**Ps.**	**152,485**	**Ps.**	**136,485**

(Amounts expressed in millions of Colombian pesos)

22.2 Long Term Employee Benefits

Some Grupo Aval subsidiaries grant their employees extra-legal long-term premiums during their working lives per every five years of service that they complete, calculated as days of salary per year of work.

Grupo Aval has recognized the liabilities corresponding to these benefits, based on the same actuarial calculations and using the same parameters as in retirement benefits.

The following table shows the Post-employment and long-term benefits movements during the years ended on December 31, 2023 and 2022 are as follows:

	Post-employment benefits		Long-term benefits	
	December 31, 2023	December 31, 2022	December 31, 2023	December 31, 2022
Balance at the beginning of the year	**Ps. 349,587**	**Ps. 522,196**	**Ps. 133,085**	**Ps. 134,831**
Service costs	2,690	3,845	14,765	14,815
Interests cost	41,736	30,778	16,699	8,949
Past Service Costs	(2,079)	—	10,063	—
	Ps. 391,934	**Ps. 556,819**	**Ps. 174,612**	**Ps. 158,595**
Changes in actuarial assumptions from changes in demographic assumptions	(753)	—	(7,342)	—
Changes in actuarial assumptions from changes in financial assumptions	26,832	(69,967)	473	(14,149)
Changes in actuarial assumptions from changes in the experience	27,472	2,167	17,313	10,456
	Ps. 53,551	**Ps. (67,800)**	**Ps. 10,444**	**Ps. (3,693)**
Payments to employees	(61,589)	(51,306)	(25,727)	(21,817)
Liquidation of entities	—	(432)	—	—
Loss of control in subsidiary (2)	—	(98,024)	—	—
Discontinued operations (2)	—	6,251	—	—
Effect of movements in exchange rates	(3,689)	4,079	—	—
Liability balance at the end of the year	**Ps. 380,207**	**Ps. 349,587**	**Ps. 159,329**	**Ps. 133,085**
Plan Assets				
Balance at the beginning of the year plan assets	**Ps. (18,176)**	**Ps. (46,840)**	**Ps. —**	**Ps. —**
Interests income	(794)	(427)	—	—
Remeasurements on plan assets	(1,788)	5,885	—	—
Loss of control in subsidiary (2)	—	27,269	—	—
Effect of movements in exchange rates	3,734	(4,063)	—	—
Balance at the end of the year plan assets	**Ps. (17,024)**	**Ps. (18,176)**	**Ps. —**	**Ps. —**
Net Balance at the end of the year	**Ps. 363,183**	**Ps. 331,411**	**Ps. 159,329**	**Ps. 133,085**

(1) In post-employment, the variation includes of a change in the institutional retirement bonus plan for Banco de Occidente and in the long term includes the update of the convention for in a long-term institutional benefit plan at Banco de Bogotá.

(2) See note 1.1., "Discontinued operation of BAC Holding".

(Amounts expressed in millions of Colombian pesos)

The assumptions used to calculate the obligation projected for different post-employment benefits employees are as follows:

Post-employment benefits *	December 31, 2023	December 31, 2022
Discount interest rate	11.34 %	13.27 %
Inflation rate	2.96 %	3.00 %
Salary growth rate	3.80 %	3.58 %
Pension growth rate	3.00 %	3.00 %

* Entities in Colombia and subsidiaries abroad participate.

Long-term benefits *	December 31, 2023	December 31, 2022
Discount interest rate	11.40 %	13.72 %
Inflation rate	3.00 %	3.00 %
Salary growth rate	4.27 %	4.00 %

* Only entities from Colombia participate.

Employee turnover is calculated based on the experience of each entity. For those entities where a sufficiently long statistic history is not yet available to support the actuarial bases, the SoA2003 table is used as a reference. With this table, the probability of permanence of personnel in the entity is established, modified according to the population factor of each benefit. Employee´s life expectancy is calculated based on the mortality tables RV08 (Colombia) and GA83 (Central America).

The sensitivity analysis for post-employment and long-term benefits liabilities due to defined benefits plans to different actuarial and financial variables is shown below, maintaining other variables at constant values (increase or decrease 50 basis points):

	-0.50 basic points		+0.50 basic points	
At December 31, 2023	Post-employment benefits	Long-term benefits	Post-employment benefits	Long-term benefits
Discount interest rate	Ps. 10,764	Ps. 3,050	Ps. (10,227)	Ps. (2,919)
Salaries growth rate	(1,756)	(3,819)	2,353	3,589
Retirement growth rate	(10,443)	N/A	10,979	N/A

	-0.50 basic points		+0.50 basic points	
At December 31, 2022	Post-employment benefits	Long-term benefits	Post-employment benefits	Long-term benefits
Discount interest rate	Ps. 8,242	Ps. 2,414	Ps. (7,920)	Ps. (2,317)
Salaries growth rate	(1,621)	(2,991)	1,671	3,101
Retirement growth rate	(7,191)	N/A	3,589	N/A

The following table reveals he cash flows required for payment of post–employment and long-term benefits:

Year	Payments for post-employment	Payments for long-term benefits
2024	Ps. 57,922	Ps. 31,798
2025	58,572	27,668
2026	57,227	22,014
2027	54,944	22,121
2028	53,979	19,934
Years 2029 – 2033	243,179	79,389
Total	**Ps. 525,823**	**Ps. 202,924**

As of December 31, 2023, the average duration of post-employment benefit plans is 5.52 years (4.62 years for 2022) and for the long-term it is 3.75 years (3.56 years for 2022).

(Amounts expressed in millions of Colombian pesos)

NOTE 23 – LEGAL RELATED AND NON-LEGAL RELATED PROVISIONS

The movement and balances of legal and non-legal related provisions during the periods ended on December 31, 2023 and 2022 are described below:

		For legal		Non-legal		Total provisions
Balance as of January 1, 2022	**Ps.**	**247,529**	**Ps.**	**902,732**	**Ps.**	**1,150,261**
Provisions made during the year		183,294		380,005		563,299
Provisions used during the year		(44,895)		(200,406)		(245,301)
Provisions reversed during the year (1)		(155,475)		(62,180)		(217,655)
Effect of movements in exchange rates		370		17,810		18,180
Reclassification BAC		(2,047)		(40,193)		(42,240)
Discontinued operations		417		210		627
Balance as of December 31, 2022	**Ps.**	**229,193**	**Ps.**	**997,978**	**Ps.**	**1,227,171**
Provisions made during the year		298,719		334,974		633,693
Provisions used during the year		(51,160)		(338,536)		(389,696)
Provisions reversed during the year (1)		(258,421)		(110,419)		(368,840)
Effect of movements in exchange rates		(642)		(18,403)		(19,045)
Balance as of December 31, 2023	**Ps.**	**217,689**	**Ps.**	**865,594**	**Ps.**	**1,083,283**

(1) For legal related, recovery of provisions by Porvenir for December of 2023 and 2022 by Ps. 241,431 and Ps.149,598 for claims for nullity of affiliations that were in progress.

The estimated period for the cancellation of the provisions recorded as of December 31,2023 and 2022 is a follows.

Estimated period to be canceled		**Legal provisions**		**Non-legal**		**Total provisions**
Within twelve months	**Ps.**	8,283	**Ps.**	173,692	**Ps.**	**181,975**
After twelve months		209,406		691,902		**901,308**
Balance as of December 31, 2023	**Ps.**	**217,689**	**Ps.**	**865,594**	**Ps.**	**1,083,283**

Estimated period to be canceled		**Legal provisions**		**Non-legal**		**Total provisions**
Within twelve months	**Ps.**	9,449	**Ps.**	363,888	**Ps.**	**373,337**
After twelve months		219,744		634,090		**853,834**
Balance as of December 31, 2022	**Ps.**	**229,193**	**Ps.**	**997,978**	**Ps.**	**1,227,171**

Legal related:

Administrative proceedings

At December 31, 2023 and 2022, the outstanding balance of provisions recorded for administrative proceedings were Ps. 29,207 and Ps. 26,476 respectively, by way of claims for administrative or judicial processes of a tax nature other than income tax and other processes, initiated by national and local authorities that establish, in some cases sanctions in which the subsidiaries of Grupo Aval would incur.

Labor proceedings

At December 31, 2023 and 2022, the outstanding balance of provisions recorded for labor proceedings were Ps. 28,138 and Ps. 29,592 respectively. Labor proceedings include labor pursuits, indemnities for former employees against some subsidiaries of Grupo Aval. The time expected for resolution is uncertain since each proceeding is based on different instances.

Other proceedings

At December 31, 2023 and 2022, the outstanding balance of other legal provisions recorded were Ps. 160,344 and Ps. 173,125, respectively, being the most representative:

- Provisions made to cover claims for cancellation of affiliations and transfer of regime, old-age pensions,requests to Porvenir, old age disability and survival pensions which amounted to Ps. 152,017 and Ps. 144,038, respectively.

(Amounts expressed in millions of Colombian pesos)

Non-legal related:

At December 31, 2023 and 2022 the outstanding balance of non-legal related provisions recorded amounting were Ps. 865,594 and Ps. 997,978, respectively, are mainly comprised by:

- Provisions in Corficolombiana´s affiliates as of December 31, 2023 and 2022, associated with the maintenance, restoration and rehabilitation relating to development of concession contracts of Ps. 310,044 and Ps. 339,191 respectively.

- Provisions in Porvenir´s subsidiary as of December 31, 2023, and 2022, where the main balance corresponds to undercapitalized accounts, these are individual pension accounts called "Fondo de Pensiones Obligatorias Especial Porvenir de Retiro Programado", which according to actuarial projections do not have the required balance to achieve minimum pension payment, and thus have to be provisioned for the expected difference of Ps. 283,568 and Ps. 289,381 respectively.

- Provisions for losses on loan commitments as of December 31 2023 and 2022, of Ps. 70,268 and Ps. 64,910 respectively. (See note 4.1.5) Loan commitments and financial guarantee contracts.

- Provision in Proinvipacífico, a Corficolombiana´s subsidiary as of December 31, 2023 and 2022 for the recognition of additional costs on the Pacífico 1 project of Ps. 42,358 and Ps. 55,933 respectively.

- Provisions of several subsidiaries of Grupo Aval as of December 31,2023 and 2022, corresponding to the dismantling of ATMs and offices of Ps. 75,808 and Ps. 59,002, respectively.

NOTE 24 – OTHER LIABILITIES

Other liabilities of December 31, 2023 and 2022 comprise the following:

Other liabilities		December 31, 2023		December 31, 2022
Suppliers and services payable	Ps.	3,474,177	Ps.	2,803,736
Income received for third parties		3,399,759		3,039,484
Transactions ATH and ACH (1)		939,341		749,578
Withholdings taxes and labor contributions		703,380		611,951
Cashier checks		655,854		646,688
Contract liability related to concessions		530,300		515,688
Dividends payable		527,984		220,815
Commissions and fees		411,478		399,895
Collection on behalf of third parties		334,963		266,462
Cash surplus		133,774		69,291
Insurance payables		117,371		111,081
Collection service		106,089		101,615
Value added tax - VAT		75,098		59,599
Checks drawn and not paid		70,791		88,128
Financial transactions tax		52,106		52,787
Canceled accounts		34,782		34,645
Anticipated income		17,566		18,001
Customer loyalty programs		14,784		14,009
Other liabilities		354,843		338,349
Total other liabilities	**Ps.**	**11,954,440**	**Ps.**	**10,141,802**

(1) A Toda Hora S.A. – ATH y ACH Colombia S.A. are entities that administer low-value payment systems that are in charge of supporting entities for clearing transactions that are carried out through electronic channels.

Other liabilities		December 31, 2023		December 31, 2022
Liabilities to be canceled within twelve months		8,800,905		8,043,321
Liabilities to be canceled after twelve months		3,153,535		2,098,481
Total	**Ps.**	**11,954,440**	**Ps.**	**10,141,802**

(Amounts expressed in millions of Colombian pesos)

NOTE 25 – EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT

Authorized, issued and outstanding shares as of December 31, 2023 and 2022 consisted of the following:

	December 31, 2023	December 31, 2022
Authorized shares	120,000,000,000	120,000,000,000
Subscribed fully paid shares	23,743,475,754	22,281,017,159
Total outstanding shares	**23,743,475,754**	**22,281,017,159**
Issuance of shares (1)	-	1,462,458,595
Total outstanding shares	**23,743,475,754**	**23,743,475,754**

Issuance of shares		—		**1,462,458,595**
Subscribed and paid-in capital	Ps.	—	Ps.	1,463
Additional paid-in capital		—		1,082,307
Issuance of shares (2)	**Ps.**	**—**	**Ps.**	**1,083,770**

The outstanding shares are as follows:	**December 31, 2023**	**December 31, 2022**
Common voting shares (3)	16,201,712,499	16,204,145,980
Preferred non-voting shares (4)	7,541,763,255	7,539,329,774

(1) Issuance of shares for dividend distribution.
(2) These shares were issued at Ps. 741.06 pesos per share, recognizing Ps.1 peso in capital stock and Ps. 740.06 pesos in Additional paid-in capital.
(3) Common Voting shares with a nominal value of (Ps. 1) Colombian peso.
(4) Since 2011, Grupo Aval allows its shareholders to convert their common shares into preferred shares. For the years ended December 31, 2023 and 2022, 2,433,481 and 2,515,570 common shares were converted into preferred shares, respectively. Preferred shares have the right to receive a preferential minimum dividend of one Colombian peso (Ps. 1) per semester per share. This preferential minimum dividend is only applicable when dividends declared for common shares are less than one Colombian peso (Ps. 1). Preferential minimum dividends are not cumulative.

25.1 Appropriated retained earnings

As of December 31, 2023, and 2022 the appropriation of retained earnings is as follows:

		December 31, 2023		December 31, 2022
Retained earnings (1)	Ps.	525,153	Ps.	(4,784,817)
Accumulated withholding tax over dividends		(26,135)		(25,824)
Legal reserve		11,872		11,872
Statutory and voluntary reserves		7,220,883		12,817,186
	Ps.	**7,731,773**	**Ps.**	**8,018,417**

(1) See note 1.1., "Discontinued operation of BAC Holding".

25.1.1 Legal Reserve

In accordance with current legal regulations, Grupo Aval and its subsidiaries in Colombia shall create a legal reserve through the appropriation of (10%) of the net profits of each year up to an amount equal to (50%) of the subscribed capital stock. This reserve may be reduced below (50%) of the subscribed capital stock to stem losses in excess of retained earnings. The legal reserve cannot be less than the percentage aforementioned except to cover losses in excess of retained earnings.

25.1.2 Statutory and Voluntary Reserves

The statutory and voluntary reserves are determined during the Shareholders Meetings.

(Amounts expressed in millions of Colombian pesos)

25.2 Declared Dividends

The dividends are declared and paid to shareholders based on unconsolidated net income under Colombian IFRS (NCIF), the dividends declared were as follows:

	December 31, 2023		December 31, 2022	
Net income for the periods ended in	Ps.	2,541,179	Ps.	3,502,758
Declared dividends	In the general assembly held in March 2023, 43.20 pesos per share payable in twelve installments of 3.60 pesos per share, from April 2023 to March 2024.		In the general assembly held in March 2022, A stock dividend at the rate of $54 per share on the 22,281,017,159 common and preferred shares outstanding as of December 31, 2021. These dividends will be paid in shares, at the rate of 1 share for every 13.72333 common or preferred shares, as of December 31, 2021. The payment of the shares will be made on May 31, 2022, to whoever is entitled to it at the time the payment becomes due in accordance with current regulations. For this purpose, up to a total of 1,623,586,385 new shares of the same species held by the shareholder will be issued. The unit value of the shares will be 741.06.	
Total outstanding shares		23,743,475,754		22,281,017,159
Total declared dividends [(*)]	**Ps.**	**1,025,718**	**Ps.**	**1,203,175**

[(*)] See Consolidated Statement of Changes in Equity for dividends distribution.

25.3 Earnings per share

- Basic earnings per share

Grupo Aval calculates basic earnings per share by dividing net income for the year attributable to controlling interest of Grupo Aval parent company by the weighted average number of shares outstanding during the year (including common and preferred shares).

The following table summarizes the earnings per share for the year ended as of December 31, 2023 and 2022:

		December 31, 2023		December 31, 2022
Net income for the year	Ps.	2,177,116	Ps.	4,869,133
Less: participation of non- controlling interests		(1,438,113)		(2,386,248)
Net income attributable to owners of the parent		**739,003**		**2,482,885**
Less: preferred dividends declared		—		—
Less: Allocation of undistributed earnings to preferred stockholders [(1)(2)]		(234,727)		(791,989)
Net Income allocated to common shareholders for basic and diluted EPS	Ps.	504,276	Ps.	1,690,896
Weighted average number of common shares outstanding used in basic EPS calculation [(2)]		16,202,376,163		15,760,496,801
Basic and Diluted earnings per share to common shareholders (in Colombian pesos)		31.12		107.29
Basic and Diluted earnings per ADS [(3)] (in Colombian pesos)		622.47		2,145.74
Weighted average of the common and preferred shares used in the calculation of earnings per basic share (common and preferred)		23,743,475,754		23,142,465,372
Basic earnings of the owners of the parent per share in Colombian pesos		**31.12**		**107.29**

(1) Based on a weighted average of preferred shares.
(2) Averages based on an end of month number of preferred or common shares.
(3) Each ADS represents 20 preferred shares.

The following table summarizes earnings per share over net income from continuing operations for the years ended December 31, 2023 and 2022.

		December 31, 2023		December 31, 2022
Net income from continuing operations	Ps.	2,177,116	Ps.	4,002,967
Less: participation of non- controlling interests		(1,438,113)		(2,114,072)
Net income attributable to owners of the parent		**739,003**		**1,888,895**
Less: preferred dividends declared		—		—
Less: Allocation of undistributed earnings to preferred stockholders [(1)(2)]		(234,727)		(602,519)

(Amounts expressed in millions of Colombian pesos)

Net Income allocated to common shareholders for basic and diluted EPS	Ps.	504,276	Ps.	1,286,376
Weighted average number of common shares outstanding used in basic EPS calculation (2)		16,202,376,163		15,760,496,801
Basic and Diluted earnings per share to common shareholders (in Colombian pesos)		31.12		81.62
Basic and Diluted earnings per ADS (3) (in Colombian pesos)		622.47		1,632.41
Weighted average of the common and preferred shares used in the calculation of earnings per basic share (common and preferred)		23,743,475,754		23,142,465,372
Basic earnings of the owners of the parent per share in Colombian pesos		**31.12**		**81.62**

(1) Based on a weighted average of preferred shares.
(2) Averages based on an end of month number of preferred or common shares.
(3) Each ADS represents 20 preferred shares.

The following table summarizes earnings per share over net income from discontinued operations for the years ended December 31, 2022.

		December 31, 2022
Net income from continuing operations	Ps.	866,166
Less: participation of non- controlling interests		(272,176)
Net income attributable to owners of the parent		**593,990**
Less: preferred dividends declared		—
Less: Allocation of undistributed earnings to preferred stockholders (1)(2)		(189,470)
Net Income allocated to common shareholders for basic and diluted EPS	Ps.	404,520
Weighted average number of common shares outstanding used in basic EPS calculation (2)		15,760,496,801
Basic and Diluted earnings per share to common shareholders (in Colombian pesos)		25.67
Basic and Diluted earnings per ADS (3) (in Colombian pesos)		513.33
Weighted average of the common and preferred shares used in the calculation of earnings per basic share (common and preferred)		23,142,465,372
Basic earnings of the owners of the parent per share in Colombian pesos		**25.67**

(1) Based on a weighted average of preferred shares.
(2) Averages based on an end of month number of preferred or common shares.
(3) Each ADS represents 20 preferred shares.

- Diluted earnings per share

On December 31, 2023 and 2022, Grupo Aval did not have any dilutive instruments.

(Amounts expressed in millions of Colombian pesos)

25.4 Equity transactions

On December 31, 2022 some transactions took place which resulted in changes to the ownership interests of Grupo Aval and its subsidiaries, below is the detail of the most significant equity transactions:

The equity effect for Ps. 15,091, is given by the distribution of dividends from Banco de Bogotá and Corficolombiana, since Grupo Aval and its subsidiaries received dividends in shares, unlike some minority shareholders who opted to change the payment of dividends in shares for that of dividends in cash , generating a modification in the participation of Grupo Aval at the consolidated level, going from a participation of 68.74% to 68.93% in Banco de Bogotá and from 39.98% to 40.40% in Corficolombiana. Additionally, shares were purchased in Corficolombiana going from a 40.40% stake to 40.53%.

25.5 Consolidated Other Comprehensive Income (OCI):

Components of accumulated Other Comprehensive Income for the years ended December 31, 2023 and 2022 are as follows:

	Net gain (loss) on hedges of net investment in foreign operations	Cash flow hedges	Foreign currency translation differences from unhedged foreign operations	Effect of moving investment properties for own use	Unrealized gains (losses) debt securities	Unrealized gains (losses) Equity securities	Investments in associates and join ventures	Actuarial gains(losses)	Income tax	Total comprehensive income, net of taxes
Ending balance 2021	**Ps. 235,032**	**Ps. 7,938**	**Ps. (1,067,581)**	**Ps. 19,020**	**Ps. (785,731)**	**Ps. 805,538**	**Ps. 114,498**	**Ps. (123,489)**	**Ps. 2,968,725**	**Ps. 2,173,950**
Current-period change	(266,716)	(2,396)	90,619	461	(2,088,548)	(439,150)	66,366	95,819	809,995	(1,733,550)
Realization of OCI to P&L of discontinued operation (1)	192,707	—	1,265,594	—	(98,947)	—	15,364	—	(2,804,043)	(1,429,325)
Ending balance 2022	**Ps. 161,023**	**Ps. 5,542**	**Ps. 288,632**	**Ps. 19,481**	**Ps. (2,973,226)**	**Ps. 366,388**	**Ps. 196,228**	**Ps. (27,670)**	**Ps. 974,677**	**Ps. (988,925)**
Current-period change	(36,517)	(47,793)	(409,671)	557	1,898,441	151,517	(35,892)	(51,763)	(813,708)	655,171
Realization of OCI	—	11,870	—	(2,520)	(102,775)	4,866	—	(4,561)	476	(92,644)
Ending balance 2023	**Ps. 124,506**	**Ps. (30,381)**	**Ps. (121,039)**	**Ps. 17,518**	**Ps. (1,177,560)**	**Ps. 522,771**	**Ps. 160,336**	**Ps. (83,994)**	**Ps. 161,445**	**Ps. (426,398)**

	Non -controlling interest	Owners of the parent	Total comprehensive income, net of taxes
Ending balance 2021	**Ps. 1,056,768**	**Ps. 1,117,182**	**Ps. 2,173,950**
Current-period change	(452,982)	(1,280,568)	(1,733,550)
Realization of OCI to P&L of discontinued operation [1]	(446,146)	(983,179)	(1,429,325)
Ending balance 2022	**Ps. 157,640**	**Ps. (1,146,565)**	**Ps. (988,925)**
Current-period change	(6,447)	661,618	655,171
Realization of OCI	(33,372)	(59,272)	(92,644)
Ending balance 2023	**Ps. 117,821**	**Ps. (544,219)**	**Ps. (426,398)**

(1) See note 1.1., "Discontinued operation of BAC Holding".

(Amounts expressed in millions of Colombian pesos)

NOTE 26 - NON- CONTROLLING INTEREST

The following table includes information regarding the non-controlling interest of each direct and indirect subsidiary of Grupo Aval at December 31, 2023 and 2022:

December 31, 2023

Entity	Country	Non-controlling Interest	Non-controlling Interest share of equity	Non-controlling interest share of net income	Dividends paid to non-controlling interest in the year
Corporación Financiera Colombiana S.A.	Colombia	59.47%	Ps. 9,835,593	Ps. 1,166,399	Ps. (555,084)
Banco Bogotá S.A.	Colombia	31.07%	2,395,427	138,297	(256,413)
Banco de Occidente S.A.	Colombia	27.73%	1,296,543	73,902	(61,931)
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	Colombia	24.24%	689,306	132,805	(128)
Banco Comercial AV Villas S.A.	Colombia	20.13%	328,655	(47,625)	(4,673)
Banco Popular S.A.	Colombia	6.26%	192,220	(25,665)	(37,704)
		Total	**Ps. 14,737,744**	**Ps. 1,438,113**	**Ps. (915,933)**

[(1)] See note 1., "Reporting entity".

December 31, 2022

Entity	Country	Non-controlling Interest	Non-controlling Interest share of equity	Non-controlling interest share of net income	Dividends paid to non-controlling interest in the year
Corporación Financiera Colombiana S.A.	Colombia	59.47%	Ps. 9,347,843	Ps. 1,604,142	Ps. (427,370)
Banco Bogotá S.A.	Colombia	31.07%	2,602,543	628,214	(121,337)
Banco de Occidente S.A.	Colombia	27.73%	1,234,275	96,441	(44,202)
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	Colombia	24.24%	603,288	36,527	(3)
Banco Comercial AV Villas S.A.	Colombia	20.13%	349,487	21,765	(16,225)
Banco Popular S.A.	Colombia	6.26%	217,253	(841)	(6,040)
		Total	**Ps. 14,354,689**	**Ps. 2,386,248**	**Ps. (615,177)**

The following table includes information regarding each direct and indirect subsidiary of Grupo Aval that has significant non-controlling interests to December 31, 2023, and 2022(before eliminations):

December 31, 2023

Entity	Assets	Liabilities	Total Income	Net Income	OCI - Controlling	Cash Flow from operating activities
Corporación Financiera Colombiana S.A.[(1)]	Ps. 57,281,194	Ps. 41,759,075	Ps. 21,924,701	Ps. 1,530,167	Ps. 518,906	Ps. 462,627
Banco Bogotá S.A.	137,474,034	121,705,013	7,426,045	968,934	(470,967)	4,939,701
Banco de Occidente S.A.	68,601,785	62,913,703	3,751,270	479,557	(70,255)	1,527,081
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	3,571,979	700,357	1,184,591	560,210	(14,502)	189,272
Banco Comercial AV Villas S.A.	18,913,324	17,171,402	1,144,236	(241,004)	34,174	(382,392)
Banco Popular S.A.[(1)]	Ps. 85,370,710	Ps. 67,656,734	Ps. 39,314,924	Ps. (184,616)	Ps. 21,218	Ps. 126,336

[(1)] See note 1., "Reporting entity".

December 31, 2022

Entity	Assets	Liabilities	Total Income	Net Income	OCI - Controlling	Cash Flow from operating activities
Corporación Financiera Colombiana S.A.	Ps. 54,030,318	Ps. 39,158,937	Ps. 13,466,165	Ps. 2,301,398	Ps. 355,507	Ps. 1,607,158
Banco Bogotá S.A.	137,873,838	122,063,279	12,767,867	2,806,268	(586,923)	(3,276,271)
Banco de Occidente S.A.	60,004,409	54,788,335	5,799,384	456,343	(311,542)	(1,676,363)
Sociedad Administradora de Fondos de Pensiones y Cesantías Porvenir S.A.	3,522,732	1,056,580	972,508	155,194	(60,646)	33,365
Banco Comercial AV Villas S.A.	19,648,282	17,801,302	2,062,719	103,774	(102,613)	274,563

(Amounts expressed in millions of Colombian pesos)

December 31, 2022

Entity		Assets		Liabilities		Total Income		Net Income		OCI - Controlling		Cash Flow from operating activities
Banco Popular S.A.	Ps.	32,667,378	Ps.	29,449,526	Ps.	3,406,454	Ps.	79,994	Ps.	(80,101)	Ps.	(51,186)

NOTE 27 – COMMITMENTS AND CONTINGENCIES

Capital expenses commitments

As of December 31, 2023, and 2022 Grupo Aval and its subsidiaries had contractual disbursement commitments of capital expenditures, for tangible assets for Ps. 11,205 and Ps. 18,118, respectively; and for intangible assets for Ps. 45,043 and Ps. 45,186 respectively.

Contingencies

As of December 31, 2023, and 2022, Grupo Aval and its subsidiaries were part of administrative and legal proceedings as defendants; whose expected resolution time is uncertain due to the fact that each process is at different stages. The claims of proceedings were assessed based on analyses and opinions of seasoned lawyers for Ps. 798,290 and Ps.755,656 respectively in the following legal contingencies were determined:

Labor Proceedings

As of December 31, 2023, and 2022, the outstanding balances recognized for labor complaints amounted to Ps. 124,012 and Ps. 123,603 respectively. Historically, many of these proceedings have been resolved in favor of Grupo Aval and its subsidiaries.

Civil Proceedings

As of December 31, 2023, and 2022, the result of the assessment of claims for civil suits, not including those with remote probability, reached outstanding balances recognized of Ps. 344,152 and Ps. 273,795 respectively.

Administrative, Tax Proceedings and Other Proceedings

Claims derived from administrative and judicial processes include those of fiscal responsibility over concession contracts, tax proceedings and other, filed by national and local tax authorities. These authorities may establish, in some cases, sanctions in which Grupo Aval and its subsidiaries may incur as a result of: (i) the performance of their duty as a withholder or collector of national and local taxes, and/or (ii) the obligation to pay a higher tax amount in their condition of taxpayers. As of December 31, 2023, the outstanding balances recognized for these claims amounted to Ps.330,126. As of December 31, 2022, these amounted to Ps. 358,258.

Other matters

The following are processes that, although they have been resolved to date, were reported during the year 2023, for which reason a summary of the same and its conclusions are made.

Class Action before the Administrative Tribune of Cundinamarca in connection with the Ruta del Sol Sector 2 Project

On January 26, 2017, the Inspector-General's Office (Procuraduría General de la Nación or "PGN") filed a class action against CRDS, (a company formed by Constructora Norberto Odebrecht S.A., Odebrecht Investimentos em Infraestructura Ltda., CSS Constructores S.A. and Episol), the National Infrastructure Agency ("ANI") and its members, seeking a declaration of violation of the collective rights of administrative morality, defense of public assets and access to public services, in connection with the Ruta del Sol Sector 2 project.

On December 6, 2018, the Administrative Tribunal of Cundinamarca ("TAC"), the body presiding over the class action, issued a first instance ruling against CRDS, and all its shareholders, including Episol, and other individuals and entities. The TAC found the defendants jointly and severally liable for the damages caused to the collective interests and ordered the payment of Ps. 800,156 to the Colombian Ministry of Transportation. The TAC also debarred the defendants for a term of ten years, during which time they would be prohibited from contracting with the Colombian government and holding public office. Subsequently, in an order dated February 8, 2019, the TAC corrected certain arithmetical errors in its ruling, and reduced the amount of the fine to Ps. 715,656.

(Amounts expressed in millions of Colombian pesos)

The aforementioned ruling was appealed by Episol and the other defendants. In the case of Episol, its appeal filing sought revocation of the TAC's first instance ruling against it on the basis of multiple substantive and procedural defects.

On July 27, 2023, the Consejo de Estado issued a second instance decision confirming in general terms the violation of certain collective rights but revoking certain decisions such as the debarment from government contracting, the joint and several liability of the defendants, including Episol, To pay damages in the amount of Ps. 715,656 million and the orders regarding the interim measures

This is a final non appealable ruling which terminated this contingency without generating any financial impact.

Investigations by United States authorities

In late 2018, the Department of Justice of the United States ("DOJ") and the United States Securities and Exchange Commission ("SEC") informed Grupo Aval that they had opened an investigation on matters related to the Ruta del Sol Sector 2 project. Grupo Aval provided cooperation with the DOJ and the SEC in these investigations.

On August 10, 2023, Grupo Aval and its subsidiary Corficolombiana announced resolutions of these investigations by DOJ and the SEC. The resolutions were based on information gathered by U.S. authorities, including testimonial evidence from third parties, related to actions taken by a former Corficolombiana executive in connection with an Odebrecht-led bribery scheme related to Ruta del Sol II.

Corficolombiana entered into a resolution with DOJ, and Grupo Aval and Corficolombiana entered into civil administrative resolutions with the SEC, that conclude the U.S. agencies' investigations into the companies. The DOJ did not bring any enforcement action against Grupo Aval, and the SEC did not make a claim against Grupo Aval for bribery. As part of the resolutions, Corficolombiana and Grupo Aval agreed to pay an aggregate of US$60.6 million to U.S. authorities, after applicable credits. This effect was recorded in the Consolidated Financial Statements of Corficolombiana.

NOTE 28 – NET INCOME FROM CONTRACTS WITH CUSTOMERS

Below is the detail of the income and expenses for commissions and fees of the continuing operations for the years ended as of December 31, 2023 and 2022:

Income from commissions and fees		**December 31, 2023**		**December 31, 2022**
Banking service fees	Ps.	1,663,340	Ps.	1,533,322
Debit and credit card fees		1,009,472		836,046
Pension and severance fund management		978,504		885,420
Trust activities and portfolio management services		463,194		353,285
Bonded warehouse services		188,191		187,237
Commissions on transfers, checks and checkbooks		22,941		25,181
Office network services		21,638		24,935
Other commissions and fees		9,056		29,013
Total income from commissions and fees	**Ps.**	**4,356,336**	**Ps.**	**3,874,439**

Expenses from commissions and fees		**December 31, 2023**		**December 31, 2022**
Banking services	Ps.	(617,524)	Ps.	(473,595)
Sales and services commissions		(250,460)		(340,918)
Fees paid to pension funds sales force		(70,335)		(97,470)
Information processing services of operators		(29,905)		(24,320)
Offices network services		(20,147)		(16,993)
Other		(15,442)		(17,380)
Total expenses from commissions and fees	**Ps.**	**(1,003,813)**	**Ps.**	**(970,676)**
Net income from commissions and fees	**Ps.**	**3,352,523**	**Ps.**	**2,903,763**

Below is the detail of the income and cost from goods and services for the years ended as of December 31, 2023 and 2022:

	December 31,	**December 31,**

Income from sales of goods and services		**2023**		**2022**
Energy and Gas	Ps.	6,158,616	Ps.	5,718,808
Infrastructure		3,954,197		5,330,193
Hotels		598,895		532,337
Agribusiness		296,804		340,984
Other services		215,044		219,005
Total income from sales of goods and services (*)	**Ps.**	**11,223,556**	**Ps.**	**12,141,327**

(*) See note 31.6, to see income by country.

Costs and expenses of sales goods and services		**December 31, 2023**		**December 31, 2022**
Cost of sales from companies from non-financial sector	Ps.	(5,799,721)	Ps.	(5,575,912)
Allowance for impairment of loans and receivables		(51,035)		(59,073)
General and administrative expenses		(989,313)		(843,125)
Personnel expenses		(607,894)		(609,050)
Amortization of intangible assets		(353,305)		(305,488)
Depreciation of tangible assets		(90,344)		(103,972)
Depreciation of right of use assets		(37,031)		(35,294)
Employee bonuses		(14,376)		(11,569)
Commissions and fees expenses		(39,466)		(34,646)
Donations expenses		(19,858)		(16,739)
Labor severances		(3,254)		(1,363)
Total costs and expenses of sales goods and services	**Ps.**	**(8,005,597)**	**Ps.**	**(7,596,231)**
Gross profit from sales of goods and services	**Ps.**	**3,217,959**	**Ps.**	**4,545,096**

NOTE 29 – NET TRADING INCOME

Net trading income includes income from client driven trading activities primarily conducted in markets, including foreign exchange, credit, rates and equities trading, as follows:

		December 31, 2023		**December 31, 2022**
Net trading investment income (1)				
Fixed income securities	Ps.	1,030,809	Ps.	(60,797)
Equities		634,274		90,568
Total trading investment income	**Ps.**	**1,665,083**	**Ps.**	**29,771**
Net derivatives (loss) income				
Net (loss) income on financial derivatives (2)	Ps.	(2,438,841)	Ps.	1,503,453
Net other trading (loss) income (3)		(142,291)		26,402
Total net derivatives (loss) income	**Ps.**	**(2,581,132)**	**Ps.**	**1,529,855**
Total net trading (loss) income	**Ps.**	**(916,049)**	**Ps.**	**1,559,626**

(1) Includes net trading income from investment securities held for trading, that reflects the interest from investment in debt securities, gains/losses from mark-to-market valuation from investment in equity and debt securities and net income from trading activities.
(2) Includes net trading income from derivatives, which reflects the gains/losses from mark-to-market valuation on trading derivatives.
(3) Includes gains/losses from: (i) Net changes in the valuation of hedging derivatives from mark-to-market valuations from unhedged, (ii) the ineffective portion of the hedge, (iii) Transfers of due hedging derivatives from OCI to the statement of income.

(Amounts expressed in millions of Colombian pesos)

NOTE 30 – OTHER INCOME AND EXPENSE

Below is the detail of the other income and expense in the years ended on December 31, 2023 and 2022:

Other Income		December 31, 2023		December 31, 2022
Foreign exchange gains, net [1]	Ps.	2,253,925	Ps.	(1,825,718)
Share of profit of equity accounted investees, net of tax		371,397		372,777
Gain on sale of assets properties, plant and equipment		360,728		142,149
Dividends		126,274		119,888
Net gain (loss) on sale of debt securities		108,773		(134,699)
Net gain (loss) on asset valuation		74,886		50,463
Gain on the sale of non-current assets held for sale		48,589		10,487
Other income [2]		406,734		416,082
Total other income	**Ps.**	**3,751,306**	**Ps.**	**(848,571)**

(1) The net variation as of December 31, 2023, and December 31, 2022, corresponds mainly to the effect on the exchange rate variation of (Ps. 988.15) (see note 2.3).
(2) For 2022, includes valuation effect of Bac Holding for Ps. 137,427.

Other Expense		December 31, 2023		December 31, 2022
Personnel expenses	Ps.	(3,055,168)	Ps.	(2,833,794)
Taxes and fees		(1,214,559)		(872,341)
Insurance		(618,197)		(524,557)
Consultancy, audit and other fees		(537,972)		(479,043)
Maintenance and repairs		(394,524)		(357,790)
Amortization of intangible assets		(240,804)		(225,137)
Marketing		(233,512)		(207,071)
Depreciation of tangible assets		(218,230)		(219,316)
Depreciation right of use assets		(211,457)		(201,293)
Affiliation contributions and transfers		(168,986)		(252,942)
Warehouse services		(148,633)		(144,739)
Leases (Rent)		(144,276)		(134,691)
Transportation services		(95,520)		(99,296)
Data processing		(85,231)		(77,803)
Losses due to claims		(83,728)		(39,435)
Cleaning and security services		(80,904)		(74,276)
Outsourcing services		(59,599)		(68,779)
Supplies and stationary		(52,074)		(46,114)
Loss from sale of property and equipment		(44,399)		(26,387)
Donations expenses		(31,309)		(36,019)
Adaptation and installation		(28,076)		(30,636)
Travel expenses		(21,345)		(24,249)
Impairment losses other assets		(2,946)		(20,787)
Loss from sale of non-current assets held for sale		(595)		(800)
Other		(574,410)		(412,488)
Total other expense	**Ps.**	**(8,346,454)**	**Ps.**	**(7,409,783)**

NOTE 31 – ANALYSIS OF OPERATING SEGMENTS

Operating segments are components of Grupo Aval responsible for developing commercial activities that can generate revenue or incur expenses and whose operating profit or loss are regularly reviewed by the chief operating decision maker ("CODM") of Grupo Aval, and for which financial information is available. Operating segment information is consistent with the internal reports provided to the CODM.

31.1 Description of products and services from which each reportable segment derives its income

As a result of the organizational changes made during the last year, the allocation of the segments for December 31, 2023 changed with respect to what was revealed in previous periods, going from a scheme of consolidated entities (8 segments) to groups of entities with homogeneous businesses (4 segments). The types of business that comprise the new segments are detailed below:

- The "Banking Services" segment comprises the following businesses: Banking Services, fund management and trust businesses, storage companies and entities that manage low-value payment systems.
- The "Merchant Banking" segment comprises the following businesses: Financial Sector (trust and brokerage), Gas and Energy Sector (includes natural gas and energy transportation and distribution businesses), Infrastructure Sector (includes road infrastructure projects, mainly construction services, and operation and maintenance), Hotel Sector (mainly includes hospitality services), Agribusiness Sector (mainly includes palm oil, rubber and rice businesses).
- "Pension and Severance Fund Management" segment.
- "Holding" segment, which is made up of Grupo Aval (Separate Financial Statement) and Grupo Aval Limited.

For comparative purposes, information from previous periods including this modification is being presented, in accordance with the requirements of IFRS 8 Operating Segments.

31.2 Factors used by management to identify reportable segments

Operating segments identified above are based on the relevance of factors such as (i) the nature of the products and services provided and (ii) the geographical locations. Information regarding the performance of operating segments is reviewed by the CODM on a quarterly basis.

With respect to the previous period and as required by IFRS 8 "Operating Segments", the reported figures have been modified to be consistent with 2023.

31.3 Measurement of net income, assets and liabilities of operating segments

Grupo Aval's CODM reviews the financial information of each of its operating segments and assesses the performance of each segment based on Statements of Financial Position and the Statement of Income of each of them, and on certain credit risk indicators, as described in note 2.4.

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(Amounts expressed in millions of Colombian pesos)

31.4 Information on net income, assets and liabilities of reportable operating segments

The following is the detail of the reportable financial information summarized for each segment as of December 31, 2023 and 2022:

Statement of Financial Position

December 31, 2023

	Banking Services	Merchant Banking	Pension and Severance Fund Management	Holding [1]	Eliminations	Total
Assets						
Trading assets	Ps. 8,987,130	Ps. 4,339,052	Ps. 2,197,618	Ps. 256	Ps. (72,935)	Ps. 15,451,121
Investment securities [2]	28,140,335	4,323,998	470,474	2,359,521	(868,635)	34,425,693
Hedging derivatives assets	47,975	687	—	—	—	48,662
Investments in associates and joint ventures	11,825,193	997,597	—	19,060,746	(30,592,853)	1,290,683
Loans, net	174,849,356	2,660,449	—	1,239,785	(2,581,535)	176,168,055
Other assets [3]	30,346,277	44,959,411	903,887	411,537	(2,823,730)	73,797,382
Total assets	**Ps. 254,196,266**	**Ps. 57,281,194**	**Ps. 3,571,979**	**Ps. 23,071,845**	**Ps. (36,939,688)**	**Ps. 301,181,596**
Liabilities						
Customer deposits	177,750,657	8,169,647	1,287	—	(3,934,195)	181,987,396
Financial obligations	41,562,702	21,455,386	97,565	5,512,298	(3,086,612)	65,541,339
Other liabilities [4]	9,258,820	12,134,042	601,505	382,088	(244,010)	22,132,445
Total liabilities	**Ps. 228,572,179**	**Ps. 41,759,075**	**Ps. 700,357**	**Ps. 5,894,386**	**Ps. (7,264,817)**	**Ps. 269,661,180**

(1) Includes Grupo Aval (Separate Financial Statement) and Grupo Aval Limited.
(2) The balance in segment Holding corresponds to a bond issued by BAC International Bank Incorporated acquired by Grupo Aval Limited.
(3) Includes cash and cash equivalents for Ps. 18,597,861; intangible assets Ps. 18,141,916; other accounts receivable Ps. 25,617,225, tangible assets Ps. 6,995,890; income tax assets Ps. 3,877,749; non-current assets held for sale Ps. 101,184 and other assets Ps. 465,557.
(4) Includes trading liabilities Ps. 2,154,361; hedging derivative liabilities Ps. 217,566; income tax liabilities Ps. 5,814,987; employee benefits Ps. 907,808; provisions Ps. 1,083,283 and other liabilities Ps. 11,954,440.

(Amounts expressed in millions of Colombian pesos)

Statement of income for 2023

	Banking Services	Merchant Banking	Pension and Severance Fund Management	Holding [(1)]	Eliminations	Total
External income						
Interest income	Ps. 27,293,337	Ps. 1,149,086	Ps. 117,076	Ps. 359,905	Ps. —	Ps. 28,919,404
Income from commissions and fees [(2)]	3,243,740	134,252	978,344	—	—	4,356,336
Income from sales of goods and services [(2)]	107,864	11,069,075	46,617	—	—	11,223,556
Share of profit of equity accounted investees, net of tax	41,277	326,328	—	3,792	—	371,397
Dividends	11,252	115,022	—	—	—	126,274
Net income from other financial instruments mandatory at fair value through profit or loss	—	323,685	—	—	—	323,685
Net trading income	(1,245,312)	34,383	294,784	96	—	(916,049)
Foreign exchange gains, net	1,575,043	692,134	(11,757)	(1,495)	—	2,253,925
Other income [(3)]	817,906	153,118	28,419	267	—	999,710
Total external income	**Ps. 31,845,107**	**Ps. 13,997,083**	**Ps. 1,453,483**	**Ps. 362,565**	**Ps. —**	**Ps. 47,658,238**

	Banking Services	Merchant Banking	Pension and Severance Fund Management	Holding [(1)]	Eliminations	Total
Intersegment income						
Interest income	Ps. 376,228	Ps. 158,256	Ps. 3,588	Ps. 31,624	Ps. (569,696)	Ps. —
Income from commissions and fees [(2)]	29,127	1,979	254	292,641	(324,001)	—
Income from sales of goods and services [(2)]	2,324	1,844	38,373	—	(42,541)	—
Share of profit of equity accounted investees, net of tax	830,683	(341)	—	642,720	(1,473,062)	—
Dividends	453	1,449	—	—	(1,902)	—
Net trading income	80	2,202	5,315	—	(7,597)	—
Other income [(3)]	53,109	(446)	(24,025)	835	(29,473)	—
Total intersegment income	**1,292,004**	**164,943**	**23,505**	**967,820**	**(2,448,272)**	**—**
Total income	**Ps. 33,137,111**	**Ps. 14,162,026**	**Ps. 1,476,988**	**Ps. 1,330,385**	**Ps. (2,448,272)**	**Ps. 47,658,238**
Expenses						
Interest expense	Ps. (19,260,207)	Ps. (3,471,779)	Ps. (56,927)	Ps. (519,869)	Ps. 676,352	Ps. (22,632,430)
Net impairment loss on financial assets	(4,170,048)	(28,175)	1,965	12,578	1,286	(4,182,394)
Depreciation and amortization	(639,717)	(14,028)	(16,786)	(1,736)	1,776	(670,491)
Expenses from commissions and fees	(910,751)	(16,104)	(104,773)	(430)	28,245	(1,003,813)
Costs and expenses of sales goods and services	(443,840)	(7,498,858)	(79,794)	—	16,895	(8,005,597)
Personnel expenses	(2,672,717)	(147,303)	(195,469)	(39,779)	100	(3,055,168)
Administrative expenses	(4,185,245)	(178,885)	(259,331)	(67,494)	323,953	(4,367,002)
Income tax expense	184,941	(1,268,268)	(172,943)	(56,966)	2,802	(1,310,434)
Other expense [(4)]	(212,354)	(8,459)	(32,721)	82,111	(82,370)	(253,793)
Total expenses	**(32,309,938)**	**(12,631,859)**	**(916,779)**	**(591,585)**	**969,039**	**(45,481,122)**
Net income for the year	**Ps. 827,173**	**Ps. 1,530,167**	**Ps. 560,209**	**Ps. 738,800**	**Ps. (1,479,233)**	**Ps. 2,177,116**

(1) Includes Grupo Aval (Separate Financial Statement) and Grupo Aval Limited.
(2) See note 28, income from contracts with customers.
(3) Includes Net gain on sale of debt and equity securities for Ps. 108,773; Gain on the sale of non-current assets held for sale Ps. 48,589; net gain in asset valuation Ps. 74,886 and other operating income Ps. 767,462.
(4) Includes loss from sale of non-current assets held for sale Ps. (595) and other operating expenses Ps. (253,198).

(Amounts expressed in millions of Colombian pesos)

Revenue from contracts with customers at December, 2023

	Banking Services	Merchant Banking	Pension and Severance Fund Management	Holding [(1)]	Eliminations	Total
Revenue from contracts with customers [(2)]	**Ps. 3,383,055**	**Ps. 11,207,150**	**Ps. 1,063,588**	**Ps. 292,641**	**Ps. (366,542)**	**Ps. 15,579,892**
Timing of revenue recognition						
At a point in time	142,134	400,146	75,527	292,641	(304,433)	**606,015**
Over time	3,240,921	10,807,004	988,061	—	(62,109)	**14,973,877**

(1) Includes Grupo Aval (Separate Financial Statement) and Grupo Aval Limited.
(2) See note 28, includes Income from contracts with customers.

Statement of Financial Position December 31, 2022

	Banking Services	BAC Holding International Corp. [(1)]	Merchant Banking	Pension and Severance Fund Management	Holding [(2)]	Eliminations	Total
Assets							
Trading assets	Ps. 5,689,416	Ps. —	Ps. 4,147,230	Ps. 2,061,335	Ps. 764	Ps. (57,338)	Ps. 11,841,407
Investment securities [(3)]	27,574,684	—	3,364,143	528,607	2,725,950	(518,907)	33,674,477
Hedging derivatives assets	107	—	20,747	—	—	—	20,854
Investments in associates and joint ventures	11,326,522	—	1,143,120	—	18,812,115	(29,858,414)	1,423,343
Loans, net	177,391,660	—	2,455,471	—	1,505,904	(2,237,188)	179,115,847
Other assets [(4)]	27,794,158	—	42,899,607	932,790	282,691	(2,393,938)	69,515,308
Total assets	**Ps. 249,776,547**	**Ps. —**	**Ps. 54,030,318**	**Ps. 3,522,732**	**Ps. 23,327,424**	**Ps. (35,065,785)**	**Ps. 295,591,236**
Liabilities							
Customer deposits	Ps. 170,222,824	—	6,589,578	1,124	—	(3,472,377)	173,341,149
Financial obligations	46,440,671	—	21,296,089	444,647	6,509,111	(2,573,743)	72,116,775
Other liabilities [(5)]	7,441,514	—	11,273,270	610,809	124,715	(138,655)	19,311,653
Total liabilities	**Ps. 224,105,009**	**Ps. —**	**Ps. 39,158,937**	**Ps. 1,056,580**	**Ps. 6,633,826**	**Ps. (6,184,775)**	**Ps. 264,769,577**

(1) See note 1.1. "Discontinued operations of BAC Holding".
(2) Includes Grupo Aval (Separate Financial Statement) and Grupo Aval Limited.
(3) The balance in segment Holding corresponds to a bond issued by BAC International Bank Incorporated acquired by Grupo Aval Limited.
(4) Includes cash and cash equivalents for Ps. 17,032,857; intangible assets Ps. 17,531,081; other accounts receivable Ps. 23,380,573, tangible assets Ps. 7,235,441; income tax assets Ps. 3,633,876; non-current assets held for sale Ps. 92,830 and other assets Ps. 608,650.
(5) Includes trading liabilities Ps. 1,757,606; Hedging derivative liabilities Ps. 3,568; income tax liabilities Ps. 5,291,487; employee benefits Ps. 890,019; provisions Ps. 1,227,171 and other liabilities Ps. 10,141,802.

(Amounts expressed in millions of Colombian pesos)

Statement of Income for the year 2022

	Banking Services	BAC Holding International Corp. (1)	Merchant Banking	Pension and Severance Fund Management	Holding (2)	Eliminations	Total
External income							
Interest income	Ps. 18,321,381	Ps. —	Ps. 723,488	Ps. 98,302	Ps. 259,861	Ps. —	Ps. 19,403,032
Income from commissions and fees (3)	2,865,336	—	127,609	881,494	—	—	3,874,439
Income from sales of goods and services (3)	88,093	—	11,986,518	66,716	—	—	12,141,327
Share of profit of equity accounted investees, net of tax	41,904	—	326,448	—	4,425	—	372,777
Dividends	17,696	—	102,192	—	—	—	119,888
Net income from other financial instruments mandatory at fair value through profit or loss	—	—	278,751	—	—	—	278,751
Net trading income	1,207,099	—	388,350	(35,975)	152	—	1,559,626
Foreign exchange gains, net	(1,286,774)	—	(483,627)	(54,771)	(546)	—	(1,825,718)
Other income (4)	583,001	—	(98,871)	(738)	1,090	—	484,482
Discontinued operations (5)	455,908	544,890	—	—	(134,632)	—	866,166
Total external income	**Ps. 22,293,644**	**Ps. 544,890**	**Ps. 13,350,858**	**Ps. 955,028**	**Ps. 130,350**	**Ps. —**	**Ps. 37,274,770**
	Banking Services	**BAC Holding International Corp. (1)**	**Merchant Banking**	**Pension and Severance Fund Management**	**Holding (2)**	**Eliminations**	**Total**
Intersegment income							
Interest income	Ps. 240,317	Ps. —	Ps. 110,250	Ps. 7,958	Ps. 172,312	Ps. (530,837)	Ps. —
Income from commissions and fees (3)	23,981	—	1,502	3,682	282,924	(312,089)	—
Income from sales of goods and services (3)	26,225	—	1,603	4,573	—	(32,401)	—
Share of profit of equity accounted investees, net of tax	884,067	—	427	—	1,915,871	(2,800,365)	—
Dividends	298	—	1,876	—	—	(2,174)	—
Net trading income	—	—	(387)	(1,639)	—	2,026	—
Foreign exchange loss, net	—	—	—	—	—	—	—
Other income (4)	12,832	—	36	2,906	369	(16,143)	—
Discontinued operations (5)	—	—	—	—	596,648	(596,648)	—
Total intersegment income	**1,187,720**	**—**	**115,307**	**17,480**	**2,968,124**	**(4,288,631)**	**—**
Total income	**Ps. 23,481,364**	**Ps. 544,890**	**Ps. 13,466,165**	**Ps. 972,508**	**Ps. 3,098,474**	**Ps. (4,288,631)**	**Ps. 37,274,770**
Expenses							
Interest expense	Ps. (9,602,059)	Ps. —	Ps. (2,030,256)	Ps. (63,207)	Ps. (517,383)	Ps. 548,510	Ps. (11,664,395)
Net impairment loss on financial assets	(2,447,198)	—	(14,266)	(7,782)	(23,840)	(62)	(2,493,148)
Depreciation and amortization	(620,298)	—	(11,492)	(14,486)	(1,766)	2,296	(645,746)
Expenses from commissions and fees	(767,204)	—	(17,175)	(193,124)	(19,992)	26,819	(970,676)
Costs and expenses of sales goods and services	(487,142)	—	(7,059,820)	(63,049)	—	13,780	(7,596,231)

(Amounts expressed in millions of Colombian pesos)

		Banking Services	BAC Holding International Corp. (1)	Merchant Banking	Pension and Severance Fund Management	Holding (2)	Eliminations	Total
Personnel expenses		(2,493,399)	—	(123,104)	(168,450)	(48,933)	92	(2,833,794)
Administrative expenses		(3,569,706)	—	(126,670)	(195,071)	(116,899)	304,747	(3,703,599)
Income tax expense		(405,748)	—	(1,753,733)	(92,993)	(18,802)	(128)	(2,271,404)
Other expense (6)		(178,160)	—	(28,251)	(19,152)	(1,185)	104	(226,644)
Total expenses		**(20,570,914)**	**—**	**(11,164,767)**	**(817,314)**	**(748,800)**	**896,158**	**(32,405,637)**
Net income for the year	**Ps.**	**2,910,450 Ps.**	**544,890 Ps.**	**2,301,398 Ps.**	**155,194 Ps.**	**2,349,674 Ps.**	**(3,392,473)Ps.**	**4,869,133**

(1) See note 1.1. "Discontinued operations of BAC Holding".
(2) Includes Grupo Aval (Separate Financial Statement) and Grupo Aval Limited.
(3) See note 28, income from contracts with customers.
(4) Includes Net gain on sale of debt and equity securities for Ps. (134,699); Gain on the sale of non-current assets held for sale Ps. 10,487; net gain in asset valuation Ps. 50,463 and other operating income Ps. 558,230.
(5) See note 1.1. "Discontinued operations of BAC Holding".
(6) Includes loss from sale of non-current assets held for sale Ps. (800) and other operating expenses Ps. (225,844).

Revenue from contracts with customers at December, 2022

		Banking Services	BAC Holding International Corp. (1)	Merchant Banking	Pension and Severance Fund Management	Holding (2)	Eliminations	Total
Revenue from contracts with customers (3)	**Ps.**	**3,003,635 Ps.**	**— Ps.**	**12,117,232 Ps.**	**956,465 Ps.**	**282,924 Ps.**	**(344,490)Ps.**	**16,015,766**
Timing of revenue recognition								
At a point in time		318,011	—	193,572	62,743	282,924	(289,876)	**567,374**
Over time		2,685,624	—	11,923,660	893,722	—	(54,614)	**15,448,392**

(1) See note 1.1. "Discontinued operations of BAC Holding".
(2) Includes Grupo Aval (Separate Financial Statement) and Grupo Aval Limited.
(3) See note 28, includes Income from contracts with customers.

Reconciliation of net income, assets and liabilities of the reportable operating segments

Main eliminations of total income, expenses, assets and liabilities between segments with the corresponding consolidated entries at the level of Grupo Aval are:

- Loans and financial obligations of entities mainly from non-financial sector.
- Investments in term deposits and outstanding bonds of in other segments.
- Investments in subordinates elimination and record of non- controlling interests.
- Leases and commissions pay between entities of Grupo Aval.
- Expenses and incomes from commissions

(Amounts expressed in millions of Colombian pesos)

31.5 Analysis of Revenues by Products and Services

Grupo Aval's revenues are analyzed in each segment by products and services, in the statement of income.

31.6 Income by Country

Grupo Aval's revenues for each individual country for which revenues are significant, are the following during the years ended December 31, 2023 and 2022:

	December 31, 2023					
	Country					
	Colombia	Panamá	Barbados	Perú	Other countries [1]	Total income
Interest income	**Ps. 26,954,361**	**Ps. 1,852,433**	**Ps. 62,818**	**Ps. 49,582**	**Ps. 210**	**Ps. 28,919,404**
Income from commissions and fees	**4,196,458**	**157,526**	**2,116**	**119**	**117**	**4,356,336**
Commissions on banking services	1,526,772	134,216	2,116	119	117	1,663,340
Fees on credit cards	986,721	22,751	—	—	—	1,009,472
Pension and severance fund management	978,504	—	—	—	—	978,504
Trust activities	463,194	—	—	—	—	463,194
Storage services	188,191	—	—	—	—	188,191
Commissions on drafts, checks and checkbooks	22,382	559	—	—	—	22,941
Office network services	21,638	—	—	—	—	21,638
Other commissions	9,056	—	—	—	—	9,056
Share of profit of equity accounted investees, net of tax	**371,397**	**—**	**—**	**—**	**—**	**371,397**
Dividends	**119,988**	**6,286**	**—**	**—**	**—**	**126,274**
Income from sales of goods and services	**10,305,957**	**—**	**—**	**917,599**	**—**	**11,223,556**
Energy and gas E&G	5,263,794	—	—	894,822	—	6,158,616
Infrastructure	3,954,197	—	—	—	—	3,954,197
Hotels	576,118	—	—	22,777	—	598,895
Agribusiness	296,804	—	—	—	—	296,804
Other services	215,044	—	—	—	—	215,044
Other income	**2,500,392**	**155,595**	**(294)**	**5,584**	**(6)**	**2,661,271**
Total income	**Ps. 44,448,553**	**Ps. 2,171,840**	**Ps. 64,640**	**Ps. 972,884**	**Ps. 321**	**Ps. 47,658,238**

(1) Costa Rica and Grand Cayman.

(Amounts expressed in millions of Colombian pesos)

	December 31, 2022					
	Country					
	Colombia	Panamá	Barbados	Perú	Other countries [1]	Total income
Interest income	Ps. **17,882,243**	Ps. **1,445,425**	Ps. **41,664**	Ps. **33,550**	Ps. **150**	Ps. **19,403,032**
Income from commissions and fees	**3,731,370**	**140,491**	**2,398**	**46**	**134**	**3,874,439**
Commissions on banking services	1,410,232	120,512	2,398	46	134	1,533,322
Pension and severance fund management	885,420	—	—	—	—	885,420
Fees on credit cards	816,587	19,459	—	—	—	836,046
Trust activities	353,285	—	—	—	—	353,285
Storage services	187,237	—	—	—	—	187,237
Other commissions	29,013	—	—	—	—	29,013
Commissions on drafts, checks and checkbooks	24,661	520	—	—	—	25,181
Office network services	24,935	—	—	—	—	24,935
Share of profit of equity accounted investees, net of tax	**372,777**	**—**	**—**	**—**	**—**	**372,777**
Dividends	**108,343**	**11,545**	**—**	**—**	**—**	**119,888**
Income from sales of goods and services	**11,198,953**	**—**	**—**	**942,374**	**—**	**12,141,327**
Energy and gas E&G	4,797,942	—	—	920,866	—	5,718,808
Infrastructure	5,330,193	—	—	—	—	5,330,193
Hotels	510,829	—	—	21,508	—	532,337
Agribusiness	340,984	—	—	—	—	340,984
Other services	219,005	—	—	—	—	219,005
Other income	**370,640**	**115,657**	**(616)**	**11,146**	**314**	**497,141**
Total income from continuing operations	Ps. **33,664,326**	Ps. **1,713,118**	Ps. **43,446**	Ps. **987,116**	Ps. **598**	Ps. **36,408,604**
Discontinued operations [2]	866,166	—	—	—	—	866,166
Total income	**34,530,492**	**1,713,118**	**43,446**	**987,116**	**598**	**37,274,770**

(1) Costa Rica and Grand Cayman.
(2) Correspond to reclassification for comparability of the movements of BAC Holding consider the deconsolidation of this entity during year 2022.

(Amounts expressed in millions of Colombian pesos)

During the years ended December 31, 2023 and 2022, Grupo Aval reported no concentration of revenue in customers with more than a 10% share of revenue from ordinary activities.

The foregoing analysis is based on the customer's domicile. Income from off- shore entities of Colombian customers are reported as income from Colombia. The revenues include income from interest, fees, commissions and other operating income.

31.7 Non-current assets by Country

The main non-current assets are detailed below according to the presentation based on the degree of liquidity for each country for the periods ending December 31, 2023 and 2022:

December 31, 2023		(1) Own – use Property, plant and equipment, net		(2) Intangible assets
Colombia	Ps.	3,979,113	Ps.	15,303,358
Panamá		326,976		258,404
Perú		121,544		2,579,249
Barbados		170		905
Total	**Ps.**	**4,427,803**	**Ps.**	**18,141,916**

December 31, 2022		(1) Own – use Property, plant and equipment, net		(2) Intangible assets
Colombia	Ps.	4,173,701	Ps.	14,239,986
Panamá		431,409		334,463
Perú		124,953		2,956,379
Barbados		179		253
Total	**Ps.**	**4,730,242**	**Ps.**	**17,531,081**

(1) see note 15.1
(2) see notes 16 to 18.

NOTE 32 – UNCONSOLIDATED STRUCTURED ENTITIES

The term "unconsolidated structured entities" refers to all structured entities that are not controlled by Grupo Aval. Grupo Aval enters into transactions with unconsolidated structured entities in the normal course of business to facilitate customer transactions and for specific investment opportunities.

The table below shows the total assets of unconsolidated structured entities in which Grupo Aval had an interest at the reporting date and its maximum exposure to loss in relation to those interests:

Nature and risks associated with Grupo Aval's interests in unconsolidated structured entities

December 31, 2023		Grupo Aval's managed funds		funds managed by other entities		Total
Grupo Aval's interest-assets						
Investments at fair value through profit or loss	Ps.	3,680,026	Ps.	2,567,099	Ps.	6,247,125
Other account receivables		31,629		533		32,162
Total assets in relation to Grupo Aval's interests in the unconsolidated structured entities		**3,711,655**		**2,567,632**		**6,279,287**
Grupo Aval's maximum exposure (*)	**Ps.**	**3,711,655**	**Ps.**	**2,567,632**	**Ps.**	**6,279,287**

(*) Represent 2.08%, respectively of the Grupo Aval's managed funds total assets.

(Amounts expressed in millions of Colombian pesos)

December 31, 2022		Grupo Aval's managed funds		funds managed by other entities		Total
Grupo Aval's interest-assets						
Investments at fair value through profit or loss	Ps.	4,427,288	Ps.	1,602,297	Ps.	6,029,585
Other account receivables		29,862		—		29,862
Total assets in relation to Grupo Aval's interests in the unconsolidated structured entities		**4,457,150**		**1,602,297**		**6,059,447**
Grupo Aval's maximum exposure (*)	**Ps.**	**4,457,150**	**Ps.**	**1,602,297**	**Ps.**	**6,059,447**

(*) Represent 2.05%, respectively of the Grupo Aval's managed funds total assets.

In the normal course of operations, Grupo Aval has trust companies that manage collective investment funds and assets of third parties where the managing trustees receive commissions. Additionally, Grupo Aval's subsidiary Fondo de Pensiones y Cesantias Porvenir manages mandatory pension funds and defined contribution plans. For management services provided by Porvenir, commissions received vary according to the performance of each fund or asset managed.

The obligations of these entities in the administration of these assets are obligations of means and do not guarantee the results. The maximum exposure risk of loss is determined by the possible failures in the administration of the funds by the amount of the returns that manages and the return of the results of assets the clients.

NOTE 33 - TRANSFERS OF FINANCIAL ASSETS

Grupo Aval enters into transactions in its normal course of business by which it transfers financial assets to third parties. Depending on the circumstances, these transfers may either result in these financial assets being derecognized or continuing to be recognized in Grupo Aval´s financial statements.

Transferred financial assets not qualifying for full derecognition

i. Sale and repurchase agreements

Sales and repurchase agreements are transactions in which Grupo Aval sells securities and simultaneously agrees to repurchase them (or assets that are substantially the same) at a fixed price on a future date. Grupo Aval continues to recognize the securities in their entirety in the statement of financial position because it retains substantially all of the risks and rewards of ownership. The cash consideration received is recognized as a financial asset and a financial liability is recognized for the obligation to pay the repurchase price. Because Grupo Aval sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred assets during the term of the arrangement. As of December 31, 2023, the financial assets held for trading that are being used as collateral under repurchase agreements amounted to Ps. 2,853,286 (December 31, 2022 Ps. 1,998,733) see note 5.1.1 (only pledged as collateral in money market operations and pledged as collateral to special entities such as CRCC, BR and BVC), the financial investments debt securities at amortized cost that are being used as collateral under repurchase agreements amounted to Ps.3,208,890 (December 31, 2022 Ps. 1,379,758) see note 9.3.1 and the financial investments debt securities FVOCI that are being used as collateral under repurchase agreements amounted to Ps. 10,786,312 (December 31, 2022 Ps. 7,713,235) see note 5.1.2 (only pledged as collateral in money market operations and pledged as collateral to special entities such as CRCC, BR and BVC).

ii. Securities lending

As of December 31, 2023, and 2022 Grupo Aval has not recorded securities lending.

(Amounts expressed in millions of Colombian pesos)

Transfer of financial assets that are derecognized in their entirety.

i. Securitizations

As of December 31, 2023, and 2022 Grupo Aval has not recorded securitizations.

NOTE 34 – RELATED PARTIES

To verify the correct identification of relationships and transaction with related parties, Grupo Aval has established a specific formal Procedure for the Identification and Disclosure of Balances and Transactions with Related Parties. In application of this procedure, our members of the Board of Directors and our key management personnel are periodically required to identify close family members and entities over which such persons have significant influence. Such process is conducted by a written request containing the criteria that such person must consider in order to provide information on close family members and entities that must be disclosed as their related parties.

In addition, Grupo Aval Vice-Presidency of Accounting Consolidation periodically performs an evaluation of its controlling and non-controlling investments in other entities to identify if such entities should be treated as a related entity.

The following are some of the guidelines included in the abovementioned corporate framework:

- Grupo Aval and its subsidiaries shall permanently carry out the registration of the operations performed with related parties, identifying the type of operation, its purpose, economic conditions and authorizations received when applicable.

- Grupo Aval and its subsidiaries shall establish limits of indebtedness or exposure and perform constant monitoring of the intragroup operations, complying for such purpose with the restrictions set forth under applicable regulations.

- All intragroup operations shall be fully identified by accounting areas of the respective entities.

- Authorization levels are defined within the governance and control structure, assigned as may be deemed adequate as a function of the magnitude and type of transaction, keeping the evidence of such authorizations.

- It should be verified that related party transactions are carried out for a good and valuable consideration, at market conditions, maintaining a financial equilibrium in the relationships between the entities participating in the operation.

This Reference Framework for Institutional Relations was also submitted to the consideration and approval of the Board of Directors of our subsidiaries and has been made available in the web sites of Grupo Aval and its subsidiaries.

Balances as of the year ended December 31, 2023 and 2022, with related parties, are detailed in the following tables:

	Individuals		Entities		
December 31, 2023	**Individuals with control over Grupo Aval (*)**	**Key management personnel (*)**	**Associates and joint ventures**	**Entities controlled by individuals**	**Entities with significant influence by individuals**
Assets					
Cash and equivalents	Ps. -	Ps. -	Ps. -	Ps. 863	Ps. -
Financial assets in investments	-	-	1,533,531	2,008,318	-
Financial assets in credit operations	14,141	7,537	742,607	(**) 2,884,514	138,645

(Amounts expressed in millions of Colombian pesos)

December 31, 2023	Individuals: Individuals with control over Grupo Aval (*)	Individuals: Key management personnel (*)	Entities: Associates and joint ventures	Entities: Entities controlled by individuals	Entities: Entities with significant influence by individuals
Accounts receivable	28	12	34,908	1,945,671	68
Other assets	-	-	12,651	59,511	-
Liabilities					
Deposits	Ps. 187,385	Ps. 27,531	Ps. 95,101	Ps. 1,420,051	Ps. 15,432
Accounts payable	683	314	20,173	956,158	2
Financial obligations	85	1,237	3	4,774	-
Other liabilities	-	-	61	53	-

(*) Include family members
(**) Includes two loans for Ps. 1,037,413 at 36 months with SOFR rate 3M + 3.5% and Ps. 202,371 at 24 months with IBR rate 3M + 4.5% , granted to an entity controlled by the ultimate beneficial owner of the Group (See note 1.1 B)

December 31, 2022	Individuals: Individuals with control over Grupo Aval (*)	Individuals: Key management personnel (*)	Entities: Associates and joint ventures	Entities: Entities controlled by individuals	Entities: Entities with significant influence by individuals
Assets					
Cash and equivalents	Ps. —	Ps. —	Ps. —	Ps. 292	Ps. —
Financial assets in investments	—	—	1,798,710	3,047,516	—
Financial assets in credit operations	18,375	8,822	553,830	(**) 3,228,184	161,569
Accounts receivable	35	19	14,288	2,154,112	6
Other assets	—	—	7,941	28,290	3,028
Liabilities					
Deposits	Ps. 260,079	Ps. 29,704	Ps. 176,414	Ps. 1,099,251	Ps. 14,351
Accounts payable	292	214	19,983	153,676	5,033
Financial obligations	13	74	—	20,279	—
Other liabilities	—	—	7,032	114	—

(*) Include family members
(**) Includes two loans for Ps. 1,303,971 at 36 months with SOFR rate 3M + 3.5% and Ps. 201,954 at 24 months with IBR rate 3M + 4.5% , granted to an entity controlled by the ultimate beneficial owner of the Group (See note 1.1 B)

(Amounts expressed in millions of Colombian pesos)

Transactions during the years ended as of December 31, 2023 and 2022, with related parties are as follows:

a. Profit or loss

	Individuals		Entities		
December 31, 2023	**Individuals with control over Grupo Aval (*)**	**Key management personnel (*)**	**Associates and joint ventures**	**Entities controlled by individuals**	**Entities with significant influence by individuals**
Income					
Interest income	Ps. 550	Ps. 611	Ps. 92,029	Ps. 618,120	Ps. 24,009
Fee income and commissions	4	25	28,853	157,205	33
Leases	—	—	1,574	76	—
Other income	3	14	480,565	30,809	51
Expenses					
Financial expenses	Ps. (4,412)	Ps. (3,581)	Ps. (10,337)	Ps. (80,165)	Ps. (281)
Fee expenses and commissions	(4)	(2,801)	(91,646)	(4,044)	(171)
Operating expenses	(706)	(15,735)	(408)	(5,517)	—
Other expenses	(11)	(8)	(173,899)	(100,632)	—

(*) Include family members

	Individuals		Entities		
December 31, 2022	**Individuals with control over Grupo Aval (*)**	**Key management personnel (*)**	**Associates and joint ventures**	**Entities controlled by individuals**	**Entities with significant influence by individuals**
Income					
Interest income	Ps. 501	Ps. 578	Ps. 45,585	Ps. 342,962	Ps. 20,418
Fee income and commissions	3	69	29,161	169,629	6
Leases	—	—	1,499	—	—
Other income	5	6	510,803	28,818	36
Expenses					
Financial expenses	Ps. (2,458)	Ps. (2,253)	Ps. (13,370)	Ps. (119,330)	Ps. (211)
Fee expenses and commissions	(4)	(2,153)	(59,554)	(5,028)	(400)
Operating expenses	(905)	(11,277)	(502)	(3,181)	—
Other expenses	(8)	(3,190)	(213,080)	(98,920)	(35)

(*) Include family members

b. Compensation of Key Management Personnel

The compensation received by the key personnel of the management comprises the following:

	Year ended as of	
Items	**December 31, 2023**	**December 31, 2022**
Salaries	Ps. 35,258	Ps. 34,852
Short term benefits for employees	6,741	17,686
Fee	2,418	1,917
Total	**Ps. 44,417**	**Ps. 54,455**

Transactions with our related parties correspond primarily to the normal course of banking business activities carried out under market conditions. Such transactions include demand and saving deposits, time deposits, commercial, consumer and mortgage loans, financial leases, payment of dividends and or interest.

NOTE 35 – SUBSEQUENT EVENTS

As of the date of issuance of these financial statements, there are no events that occurred after the reporting that require disclosure or recording.